

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

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

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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, 2015**

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
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 th Street Glencoe, MN 55336 (320) 864-2491

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FINANCIAL SECTION

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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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, 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.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 1). Our auditors' opinion was not modified with respect to the restatement.

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, 2014, and we expressed unmodified opinions on those audited financial statements in our report dated September 15, 2014. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other 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.

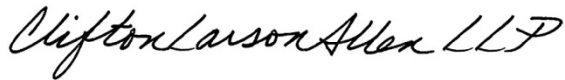
Other Information

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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 October 22, 2015 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
October 22, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- The District has been able to maintain a positive fund balance.
- Enrollment decreased by 2.07% from 2014. Total ADM's were 1,564.
- The Net Position of the district increased by 27.16%.
- The fund balance in the general fund decreased to \$5,110,622 compared to \$5,198,630 at June 30, 2014.
- The ending fund balance is still above the fund balance policy set by the board.
- Restricted accounts having fund balances at June 30, 2015 included Staff Development, Safe Schools, Teacher Evaluation, Deferred Maintenance, Health & Safety, 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
YEAR ENDED JUNE 30, 2015**

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
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* Net Position was \$2,361,417. This was an 80.15% decrease from the prior year. (See Table A-1.)

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

	Governmental Activities		Percentage
	2015	2014	Change
Current and Other Assets	\$ 9,169,596	\$ 9,842,891	-6.84%
Capital and Non-Current Assets	7,874,687	7,529,723	4.58%
Total Assets	17,044,283	17,372,614	-1.89%
Total Deferred Outflows of Resources	1,471,606	-	N/A
Current Liabilities	1,452,232	1,996,635	-27.27%
Long-Term Liabilities	10,259,244	1,752,767	485.32%
Total Liabilities	11,711,476	3,749,402	212.36%
Total Deferred Inflows of Resources	4,442,995	1,725,114	157.55%
Net Position			
Net Investment in Capital Assets	6,551,262	6,100,321	7.39%
Restricted	969,831	1,023,096	-5.21%
Unrestricted	(5,159,675)	4,774,681	-208.06%
Total Net Position	\$ 2,361,418	\$ 11,898,098	-80.15%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$18,898,193 for the year ended June 30, 2015. Property taxes and state formula aid accounted for 66% of total revenues for the year. The remaining 34% came from other general revenues combined with investment earnings and program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total %
	2015	2014	Change
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,461,405	\$ 1,297,157	12.66%
Operating Grants and Contributions	4,481,826	4,438,653	0.97%
Capital Grants and Contributions	332,005	159,124	108.65%
<u>General Revenues</u>			
Property Taxes	1,990,655	1,496,266	33.04%
Unrestricted State Aid	10,553,038	11,119,510	-5.09%
Investment Earnings	24,170	17,037	41.87%
Other	55,094	458,420	-87.98%
Total Revenues	<u>18,898,193</u>	<u>18,986,167</u>	
Expenses			
Administration	856,686	843,506	1.56%
District Support Services	404,105	447,074	-9.61%
Regular Instruction	7,944,929	8,078,520	-1.65%
Vocational Education Instruction	275,331	192,475	43.05%
Special Education Instruction	2,948,671	2,893,999	1.89%
Instructional Support Services	745,513	681,128	9.45%
Pupil Support Services	1,817,770	1,727,702	5.21%
Sites and Buildings	1,545,635	2,159,225	-28.42%
Fiscal and Other Fixed Cost Programs	69,199	86,765	-20.25%
Food Service	951,760	978,492	-2.73%
Community Service	792,968	813,821	-2.56%
Interest and Fiscal Charges on Long-Term Liabilities	41,257	30,377	35.82%
Total Expenses	<u>18,393,824</u>	<u>18,933,084</u>	-2.85%
Increase in Net Position	504,369	53,083	
Beginning Net Position, As Previously Stated	11,898,098	11,845,015	
Prior Period Adjustment	(10,041,050)	-	
Beginning Net Position, As Restated	<u>1,857,048</u>	<u>11,845,015</u>	
Ending Net Position	<u>\$ 2,361,417</u>	<u>\$ 11,898,098</u>	

Total revenues surpassed expenses by \$504,369 compared to \$53,083 last year. Due to the change in reporting the pension liabilities, the overall net position changed from \$11,898,098 to \$2,361,417.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was \$18,393,824. 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 (\$1,461,405).
- The federal and state governments subsidized certain programs with grants and contributions of \$4,813,831.
- Most of the District's costs \$12,118,588, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$1,990,655 in property taxes and \$10,553,038 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$79,264 related to investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2015

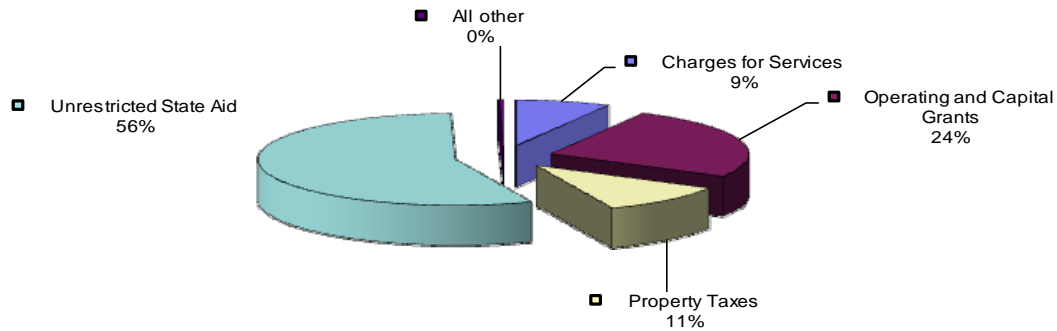
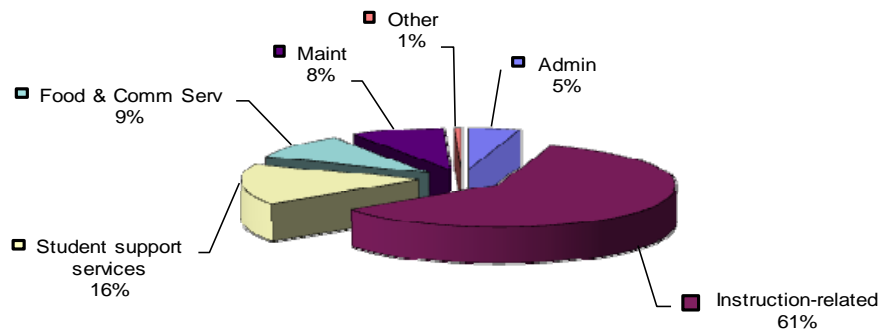


Figure A-2 District Expenses for Fiscal 2015



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Table A-3
Program Costs and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2015	2014		2015	2014	
Administration	\$ 856,686	\$ 843,506	1.56%	\$ 856,686	\$ 843,506	1.56%
District Support Services	404,105	447,074	-9.61%	404,105	447,074	-9.61%
Regular Instruction	7,944,929	8,078,520	-1.65%	5,640,858	6,077,493	-7.18%
Vocational Education Instruction	275,331	192,475	43.05%	253,167	176,084	43.78%
Special Education Instruction	2,948,671	2,893,999	1.89%	1,079,717	900,366	19.92%
Instructional Support Services	745,513	681,128	9.45%	545,422	483,572	12.79%
Pupil Support Services	1,817,770	1,727,702	5.21%	1,763,542	1,672,158	5.47%
Sites and Buildings	1,545,635	2,159,225	-28.42%	1,331,718	2,027,646	-34.32%
Fiscal and Other Fixed Cost Programs	69,199	86,765	-20.25%	69,199	86,765	-20.25%
Food Service	951,760	978,492	-2.73%	(25,446)	45,673	-155.71%
Community Service	792,968	813,821	-2.56%	158,363	295,830	-46.47%
Interest and Fiscal Charges on Long-Term Liabilities	41,257	30,377	35.82%	41,257	30,377	35.82%
Total	\$ 18,393,824	\$ 18,933,084	-2.85%	\$ 12,118,588	\$ 13,086,544	-7.40%

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 \$5,349,961, which is less than Glencoe-Silver Lake Public Schools' last year's ending fund balance of \$5,435,183 a decrease of \$85,222.

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.

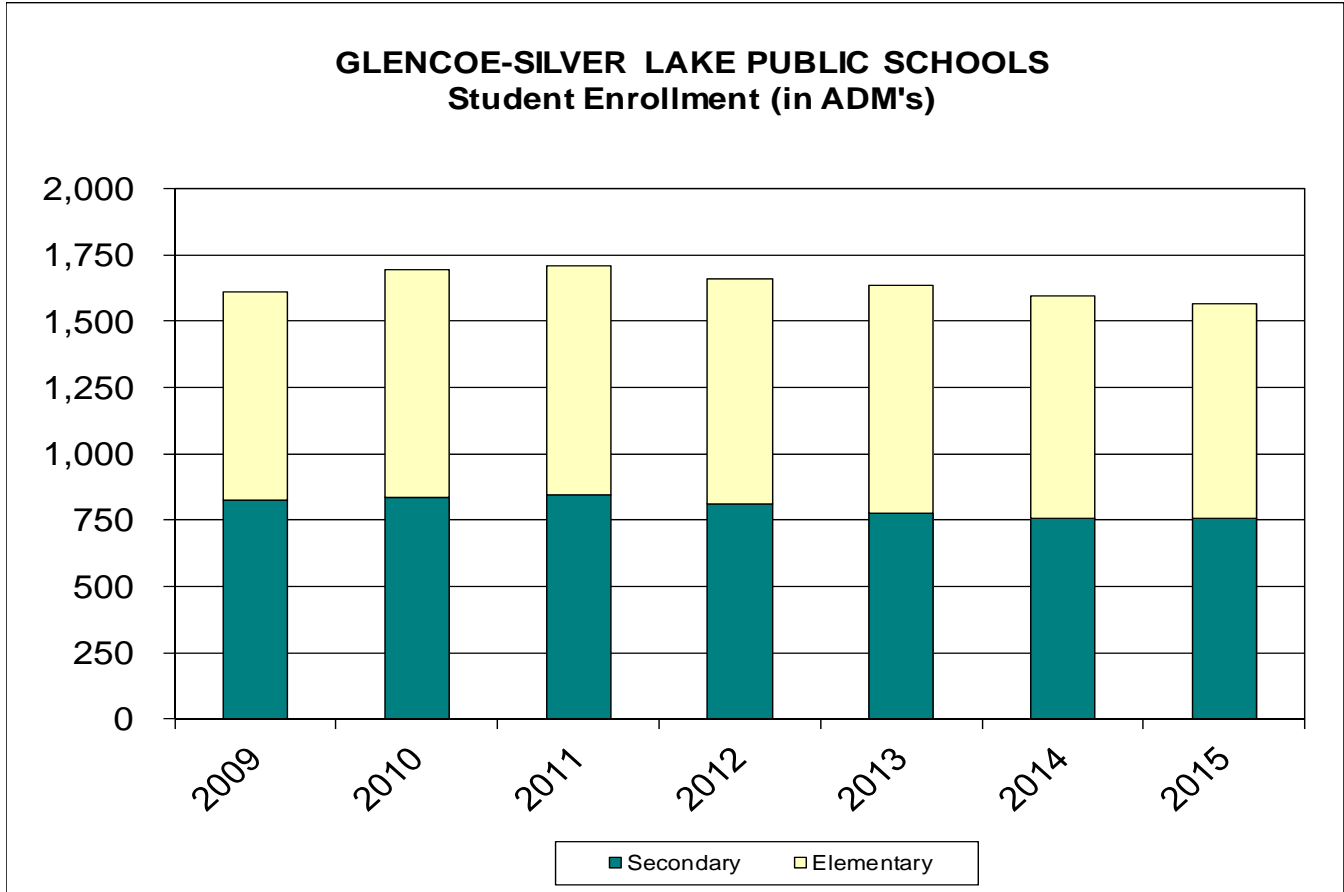
**Table A-4
Student Enrollment (Average Daily Membership)**

	2009	2010	2011	2012	2013	2014	2015
Pre-K & KH	30	32	30	32	25	22	20
Reg K	95	109	116	95	120	91	96
Elementary	658	718	718	724	714	727	690
Secondary	825	837	846	810	775	757	758
Total Students for Aid	1,608	1,696	1,710	1,661	1,634	1,597	1,564
Percent change	0.87%	5.46%	0.83%	-2.87%	-1.63%	-2.26%	-2.07%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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, 2015	June 30, 2014	Increase (Decrease)	Percent
Local Sources				
Property Taxes	\$ 1,848,139	\$ 1,201,111	\$ 647,028	53.9%
Earnings on Investments	22,300	15,155	7,145	47.1%
Other	810,250	655,998	154,252	23.5%
State Sources	13,838,560	14,333,374	(494,814)	-3.5%
Federal Sources	613,210	551,464	61,746	11.2%
Total General Fund Revenue	<u>\$ 17,132,459</u>	<u>\$ 16,757,102</u>	<u>\$ 375,357</u>	2.2%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

GENERAL FUND (CONTINUED)

Revenues from state and federal sources totaled \$14,451,770 a net decrease of \$433,068. Total General Fund revenues increased by \$375,357, or 2.2%, from the previous year. Property tax revenue increased by \$647,028 or 53.9% from the prior year. Some of the increase is attributable to the increase in property values, referendum market values and the lease levy for the Early Childhood Learning Center. Another major change is that there was no State Property Tax Shift and the accounting for that shift. 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 \$494,814 decrease in state sources for fiscal 2015 is attributable mainly to the payback of the tax shift in fiscal 2014. This increased state aids by \$741,000 in fiscal 2014, with an off-setting decrease to property taxes in the same amount.

Federal funds increased by \$61,746 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**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2015	June 30, 2014		
Salaries	\$ 8,899,087	\$ 8,658,212	\$ 240,875	2.8%
Employee Benefits	2,649,213	2,570,115	79,098	3.1%
Purchased Services	3,528,807	3,919,898	(391,091)	-10.0%
Supplies and Materials	751,247	737,594	13,653	1.9%
Capital Expenditures	1,131,567	2,686,286	(1,554,719)	-57.9%
Other Expenditures	310,546	294,383	16,163	5.5%
Total Expenditures	<u>\$ 17,270,467</u>	<u>\$ 18,866,488</u>	<u>\$ (1,596,021)</u>	-8.5%

Total General Fund expenditures decreased by \$1,596,021 or 8.5% 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 decreased to \$5,110,622 at June 30, 2015 compared to \$5,198,630 at June 30, 2014. A total decrease of \$88,008.

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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 fund balance policy was revised in May of 2011 to account for the GASB 54 requirements for Assigned, Committed, Nonspendable, Restricted and Unassigned Fund Balances.

The June 30, 2015 ending unassigned general fund balance of \$4,416,263 is at 24% 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 2015, General Fund revenues were under budgeted level by \$592,843. One of the biggest factors in this variance has to do with the Fund 10 Revenues that are crosswalked and included in the total general fund revenues, but no budget amounts are assigned to the fund 10 accounts. Investment earnings were higher than anticipated. The expenditures exceeded budget by \$35,126 or .20%.

OTHER MAJOR FUNDS

FOOD SERVICE FUND

The Food Service Fund experienced an increase of \$22,032 leaving the fund balance at \$134,323. The 2014-2015 school year was the sixth year that the food service program was outsourced to Compass Group, Inc. through its Chartwell's Food Service Division. The 2014-2015 school year was the first year of a new three contract with Chartwell's. The district saw an increase in meals served from previous years even 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.

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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 a 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 2014-2015 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 decreased from \$124,262 at June 30, 2014 to \$105,016 at June 30, 2015. 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 2015, the District had invested \$7,874,687 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 \$434,109. The major increase was the addition of the Tennis Court Complex under the land improvements.

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

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Land	\$ 130,000	\$ 130,000	0.0%
Construction in Progress	-	221,090	-100.0%
Land Improvements	1,140,892	359,463	217.4%
Buildings and Improvements	11,784,156	11,718,151	0.6%
Equipment	4,019,089	3,870,460	3.8%
Less: Accumulated Depreciation	<u>(9,199,450)</u>	<u>(8,769,441)</u>	4.9%
Total	<u><u>\$ 7,874,687</u></u>	<u><u>\$ 7,529,723</u></u>	4.6%

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CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year end, the District had \$0 in general obligation bonds and \$90,196 in capital leases, as shown in Table A-8. The district did incur a \$1,311,326 lease purchase agreement for the construction of the new early childhood addition in FY14. The District also had \$144,319 in severance benefits payable and \$399,586 in other post-employment benefits payable at June 30, 2015. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

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

	2015	2014	Percentage Change
Net Pension Liability	\$ 8,548,412	\$ -	N/A
Capital Leases Payable	90,196	118,076	-23.6%
Lease Purchase Payable	1,190,900	1,311,326	-9.2%
Notes Payable	42,329	-	N/A
Other Post Employment Benefits Payable	399,586	352,677	13.3%
Severance Benefits Payable	144,319	118,996	21.3%
Total	\$ 10,415,742	\$ 1,901,075	447.9%
Long-Term Liabilities:			
Due Within One Year	\$ 156,498	\$ 148,308	
Due in More Than One Year	10,259,244	1,752,767	
	\$ 10,415,742	\$ 1,901,075	

The majority of the change in the long-term liabilities is related to the GASB 68 pension plans for the TRA and PERA liability and how and who claims the liability. The new GASB requires the liability to be reported by the school district.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The 2015 Legislative Session once again turned out to be an interesting session which ended up going into a special session ending in June of 2015. One month past the May 18th adjournment of the regular session. The House and Senate reached an agreement on the Omnibus Bill that was sent to the Governor Dayton but the Governor was not in agreement with the bill because the bill lacked his top priorities therefore the bill was vetoed on May 21st. The final special session bill appropriated \$525 million to E-12 Education.
- Some of the key points of the budget bill that affect GSL include:
 - Funding formula increase of 2% each year of the biennium.
 - FY 15 - \$5,831
 - FY16 - \$5,948 - \$117 increase to formula allowance
 - FY17 - \$6,067 - \$119 increase to formula allowance
 - The formula increase increases other areas of funding that are linked to the formula allowance. Compensatory, Sparsity, nonpublic transportation, and ECFE which was changed in 2015.

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FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- English Learners – EL – Beginning in FY17, eligibility is extended from 6 to 7 years. In FY 15, this was changed from 5 to 6 years. So, the Legislators are seeing a need to increase the funding for district's struggling with the achievement gap with the EL Learners.
- Money was added to increase the Concurrent Enrollment funding appropriation to assist schools with their programs for College in the Classroom classes.
- Extended time revenue was increased by \$100 in the formula allowance. This funding is not linked to the general education formula allowance.
- The Student Achievement Levy will be phased out in FY2019.
- Additional funding was added for Early Learning programs – School Readiness.
- Staff Development was continued at the 2% general education set-aside. The revenue to be used for teacher and principal development and evaluation, professional development, in-service education and staff development plans.
- Literacy Incentive Aid – districts must now submit a literacy plan to MDE to qualify for state aid.
- Special Education funding formula clarifications for FY16 and later were addressed.
- Changes were made in the student testing requirements.

One of the significant changes as a result of this Legislative Session came from a recommendation of the School Facilities Funding Working Group. There were only 25 metro districts in the past that have qualified for the Alternative Facilities Funding Revenue. This funding stream was allowed for upgrades to buildings but you have to be a large district to qualify.

In place of the Alternative Facilities Funding, 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 2014 Adjusted Net Tax Capacity is 15,388,205 but the Ag Modified ANTC for Long Term Facility Maintenance Revenue is 10,825,615. For the Pay 2016 levy, the total equalized LTFMR is \$336,283. To determine the aid/levy ratio, the 2014 adjusted pupil units of 1,749 is divided by the 2014 Ag Modified ANTC of 10,825,615 which equals 6,1901 divided by the equalizing factor of 8,799. The levy portion is 70% and state aid is 30%. \$99,694 will be state aid on the \$336,283 and \$236,589 will be local levy.

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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 qualify for the new LTFMR, the school board had to approve a 10 Year plan and submit the plan to MDE by August 30th 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 \$446,165 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. *(Note from above, this will be phased back out in FY19.)*
 - 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.

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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 3rd 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.
- 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 2015 levy process which is revenue for the 2015-2016 school year or FY 2016. The final levy authority was a .09% increase of a total of \$1,7756. Total levy authority is \$1,948,739 compared to \$1,946,963 for Pay 2014.
- The preliminary proposed Pay 2016 levy authority is showing a 93.29% increase. A large portion of the increase is due to the new building bond debt that was passed. The amount of the annual debt obligation is \$1,400,391. Without the debt, the levy would increase by 23.20%. Majority of this increase is due to the LTFMR levy authority. The district also showed a substantial increase in the 2014 property market values of 12.5%.
- 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 and \$91,210 in FY2015. 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. The estimate for FY16 is \$85,000.
- 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 2014-2015 ended at 1,564 Adjusted Pupil Units compared to 1,597 in 2013-2014. Preliminary enrollment for the 2015-2016 school year show a slight increase of 30 students to 1,594.

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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 12th, 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 14th 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 14th, 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 FY15, June 30th, no costs were expended towards the start of this project. All costs will be recorded beginning in FY16.

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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 we currently have. 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 \$913. The location equity revenue allowance of \$424 is then subtracted from the \$913, so the new referendum amount is \$489. If the board moves forward with converting the \$300 of voter approved to board approved referendum, the amount of the referendum available is \$189 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 21st 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 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 7th and 8th graders in the fall of 2014.

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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. Also completed 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. The district continues to maintain a fund balance in the operating capital fund while addressing the needs of the district and the building sites.
- 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>2013</u>	<u>2014</u>	<u>2015</u>
Proficiency (25)	24	24	12
Growth (25)	14	17	16
Achievement Gap (25)	14	18	16
Graduation Rate			
Total (75)	52	59	44

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FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Proficiency (25)	18	10	3
Growth (25)	11	11	5
Achievement Gap (25)	11	11	4
Graduation Rate			
Total (75)	40	32	12

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Proficiency (25)	20	25	11
Growth (25)	16	14	14
Achievement Gap (25)	14	12	16
Graduation Rate (25)	25	25	25
Total (100)	75	76	66

- MCA Preliminary test score results for 2014-2015 showed mixed results. Lakeside Elementary shows that improvements have been made in the MCA testing in both math and reading but the MCA scores for the Junior High and High School saw a decline. 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 Elementary scores and the progress that has been achieved the past two years, Lakeside is Celebration Eligible according to MDE guidelines.
- Lakeside Reading – 62.8% compared to 60.8% last year. State average was 59.4%
- Lakeside Math – 67.4% compared to 66.1% last year. State average was 56%.
- Grade 7 – Reading– 42% compared to 45% last year. State average was 56%
- Grade 7 Math – 46% compared to 53% last year. State average was 55%.
- Grade 8 Reading - 44% compared to 57% last year. State average was 56%.
- Grade 8 Math – 57% compared to 56% last year. State average was 58%.
- Grade 9 Writing – 86% compared to 93% last year. State average was 88%.
- Grade 10 Reading – 56% compared to 59% last year. State average was 57%
- Grade 10 Science – 58% compared to 59% last year. State average was 55%.
- Grade 11 Math – 48% compared to 56% last year. State average was 49%.

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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 school year. 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 7th and 8th grades for FY15 and Surface tables were added to the high school math department in FY16. Interactive white boards have now been placed in all elementary classrooms in both Helen Baker and Lakeside. 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 STEAM (*Science, Technology, Engineering, Art and Math*) program and to continue to expand on the high school engineering offerings. Early implementation of the STEAM 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.
- As of October 1, 2015, all employment contracts have been completed.
- 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 Transition 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.
- 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 K-6 Catholic School in Glencoe. The district is also providing the food service program to the Catholic School beginning in FY16. 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. With the consolidation process complete, Glencoe-Silver Lake now serves the communities of Glencoe, Silver Lake, Plato, New Auburn, Biscay, and Brownnton.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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 16th 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, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	Governmental Activities	
	2015	2014
ASSETS		
Cash and Investments	\$ 6,465,094	\$ 6,901,673
Cash Held by Trustee	-	21,810
Receivables		
Property Taxes	987,476	989,865
Other Governments	1,656,961	1,799,668
Other	30,616	79,216
Prepaid Items	2,666	411
Inventories	26,783	50,248
Capital Assets		
Land and Construction in Progress	130,000	351,090
Other Capital Assets, Net of Depreciation	7,744,687	7,178,633
Total Assets	<u>17,044,283</u>	<u>17,372,614</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	1,471,606	-
Total Deferred Outflows of Resources	<u>1,471,606</u>	<u>-</u>
LIABILITIES		
Salaries and Compensated Absences Payable	1,093,464	1,124,772
Accounts and Contracts Payable	167,461	689,070
Accrued Interest	20,314	22,791
Due to Other Governmental Units	246	241
Unearned Revenue	14,249	11,453
Long-Term Liabilities		
Portion Due Within One Year	156,498	148,308
Portion Due in More Than One Year	10,259,244	1,752,767
Total Liabilities	<u>11,711,476</u>	<u>3,749,402</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	1,698,970	1,725,114
Pension Related	2,744,025	-
Total Deferred Inflows of Resources	<u>4,442,995</u>	<u>1,725,114</u>
NET POSITION		
Net Investment in Capital Assets	6,551,262	6,100,321
Restricted for		
Operating Capital Purposes	627,235	676,612
State-Mandated Restrictions	100,816	106,917
Food Service	134,323	112,291
Community Service	107,457	127,276
Unrestricted	(5,159,675)	4,774,681
Total Net Position	<u>\$ 2,361,418</u>	<u>\$ 11,898,098</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, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

2015

Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Administration	\$ 856,686	\$ -	\$ -
District Support Services	404,105	-	-
Regular Instruction	7,944,929	449,745	1,727,619
Vocational Education Instruction	275,331	-	22,164
Special Education Instruction	2,948,671	117,143	1,751,811
Instructional Support Services	745,513	-	200,091
Pupil Support Services	1,817,770	-	54,228
Sites and Buildings	1,545,635	8,619	-
Fiscal and Other Fixed Cost Programs	69,199	-	-
Food Service	951,760	443,320	533,886
Community Service	792,968	442,578	192,027
Interest and Fiscal Charges on Long-Term Liabilities	41,257	-	-
Total School District	<u>\$ 18,393,824</u>	<u>\$ 1,461,405</u>	<u>\$ 4,481,826</u>

General Revenues

Property Taxes Levied for
General Purposes
Community Service
Debt Service
State Aid Not Restricted to Specific Purposes
Earnings on Investments
Miscellaneous
Total General Revenues

Change in Net Position

Net Position - Beginning of Year, As Previously Stated

Prior Period Adjustment

Net Position - Beginning of Year, Restated

Net Position - Ending

See accompanying Notes to Basic Financial Statements.

		2014
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Capital	Total	Total
Grants and Contributions	Governmental Activities	Governmental Activities
\$ -	\$ (856,686)	\$ (843,506)
-	(404,105)	(447,074)
126,707	(5,640,858)	(6,077,493)
-	(253,167)	(176,084)
-	(1,079,717)	(900,366)
-	(545,422)	(483,572)
-	(1,763,542)	(1,672,158)
205,298	(1,331,718)	(2,027,646)
-	(69,199)	(86,765)
-	25,446	(45,673)
-	(158,363)	(295,830)
-	(41,257)	(30,377)
<u>\$ 332,005</u>	<u>(12,118,588)</u>	<u>(13,086,544)</u>

1,835,428	1,202,581
155,227	74,443
-	219,242
10,553,038	11,119,510
24,170	17,037
55,094	506,814
<u>12,622,957</u>	<u>13,139,627</u>
504,369	53,083
11,898,098	11,845,015
(10,041,050)	-
<u>1,857,048</u>	<u>11,845,015</u>
<u>\$ 2,361,417</u>	<u>\$ 11,898,098</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 5,356,386	\$ 132,368	\$ 169,023
Cash Held by Trustee	-	-	-
Receivables			
Current Property Taxes	865,803	-	83,745
Delinquent Property Taxes	35,487	-	2,441
Due from Other Minnesota School Districts	-	-	446
Due from Minnesota Department of Education	1,462,324	5,905	11,507
Due from Federal through Minnesota Department of Education	166,291	10,488	-
Other Receivables	17,815	-	12,801
Prepaid Items	2,426	-	240
Inventory	9,814	16,969	-
Total Assets	<u>\$ 7,916,346</u>	<u>\$ 165,730</u>	<u>\$ 280,203</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Salaries and Compensated Absences Payable	\$ 549,240	\$ -	\$ 5,676
Payroll Deductions and Employer Contributions Payable	538,548	-	-
Accounts and Contracts Payable	147,845	17,158	2,458
Due to Other Governmental Units	246	-	-
Unearned Revenue	-	14,249	-
Total Liabilities	<u>1,235,879</u>	<u>31,407</u>	<u>8,134</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	1,534,358	-	164,612
Unavailable Revenue - Delinquent Property Taxes	35,487	-	2,441
Total Deferred flows of Resources	<u>1,569,845</u>	<u>-</u>	<u>167,053</u>
Fund Balance			
Nonspendable			
Prepaid Items	2,426	-	240
Inventory	9,814	16,969	-
Restricted for			
Staff Development	29,617	-	-
Deferred Maintenance	22,773	-	-
Teacher Development and Evaluation	32,566	-	-
Health and Safety	(45,932)	-	-
Operating Capital	627,235	-	-
Safe Schools - Crime Levy	15,860	-	-
Community Education Programs	-	-	63,990
Early Childhood and Family Education Programs	-	-	7,093
School Readiness	-	-	16,523
Other Purposes	-	117,354	-
Unassigned	4,416,263	-	17,170
Total Fund Balance	<u>5,110,622</u>	<u>134,323</u>	<u>105,016</u>
Total Liabilities and Fund Balance	<u>\$ 7,916,346</u>	<u>\$ 165,730</u>	<u>\$ 280,203</u>

See accompanying Notes to Basic Financial Statements.

Total	
Governmental Funds	
2015	2014
\$ 5,657,777	\$ 6,095,827
-	21,810
949,548	938,653
37,928	51,212
446	-
1,479,736	1,684,133
176,779	115,535
30,616	79,216
2,666	411
26,783	50,248
<u>\$ 8,362,279</u>	<u>\$ 9,037,045</u>

\$ 554,916	\$ 564,857
538,548	559,915
167,461	689,070
246	241
14,249	11,453
<u>1,275,420</u>	<u>1,825,536</u>
1,698,970	1,725,114
37,928	51,212
<u>1,736,898</u>	<u>1,776,326</u>

2,666	411
26,783	50,248
29,617	-
22,773	106,917
32,566	-
(45,932)	(64,505)
627,235	676,612
15,860	-
63,990	89,685
7,093	4,344
16,523	16,831
117,354	81,468
4,433,433	4,473,172
<u>5,349,961</u>	<u>5,435,183</u>
<u>\$ 8,362,279</u>	<u>\$ 9,037,045</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, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2014)**

	<u>2015</u>	<u>2014</u>
Total Fund Balance for Governmental Funds	\$ 5,349,961	\$ 5,435,183
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	-	221,090
Land Improvements, Net of Accumulated Depreciation	994,038	249,898
Buildings and Improvements, Net of Accumulated Depreciation	5,689,394	5,837,613
Equipment, Net of Accumulated Depreciation	1,061,255	1,091,122
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.		
	37,928	51,212
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(20,314)	(22,791)
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:		
	807,317	805,846
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	(8,548,412)	-
Deferred Outflows of Resources - Pensions	1,471,606	-
Deferred Inflows of Resources - Pensions	(2,744,025)	-
Note Payable	(42,329)	-
Lease Purchase Payable	(1,190,900)	(1,311,326)
Capital Leases Payable	(90,196)	(118,076)
Severance Benefits Payable	(144,319)	(118,996)
Other Post Employment Benefits Payable	(399,586)	(352,677)
Total Net Position of Governmental Activities	<u>\$ 2,361,418</u>	<u>\$ 11,898,098</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, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 1,848,139	\$ -	\$ 155,800
Earnings on Investments	22,300	293	106
Other	810,250	443,320	499,892
State Sources	13,838,560	68,253	144,252
Federal Sources	613,210	465,631	-
Total Revenues	17,132,459	977,497	800,050
EXPENDITURES			
Current			
Administration	856,507	-	-
District Support Services	399,385	-	-
Regular Instruction	7,601,481	-	-
Vocational Education Instruction	272,405	-	-
Special Education Instruction	2,930,133	-	-
Instructional Support Services	570,838	-	-
Pupil Support Services	1,773,080	-	-
Sites and Buildings	1,467,098	-	-
Fiscal and Other Fixed Cost Programs	69,199	-	-
Food Service	-	944,115	-
Community Service	-	-	781,262
Capital Outlay	1,131,567	11,350	37,097
Debt Service			
Principal	155,360	-	617
Interest and Fiscal Charges	43,414	-	320
Total Expenditures	17,270,467	955,465	819,296
Excess (Deficiency) of Revenues Over (Under) Expenditures	(138,008)	22,032	(19,246)
OTHER FINANCING SOURCES (USES)			
Capital Lease Issuance	-	-	-
Sale of Equipment Proceeds	-	-	-
Lease-Purchase Agreement Proceeds	-	-	-
Notes Payable Proceeds	50,000	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	50,000	-	-
Net Change in Fund Balance	(88,008)	22,032	(19,246)
Fund Balance - Beginning	5,198,630	112,291	124,262
Fund Balance - Ending	\$ 5,110,622	\$ 134,323	\$ 105,016

See accompanying Notes to Basic Financial Statements.

Governmental Funds			
2015		2014	
\$	2,003,939	\$	1,501,220
	22,699		15,644
	1,753,462		1,872,652
	14,051,065		14,607,620
	1,078,841		992,592
	<u>18,910,006</u>		<u>18,989,728</u>
	856,507		830,638
	399,385		428,414
	7,601,481		7,552,207
	272,405		186,770
	2,930,133		2,865,277
	570,838		572,564
	1,773,080		1,715,864
	1,467,098		1,774,692
	69,199		86,765
	944,115		968,889
	781,262		767,612
	1,180,014		2,739,192
	155,977		675,963
	43,734		34,077
	<u>19,045,228</u>		<u>21,198,924</u>
	(135,222)		(2,209,196)
	-		125,295
	-		1,990
	-		1,375,000
	50,000		-
	-		53,432
	-		(53,432)
	<u>50,000</u>		<u>1,502,285</u>
	(85,222)		(706,911)
	5,435,183		6,142,094
\$	<u>5,349,961</u>	\$	<u>5,435,183</u>

**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, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	<u>2015</u>	<u>2014</u>
Net Change in Fund Balance-Total Governmental Funds	\$ (85,222)	\$ (706,911)

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	779,073	2,141,277
Loss on Disposal of Capital Assets	-	(19,802)
Proceeds from sales of Capital Assets	-	(1,990)
Depreciation Expense	(434,109)	(440,460)

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.

Other Financing Source - Capital Lease	-	(125,295)
Change in Accrued Interest Expense - Capital Leases	897	(2,198)
Principal Payments - Capital Leases	27,880	87,289

Pension expenses on the governmental funds are measured by current year employee contributions. Pension expenditures on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

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:

Lease Purchase Agreement Proceeds	-	(1,375,000)
Notes Payable Proceeds	(50,000)	-
Amortization of Loss on Refunding	-	(23,320)
Repayment of Note Payable	7,671	-
Repayment of Lease Purchase Payable	120,426	63,674
Repayment of Bond Principal	-	525,000
Change in Accrued Interest Expense - General Obligation Bonds	-	14,365
Change in Accrued Interest Expense - Lease Purchase Payable	1,580	(17,211)
Amortization of Bond Premium	-	8,744

See accompanying Notes to Basic Financial Statements.

**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 (CONTINUED)
YEAR ENDED JUNE 30, 2015
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2014)**

	<u>2015</u>	<u>2014</u>
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.	\$ (13,284)	\$ (4,954)
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).	(72,232)	(71,518)
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.	<u>1,471</u>	<u>1,393</u>
Change in Net Position of Governmental Activities	<u><u>\$ 504,369</u></u>	<u><u>\$ 53,083</u></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, 2015**

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under)
				Final
				Budget
REVENUES				
Local Sources				
Property Taxes	\$ 1,784,189	\$ 1,750,093	\$ 1,848,139	\$ 98,046
Earnings on Investments	6,500	10,000	22,300	12,300
Other	307,200	396,200	810,250	414,050
State Sources	13,973,495	13,859,538	13,838,560	(20,978)
Federal Sources	503,719	523,785	613,210	89,425
Total Revenues	16,575,103	16,539,616	17,132,459	592,843
EXPENDITURES				
Current				
Administration	905,727	909,903	856,507	(53,396)
District Support Services	426,684	459,957	399,385	(60,572)
Elementary and Secondary				
Regular Instruction	7,785,149	7,575,515	7,601,481	25,966
Vocational Education Instruction	148,400	198,511	272,405	73,894
Special Education Instruction	2,817,816	2,936,738	2,930,133	(6,605)
Instructional Support Services	600,597	598,150	570,838	(27,312)
Pupil Support Services	1,855,763	1,987,220	1,773,080	(214,140)
Sites and Buildings	1,545,545	1,550,080	1,467,098	(82,982)
Fiscal and Other Fixed Cost Programs	122,000	94,704	69,199	(25,505)
Capital Outlay	806,900	759,260	1,131,567	372,307
Debt Service				
Principal	126,974	126,974	155,360	28,386
Interest and Fiscal Charges	40,454	40,454	43,414	2,960
Total Expenditures	17,182,009	17,237,466	17,270,467	33,001
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(606,906)	(697,850)	(138,008)	559,842
OTHER FINANCING SOURCES				
Notes Payable Proceeds	-	-	50,000	50,000
Total Other Financing Sources	-	-	50,000	50,000
Net Change in Fund Balance	\$ (606,906)	\$ (697,850)	(88,008)	\$ 609,842
FUND BALANCE				
Beginning of Year			5,198,630	
End of Year			\$ 5,110,622	

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, 2015**

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under)
				Final
				Budget
REVENUES				
Local Sources				
Earnings on Investments	\$ -	\$ -	\$ 293	\$ 293
Other - Primarily Meal Sales	430,767	430,767	443,320	12,553
State Sources	64,991	64,991	68,253	3,262
Federal Sources	453,327	453,327	465,631	12,304
Total Revenues	<u>949,085</u>	<u>949,085</u>	<u>977,497</u>	<u>28,412</u>
EXPENDITURES				
Current				
Food Service	922,240	922,240	944,115	21,875
Capital Outlay	1,500	1,500	11,350	9,850
Total Expenditures	<u>923,740</u>	<u>923,740</u>	<u>955,465</u>	<u>31,725</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ 25,345</u>	<u>\$ 25,345</u>	22,032	<u>\$ (3,313)</u>
FUND BALANCE				
Beginning of Year			<u>112,291</u>	
End of Year			<u>\$ 134,323</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
JUNE 30, 2015**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources				
Property Taxes	\$ 164,773	\$ 155,278	\$ 155,800	\$ 522
Earnings on Investments	-	-	106	106
Other - Primarily Tuition and Fees	454,554	454,554	499,892	45,338
State Sources	121,013	140,075	144,252	4,177
Total Revenues	<u>740,340</u>	<u>749,907</u>	<u>800,050</u>	<u>50,143</u>
EXPENDITURES				
Current				
Community Service	743,266	778,703	781,262	2,559
Capital Outlay	34,850	34,850	37,097	2,247
Debt Service				
Principal	-	-	617	617
Interest	-	-	320	320
Total Expenditures	<u>778,116</u>	<u>813,553</u>	<u>819,296</u>	<u>5,743</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>\$ (37,776)</u>	<u>\$ (63,646)</u>	(19,246)	<u>\$ 44,400</u>
FUND BALANCE				
Beginning of Year			<u>124,262</u>	
End of Year			<u>\$ 105,016</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, 2015**

	Governmental Activities - Internal Service Funds 2015
ASSETS	
Current Assets	
Cash and Investments	\$ 807,317
Total Assets	<u>\$ 807,317</u>
NET POSITION	
Unrestricted	\$ 807,317
Total Net Position	<u>\$ 807,317</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, 2015**

	Governmental Activities - Internal Service Funds 2015
NONOPERATING INCOME	
Earnings on Investments	\$ 1,471
Total Nonoperating Income	<u>1,471</u>
Change in Net Position	1,471
Total Net Position - Beginning	805,846
Total Net Position - Ending	<u>\$ 807,317</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, 2015**

	Governmental Activities - Internal Service Funds
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	\$ 1,471
Net Cash Provided by Investing Activities	<hr/> 1,471 <hr/>
Net Increase in Cash and Cash Equivalents	1,471
Cash and Cash Equivalents - Beginning	<hr/> 805,846
Cash and Cash Equivalents - Ending	<hr/> \$ 807,317 <hr/> <hr/>
Displayed on Statement of Net Position as:	
Cash and Investments	<hr/> \$ 807,317 <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, 2015**

	Private- Purpose Trust
	<hr/>
ASSETS	
Cash and Investments	\$ 945,411
Total Assets	<u>\$ 945,411</u>
NET POSITION	
Restricted for Scholarships	\$ 945,411
Total Net Position	<u>\$ 945,411</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2015**

	Private- Purpose Trust
	<hr/>
ADDITIONS	
Gifts and Donations	\$ 1,200
Earnings on Investments	1,459
Total Additions	<u>2,659</u>
DEDUCTIONS	
Scholarships Awarded	<u>22,253</u>
Total Deductions	<u>22,253</u>
Change in Net Position	(19,594)
Net Position - Beginning of Year	<u>965,005</u>
Net Position - End of Year	<u>\$ 945,411</u>

See accompanying Notes to Basic Financial Statements.

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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
JUNE 30, 2015**

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 post employment 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
JUNE 30, 2015**

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
JUNE 30, 2015**

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.

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 post employment 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.

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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

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, 2015, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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.

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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

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. The District has one item that qualifies for reporting as this element – pension related deferred outflows of resources. The pension related deferred outflows of resources will be recognized as expenditures in subsequent years.

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. Bond issuance costs are reported as an expenditure in the period they are incurred.

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

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.

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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

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 2015, the District's expenditures for early retirement incentive and convertible sick leave expenditures for convertible sick leave totaled \$0. At June 30, 2015, 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. The District has two types of items which occur related to revenue recognition. The first occurs because property tax receivables and pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year end) under the modified accrual basis of accounting.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

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 their 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 their 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
JUNE 30, 2015**

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, 2014, from which the summarized information was derived.

V. Change in Accounting Principle

During fiscal year ended June 30, 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, the District's net position as of June 30, 2014 has been restated to reflect the recognition of the District's proportionate share of the Public Employees' Retirement Association of Minnesota General Employees' Retirement Fund's net pension liability as well as their portion of the Teacher's Retirement Association's Coordinated and Basic Plan net pension liability.

	Governmental Activities
Net Position, June 30, 2014, as Previously Reported	\$ 11,898,098
Cumulative Effect of Application of GASB 68, Net Pension Liability	(10,654,248)
Cumulative Effect of Application of GASB 71, Deferred Outflow of Resources for District Contributions Made to the Plan During Fiscal Year Ending June 30, 2014	613,198
Net Position, June 30, 2014, as Restated	<u>\$ 1,857,048</u>

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Expenditures	Excess
General Fund	\$ 17,237,466	\$ 17,270,467	\$ 33,001
Special Revenue Funds			
Food Service Fund	923,740	955,465	31,725
Community Service Fund	813,553	819,296	5,743

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 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, 2015 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

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
JUNE 30, 2015**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2015, the District had the following investments:

External Investment Pools –

	<u>Amortized Cost</u>
MN Trust Investment Shares Portfolio	\$ 3,602,777

The MN Trust Investment Shares Portfolio is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2a-7. The fair value of the position in the pool is the same as the value of the pool shares.

Other Investments –

	<u>Fair Value</u>
Negotiable Certificates of Deposit	\$ 1,245,609

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:

<u>Type</u>	<u>Total</u>	<u>12 Months or Less</u>	<u>13 to 24 Months</u>
Negotiable Certificates of Deposit	\$ 1,245,609	\$ 497,721	\$ 747,888
MN Trust Investments Shares Portfolio	3,602,777	3,602,777	-
	<u>\$ 4,848,386</u>	<u>\$ 4,100,498</u>	<u>\$ 747,888</u>

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, 2015, the investment balances were fully covered by insurance for each brokerage firm.

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NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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.

Type	Credit Quality Risk
Negotiable Certificates of Deposit	N/A
MN Trust Investments Shares Portfolio	AAA

Concentration of Credit Risk

The District places no limit on the amount that may be invested with any one issuer or depository. The following is a list of investments which individually comprise more than five percent of the District's total investments:

Type	Amount	Percentage
MN Trust Investments Shares Portfolio	\$ 3,602,777	61.69%

C. Balance Sheet Presentation

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

Deposits	\$ 2,561,641
Negotiable Certificates of Deposit	1,245,609
MN Trust Investments Shares Portfolio	3,602,777
Cash on Hand	478
Total Pooled Cash and Investments	<u>\$ 7,410,505</u>

Cash and Investments - Statement of Net Position	\$ 6,465,094
Cash and Investments - Statement of Fiduciary Net Position	945,411
Total Cash and Investments	<u>\$ 7,410,505</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in Progress	221,090	472,410	(693,500)	-
Total Capital Assets, Not Being Depreciated	351,090	472,410	(693,500)	130,000
Capital Assets, Being Depreciated				
Land Improvements	359,463	781,429	-	1,140,892
Buildings and Improvements	11,718,151	66,005	-	11,784,156
Equipment	3,870,460	152,729	(4,100)	4,019,089
Total Capital Assets, Being Depreciated	15,948,074	1,000,163	(4,100)	16,944,137
Accumulated Depreciation for				
Land Improvements	(109,565)	(37,289)	-	(146,854)
Buildings and Improvements	(5,880,538)	(214,224)	-	(6,094,762)
Equipment	(2,779,338)	(182,596)	4,100	(2,957,834)
Total Accumulated Depreciation	(8,769,441)	(434,109)	4,100	(9,199,450)
Total Capital Assets, Being Depreciated, Net	7,178,633	566,054	-	7,744,687
Governmental Activities Capital Assets, Net	<u>\$ 7,529,723</u>	<u>\$ 1,038,464</u>	<u>\$ (693,500)</u>	<u>\$ 7,874,687</u>

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

Governmental Activities	
Administration	\$ 13,427
Elementary and Secondary Regular Instruction	316,980
Special Education Instruction	965
Instructional Support Services	38,105
Pupil Support Services	23,258
Sites and Buildings	24,751
Food Service	8,579
Community Service	8,044
Total Depreciation Expense, Governmental Activities	<u>\$ 434,109</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

Long-term liabilities consisted of the following at June 30, 2015:

	Principal Outstanding	
	Due Within One Year	Total
Note Payable	\$ 9,561	\$ 42,329
Lease Purchase Payable	124,250	1,190,900
Capital Leases Payable	22,687	90,196
Net Pension Liability	-	8,548,412
Other Postemployment Benefits Payable	-	399,586
Severance Benefits Payable	-	144,319
	<u>\$ 156,498</u>	<u>\$ 10,415,742</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	
	Principal	Interest	Principal	Interest
2016	\$ 124,250	\$ 36,543	\$ 9,561	\$ 1,489
2017	128,195	32,598	9,951	1,099
2018	132,265	28,528	10,356	694
2019	136,464	24,329	10,778	271
2020	140,796	19,996	1,683	3
2021 - 2024	528,930	33,843	-	-
	<u>\$ 1,190,900</u>	<u>\$ 175,837</u>	<u>\$ 42,329</u>	<u>\$ 3,556</u>

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.

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NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Future Minimum Debt Payments (Continued)

Description of Long-Term Liabilities (Continued)

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, 2015 is \$12,529.

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, 2015:

Year Ending June 30,	
2016	\$ 31,218
2017	31,218
2018	31,218
2019	15,609
Total Minimum Lease Payments	109,263
Less Amounts Representing Interest	19,067
Present Value of Net Minimum Lease Payments	<u>\$ 90,196</u>

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, 2014 As Restated	Additions	Retirements	June 30, 2015
Note Payable	\$ -	\$ 50,000	\$ 7,671	\$ 42,329
Capital Leases Payable	118,076	-	27,880	90,196
Lease Purchase Payable	1,311,326	-	120,426	1,190,900
Other Postemployment Benefits Payable	352,677	152,030	105,121	399,586
Net Pension Liability	10,654,248	-	2,105,836	8,548,412
Severance Benefits Payable	118,996	25,323	-	144,319
	<u>\$ 12,555,323</u>	<u>\$ 227,353</u>	<u>\$ 2,366,934</u>	<u>\$ 10,415,742</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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JUNE 30, 2015**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

D. Subsequent Event

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.

NOTE 6 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.

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NOTE 6 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 Other Purposes

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

NOTE 7 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 7 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 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

Tier 1	Step Rate Formula	Percentage
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

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NOTE 7 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.

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NOTE 7 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 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$155,347. 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:

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

The District's contributions to TRA for the plan's fiscal year ended June 30, 2015, were \$504,804. 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, 2015, the District reported a liability of \$1,728,680 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2014, the District's proportion was 0.0368%.

For the year ended June 30, 2015, the District recognized pension expense of \$128,329 for its proportionate share of GERF's pension expense.

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 26,530	\$ -
Changes in Actuarial Assumptions	178,158	-
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	467,087
District Contributions Subsequent to the		
Measurement Date	155,347	-
Total	<u>\$ 360,035</u>	<u>\$ 467,087</u>

\$155,347 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ (48,543)
2017	(48,543)
2018	(48,543)
2019	(116,770)
2020	-

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of \$6,819,733 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1480% at the end of the measurement period and 0.1508% for the beginning of the period.

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NOTE 7 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:

TRA Pension Costs

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 6,819,733
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	479,724

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

For the year ended June 30, 2015, the District recognized pension expense of \$312,088. It also recognized \$20,927 as pension expense for the support provided by direct aid.

At June 30, 2015, 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	\$ 581,908	\$ -
Net Difference Between Projected and Actual Investment Earnings	-	2,144,055
Changes in Proportion Differences Between Contributions and Made and the District's Proportionate Share of Contributions	24,859	132,884
District Contributions Subsequent to the Measurement Date	504,804	-
Total	<u>\$ 1,111,571</u>	<u>\$ 2,276,939</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

\$504,804 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2016	\$ (437,082)
2017	(437,082)
2018	(437,082)
2019	(437,082)
2020	78,156

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
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%	8.25%

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

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2014, 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 GERF occurred in 2014: As of July 1, 2013, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERS and 8.25% for TRA. The State Board of Investment, which manages the investments of PERA, 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	.50
Totals	100	

F. Discount Rate

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 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
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 2,786,701	\$ 1,728,680	\$ 858,177
<u>TRA Discount Rate</u>	7.25%	8.25%	9.25%
District's Proportionate Share of the TRA Net Pension Liability	\$ 11,270,684	\$ 6,819,733	\$ 3,109,180

H. Pension Plan Fiduciary Net Position

Detailed information about GERF'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; 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; 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.

I. 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, 2015, 2014 and 2013 are \$112,855, \$115,286, and \$111,511, respectively. The related employee contributions were \$217,478, \$220,447, and \$223,831 for the years ended June 30, 2015, 2014 and 2013, respectively.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 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 self-insured 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 2015, the District contributed \$105,121 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.

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	11,589
Adjustment to Annual Required Contribution	<u>(17,367)</u>
Annual OPEB Cost (Expense)	152,030
Contributions Made	<u>(105,121)</u>
Increase in Net OPEB Obligation	46,909
Net OPEB Obligation - Beginning of Year	<u>352,677</u>
Net OPEB Obligation - End of Year	<u><u>\$ 399,586</u></u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015, 2014, and 2013:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	\$ 152,030	69.1%	\$ 399,586
6/30/2014	167,658	68.2%	352,677
6/30/2013	168,992	57.1%	299,435

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.

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, 2015 does not exceed 30 years.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 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 10 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.

NOTE 11 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

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**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
JUNE 30, 2015**

Fiscal Year	2015
Measurement Date	June 30, 2014
PERA	
District's Proportion of the Net Pension Liability (Asset)	0.037%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,728,680
District's Covered-Employee Payroll	\$ 1,933,601
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	89.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.70%
TRA	
District's Proportion of the Net Pension Liability (Asset)	0.148%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 6,819,733
District's Covered-Employee Payroll	\$ 6,757,310
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	100.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.50%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
JUNE 30, 2015**

Schedule of District Contributions

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

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**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, 2015, 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 October 22, 2015.

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 deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs listed as 2015-001 through 2015-003 to be material weaknesses.

Compliance and Other Matters

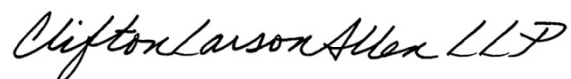
As part of obtaining reasonable assurance about whether Independent School District No. 2859's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 2859's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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
October 22, 2015

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
October 22, 2015

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

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	\$ 42,789
Total Non-Cash Assistance			\$ 42,789
Cash Assistance:			
School Breakfast Program	# 10.553	1-2859-000	84,159
National School Lunch Program	# 10.555	1-2859-000	280,379
National School Lunch Program - Commodity Cash Rebate	# 10.555	1-2859-000	6,612
After School Snack Program	# 10.555	1-2859-000	13,733
Special Milk Program for Children	# 10.556	1-2859-000	908
Summer Food Service Program for Children	# 10.559	1-2859-000	37,051
Total Cash Assistance			422,842
Total US Department of Agriculture			465,631
U.S. Department of Education			
Pass-Through Minnesota Department of Education			
Cash Assistance:			
Title I, Part A	84.010	@	173,806
Title I, Part C - Migrant Education - Summer	84.011	@	128,213
Title II, Part A - Improving Teacher Quality	84.367	@	62,674
Title III - English Language Acq Grants	84.365	@	15,702
Pass-Through SW/WC Service Cooperative #991			
Cash Assistance:			
Special Education - Grants to States	& 84.027	@	225,515
Special Education - Preschool Incentive	& 84.173	@	7,299
Total Cash Assistance, US Department of Education			613,209
Total Federal Financial Assistance Expended			<u>\$ 1,078,840</u>
<p># - Child Nutrition Cluster</p> <p>& - Special Education Cluster</p> <p>@ - Unknown Agency or Pass-Through Number</p>			

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, 2015**

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.

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, 2015, and the related notes to the financial statements and have issued our report thereon dated October 22, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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 Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2015-003. 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.

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.

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
October 22, 2015

**GLENCOE-SILVER LAKE SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

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 section 510(a) of OMB Circular A-133? 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:

\$ 300,000

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133?

 yes x no

**GLENCOE-SILVER LAKE SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015**

PART II: 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. 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, they have reviewed and approved the annual financial statements and the related footnote disclosures.
- Recommendation:** The District should continue to evaluate their 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, 2016.

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, 2015**

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

FINDING: 2015-002 MATERIAL AUDIT ADJUSTMENTS

- Condition:** The District made journal entries to adjust accounts to year end balances. However, the audit firm identified certain misstatements and proposed entries to correct them. Management reviewed the journal entries and posted them to its general ledger.
- Criteria:** The District should have controls in place to prevent or detect a material misstatement in the financial statements in a timely manner.
- Effect:** The potential exists that the financial statements could be materially misstated and not be prevented or detected by the District's controls.
- Cause:** The District has not established controls to ensure that all accounts are adjusted to their appropriate year end balances in accordance with Generally Accepted Accounting Principles (GAAP).
- Recommendation:** The District should continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP.

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 review the prior year journal entries to determine training needs with the intent to complete all journal entries necessary to adjust accounts to their appropriate year end balances.

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, 2016.

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, 2015**

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

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.

Criteria: The District should have controls in place to prevent, or detect and correct, incorrect UFARS account coding.

Effect: The potential exists for the financial statements to have a material misstatement, due to incorrect account coding that would not be prevented, or detected and corrected, by the District's internal controls.

Cause: The District's controls are not adequate to ensure all transactions are coded appropriately.

Recommendation: We recommend the District review all codes for appropriate account coding.

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 has corrected the account coding for these disbursements. The District will review all codes for appropriate account coding.

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 October 31, 2015.

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, 2015**

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

None noted

PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

See 2015-003.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2015**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not Corrected, Provide Planned Corrective Action or Other Explanation</u>
None noted.			

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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2015**

01 GENERAL FUND	Audit	UFARS	Difference	06 BUILDING CONSTRUCTION	Audit	UFARS	Difference
Total Revenue	\$ 17,132,459	\$ 17,132,462	\$ (3)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 17,270,467	\$ 17,270,473	\$ (6)	Total Expenditures	\$ -	\$ -	\$ -
Nonspendable				Nonspendable:			
460 Nonspendable	\$ 12,240	\$ 12,240	\$ -	460 Nonspendable	\$ -	\$ -	\$ -
Restricted:				Restricted:			
403 Staff Development	\$ 29,617	\$ 29,617	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ 22,773	\$ 22,773	\$ -	409 Alternative Facility Program	\$ -	\$ -	\$ -
406 Health and Safety	\$ (45,932)	\$ (45,932)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	Unassigned:			
411 Severance Pay	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
424 Operating Capital	\$ 627,235	\$ 627,235	\$ -	Total Expenditures	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	Restricted:			
427 Disabled Accessibility	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
428 Learning and Development	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	Unassigned:			
436 State Approved Alt. Program	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
438 Grad Standards Gifted & Talented	\$ -	\$ -	\$ -				
440 Teacher Develop. and Evaluation	\$ 32,566	\$ 32,566	\$ -	08 TRUST			
441 Basic Skills Programs	\$ -	\$ -	\$ -	Total Revenue	\$ 2,659	\$ 2,659	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 22,253	\$ 22,253	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -	Unreserved:			
449 Safe Schools - Crime Levy	\$ 15,860	\$ 15,860	\$ -	422 Unassigned	\$ 945,411	\$ 945,410	\$ 1
450 Pre-Kindergarten	\$ -	\$ -	\$ -				
451 QZAB Payments	\$ -	\$ -	\$ -	09 AGENCY			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Unreserved:			
464 Other Purposes	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
Committed:							
418 Committed for Severance	\$ -	\$ -	\$ -	20 INTERNAL SERVICE			
Assigned				Total Revenue	\$ 1,471	\$ 1,471	\$ -
462 Assigned	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Unassigned				Unassigned:			
422 Unassigned	\$ 4,416,263	\$ 4,416,264	\$ (1)	422 Unassigned	\$ 807,317	\$ 807,317	\$ -
02 FOOD SERVICE				25 OPEB REVOCABLE TRUST			
Total Revenue	\$ 977,497	\$ 977,499	\$ (2)	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 955,465	\$ 955,468	\$ (3)	Total Expenditures	\$ -	\$ -	\$ -
Fund Balance				Unassigned:			
Nonspendable				422 Unassigned	\$ -	\$ -	\$ -
460 Nonspendable	\$ 16,969	\$ 16,969	\$ -				
Restricted:				45 OPEB IRREVOCABLE TRUST			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
464 Other Purposes	\$ 117,354	\$ 117,354	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Unassigned				Unassigned:			
463 Unassigned	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE				47 OPEB DEBT SERVICE			
Total Revenue	\$ 800,050	\$ 800,047	\$ 3	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 819,296	\$ 819,293	\$ 3	Total Expenditures	\$ -	\$ -	\$ -
Nonspendable				Restricted:			
460 Nonspendable	\$ 240	\$ 240	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
Restricted:				Unassigned:			
426 \$25 Taconite	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
431 Community Education	\$ 63,990	\$ 63,990	\$ -				
432 E.C.F.E.	\$ 7,093	\$ 7,093	\$ -				
440 Teacher Develop. and Evaluation	\$ -	\$ -	\$ -				
444 School Readiness	\$ 16,523	\$ 16,523	\$ -				
447 Adult Basic Education	\$ -	\$ -	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ 17,170	\$ 17,170	\$ -				
Unassigned							
463 Unassigned	\$ -	\$ -	\$ -				

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EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS

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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, 2015, and the related note to the financial statements.

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 statements, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statements are 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 statements of the variances between the regulatory basis of accounting described in the note to the financial statements and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 2859 as of June 30, 2015, 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 statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds Independent School District No. 2859 as of June 30, 2015, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



CliftonLarsonAllen LLP

Austin, Minnesota
October 22, 2015

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2015**

Funds	Balance 06/30/14	Transfers and Receipts	Transfers and Disburse- ments	Balance 06/30/15
High School Yearbook	\$ 212	\$ 2,469	\$ 677	\$ 2,004
Art	3,105	1,059	964	3,200
Band	9,751	40,287	33,127	16,911
Business Professional Association (BPA)	2,540	14,725	15,070	2,195
Close-Up	1,865	29,823	29,840	1,848
Kindergarten Entertainment	-	215	215	-
Grade 1 Entertainment	-	181	181	-
Grade 2 Entertainment	-	545	545	-
Grade 3 Entertainment	-	507	507	-
Grade 4 Entertainment	-	680	680	-
Grade 5 Entertainment	-	295	295	-
Grade 6 Entertainment	-	217	217	-
FFA	10,635	50,207	51,073	9,769
History	105	602	435	272
Lincoln Student Council	2,326	3,061	3,114	2,273
Lincoln Yearbooks	937	520	1,256	201
HS Student Council	234	1,105	967	372
Interest - Admin	-	250	250	-
LS Student Council	1,801	715	1,750	766
Nat'l Honor Society	2,929	632	888	2,673
Schools Elem Memory Book	2,196	4,148	4,896	1,448
Class of 2015	5,560	1,186	6,746	-
Class of 2016	3,014	13,374	12,262	4,126
Class of 2017	-	5,885	2,384	3,501
Totals	<u>\$ 47,210</u>	<u>\$ 172,688</u>	<u>\$ 168,339</u>	<u>\$ 51,559</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, 2015**

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, 2015, and the related note to the financial statements, which collectively comprises the basic financial statements, and have issued our report thereon dated October 22, 2015. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statements are 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
October 22, 2015

