

**INDEPENDENT AUDITOR'S REPORT**  
**INDEPENDENT SCHOOL DISTRICT NO. 403**  
**IVANHOE, MINNESOTA 56142**  
**FOR THE YEAR ENDING JUNE 30, 2015**

**Meulebroeck, Taubert & Co., PLLP**  
**Certified Public Accountants**  
**P.O. Box 707**  
**Pipestone, Minnesota 56164**

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Independent School District No. 403  
Ivanhoe, Minnesota

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Independent School District No. 403  
Ivanhoe, Minnesota

**BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL**  
**JUNE 30, 2015**

**BOARD OF EDUCATION**

Matt Landrus	Chairperson
Marty Rost	Vice-Chairperson
Archie Citterman	Treasurer
Beth Otto	Clerk
Adam Gillund	Director
Becky Paluch	Director

**ADMINISTRATIVE PERSONNEL**

Dan Deitte	Superintendent
Courtney Frie	Principal
SW/WC Service Cooperative	Business Manager
Nancy Blanchette	Administrative Assistant

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**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
contactl@mtcocpa.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
contactp@mtcocpa.com

Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538  
Marshall, Minnesota 56258  
507 337-0501

**PARTNERS**

David L. Meulebroeck, CPA  
Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA

**WITH THE FIRM**

Amanda K. Baarson Sandy, CPA  
Amy L. Mollberg, CPA  
Sally A. Sterk, CPA  
Blake R. Klinsing, CPA

**INDEPENDENT AUDITOR'S REPORT**

To The Board of Education  
Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2014, and in our report dated December 2, 2014, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota as of June 30, 2015, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund and Community Service Fund), for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Report on Partial Comparative Information***

We have previously audited the district's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 2, 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.

### ***Change in Accounting Principle***

As described in Note 11 to the financial statements, for the year ended June 30, 2015 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6 –12 and the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions on page 53 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. 403's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the Independent School District No. 403's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independent School District No. 403's internal control over financial reporting and compliance.

  
Meulebroeck, Taubert Co., PLLP  
Certified Public Accountants  
Pipestone, Minnesota  
December 7, 2015

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

This section of the Independent School District No. 403's annual financial report presents management's 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 other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* issued in June 1999. Certain comparative information between the current year and the prior year is presented in the MD&A.

**Financial Highlights**

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

- Net position decreased by \$1,534,166, or 132.7% over June 30, 2014 mainly due to the District implementing GASB 68, *Accounting and Financial Reporting for Pensions* which records the District's proportionate share of collective net pension liability, deferred inflows/outflows of resources and pension expense on the District's government-wide financial statements.
- Total governmental revenues decreased by \$250,390 or 9.0% in comparison to fiscal year 2014, while expenditures decreased by \$236,073 or 8.1% in comparison to fiscal year 2014. The reason for the decrease is the school went to only K-6 grades vs. K-12 grades in fiscal year 2014.
- Total General Fund fund balance increased by \$1,113,386 due primarily to revenue received from the sale of bonds in fiscal year 2015 to fund an arbitration settlement paid out in fiscal year ended June 30, 2013. Statutory operating debt (SOD) exists when the net negative applicable general fund balance, calculated in accordance with uniform financial accounting and reporting standards for Minnesota school districts, is more than 2.5% of the year's expenditure amount. At June 30, 2014, the District's applicable general fund balance deficit was \$1,135,569, while 2.5% of the year's expenditures, as defined by state statutes, were \$47,203. Accordingly, the District was in SOD at June 30, 2014. The Minnesota Department of Education requires districts that were in SOD to submit a special operating plan to the commissioner of the Minnesota Department of Education for approval by January 31 of the following year. In accordance with the District's special operating plan the receipt of the bond proceeds of \$1,402,167 removed the District from Statutory Operating Debt for the fiscal year ended June 30, 2015.

### **Overview of the Financial Statements**

The financial section of the annual report consists of four parts -- Independent Auditor's 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 District-wide financial statements and fund financial statements and the notes to the financial statements.

### **District-Wide Statements**

The District-wide statements (statement of net assets and statement of activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. 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 they have changed. Net position -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

### **Fund Financial Statements**

The fund financial statements include more detailed information about a District's individual funds. The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses 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 provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activity, a scholarship fund, is reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Position. We exclude this activity from the district-wide financial statements because the District cannot use these assets to finance operations.

**Financial Analysis of the District As A Whole/Financial Analysis of the District's Funds (District-Wide Statements)**

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 403, liabilities exceeded assets by \$2,690,052 at the close of the most recent fiscal year. This was a decrease of \$1,534,167 or 132.7% from the previous year total of \$1,155,886. This decrease was due primarily to the adoption of GASB 68.

Table 1 is a summarized view of the District's Statement of Net Position.

<b>Table 1</b>		
<b>Statement of Net Position</b>		
<b>As of June 30, 2015</b>		
<b><u>Assets</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Current and other assets	2,239,238	1,875,567
Capital assets, net of depreciation	8,133,525	8,667,472
<b>Total Assets</b>	<b>10,372,763</b>	<b>10,543,039</b>
<b><u>Deferred Outflows of Resources</u></b>		
Related to Pensions	133,435	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>10,506,198</b>	<b>10,543,039</b>
<b><u>Liabilities</u></b>		
Current and other liabilities	2,117,722	2,194,044
Long-term liabilities	9,385,000	8,515,957
<b>Total Liabilities</b>	<b>11,502,722</b>	<b>11,698,925</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes Levied for Subsequent Year	1,328,122	988,924
Related to Pensions	365,406	
<b>Total Deferred Inflows of Resources</b>	<b>1,693,528</b>	<b>988,924</b>
<b><u>Net Position</u></b>		
Invested in capital assets, net of related debt	(1,656,781)	2,166
Restricted	359,666	554,760
Unrestricted	(1,392,397)	(1,712,812)
<b>Net Position</b>	<b>(2,690,052)</b>	<b>(1,155,886)</b>
<b>Total Liabilities and Net Position</b>	<b>10,506,198</b>	<b>10,543,039</b>

Independent School District No. 403  
Ivanhoe, Minnesota

The District's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net assets of the District.

**Table 2**  
**Change in Net Position**  
**For the year ended June 30, 2015**

	<u>2015</u>	<u>2014</u>
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	61,099	108,897
Operating Grants and Contributions	186,271	236,617
General Revenues		
Property Taxes	1,060,250	791,638
Unrestricted Federal and State Aid	1,159,617	1,573,669
Other	<u>84,272</u>	<u>96,155</u>
<b>Total revenues</b>	<b>2,551,509</b>	<b>2,806,976</b>
<b><u>Expenses</u></b>		
District and School Administration	32,273	147,810
District Support Services	97,718	58,208
Regular Instruction	823,086	1,242,042
Vocational Instruction	160	102,976
Exceptional Instruction	216,935	221,476
Instructional Support Services	31,370	25,357
Pupil Support Services	227,500	233,343
Site, Buildings, and Equipment	780,365	753,128
Fiscal and Other Fixed Cost Programs	24,405	22,252
Food Service	83,310	128,041
Community Service	76,312	56,739
Interest and Fiscal Charges on		
Long-term Liabilities	<u>518,482</u>	<u>357,198</u>
<b>Total expenses</b>	<b><u>2,911,916</u></b>	<b><u>3,348,570</u></b>
<b><u>Change in net position</u></b>	<b>(360,407)</b>	<b>(541,594)</b>
Beginning net position, as originally stated	(1,155,886)	(614,292)
Prior Period Adjustment	<u>(1,173,759)</u>	
Beginning net position, as restated	<u>(2,329,645)</u>	<u>(1,155,886)</u>
Ending net position	<u>(2,690,052)</u>	<u>(1,155,886)</u>

Independent School District No. 403  
Ivanhoe, Minnesota

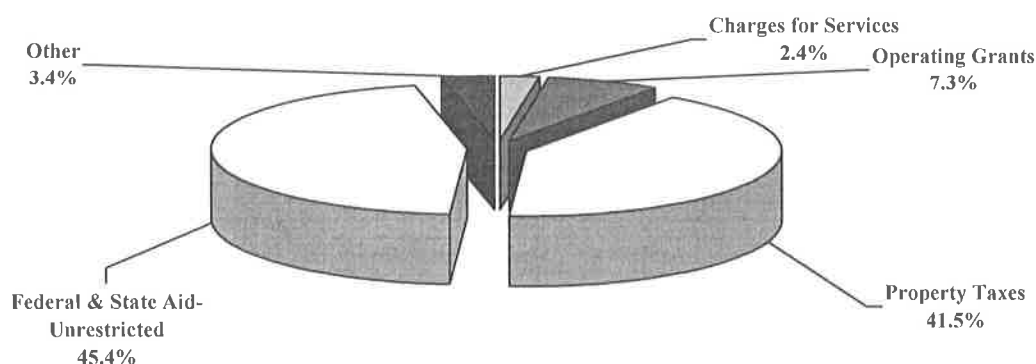
The district's total revenue consisted of program revenues of \$247,370, property taxes of \$1,060,250, federal and state aid not restricted to specific purposes of \$1,159,617, and other revenues of \$85,387.

The cost of all governmental activities this year was \$2,911,916.

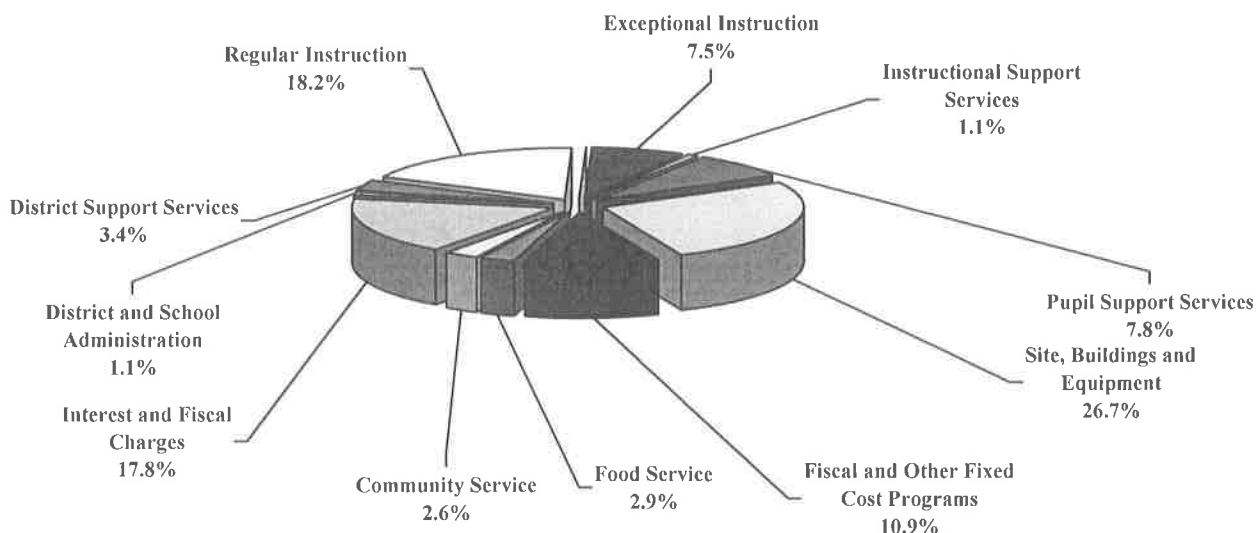
- The users of the district programs paid for \$61,099 or 2.1% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$186,271 or 6.4% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$1,159,617 or 39.8% of total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

**Figure A - Sources of Revenues for Fiscal Year 2015**



**Figure B - Expenses for Fiscal Year 2015**



Independent School District No. 403  
Ivanhoe, Minnesota

### **Financial Analysis of the District's Funds (Fund Financial Statements)**

#### **Fund Balance**

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of \$244,328 which is an increase of \$1,119,552 over the prior year fund balance of \$(875,224). The increase of \$1,119,552 was due primarily to the receipt of bond proceeds of \$1,402,167. The General Fund an increase of \$1,113,386. The Food Service Fund had a decrease of \$10,000. The Community Service Fund an increase of \$33,399. The Debt Service Fund had a decrease of \$17,233.

#### **Revenues and Expenditures/Expenses**

Revenues of the district's governmental funds totaled \$2,538,915 while total expenditures were \$2,691,223. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	<b>Revenue</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>	<b>Fund Balance Increase (Decrease)</b>
General Fund	1,728,203	1,875,021	1,260,204	1,113,386
Food Service Fund	73,310	83,310		(10,000)
Community Service Fund	109,711	76,312		33,399
Debt Service Fund	<u>634,784</u>	<u>655,464</u>	<u>3,447</u>	<u>(17,233)</u>
Total	<u>2,546,008</u>	<u>2,690,107</u>	<u>1,263,651</u>	<u>1,119,552</u>

#### **General Fund Budgetary Analysis**

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. During fiscal year 2015, the District did revise the budget.

- Actual general fund revenues were less than budget by \$1,797 primarily due to differences in state aids.
- Actual general fund expenditures exceeded the budget by \$4,375 primarily due to under budgeting expenditures for salaries, benefits.

### **Capital Assets**

There were no additions for the fiscal year.

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2015.

**Table 3**  
**Capital Assets**

	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Land	9,694	9,694	
Land Improvements	10,093,594	10,093,594	
Buildings and Improvements	1,035,699	1,035,699	
Equipment	307,386	307,386	
Vehicles	20,592	20,592	
Less: Accumulated Depreciation	<u>(3,323,746)</u>	<u>(2,789,799)</u>	<u>(533,947)</u>
Total	<u>8,143,219</u>	<u>8,677,166</u>	<u>(533,947)</u>
Depreciation Expense	<u>533,947</u>	<u>534,999</u>	<u>1,052</u>

### **Long-Term Liabilities**

In fiscal year 2015 the District had General Obligation School Building Bonds of 2008 with an outstanding balance of \$8,390,000 and General Obligation Judgment Bonds of 2014 with an outstanding balance of \$1,410,000. Severance liability decreased by \$162,789. . The District implemented the Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68) during fiscal year 2015. Total pension benefits payable total \$929,418. More detailed information about the district's long-term liabilities is presented in Note 9.

### **Factors Bearing on the District's Future**

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

### **Contacting the District's Management**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 403 at 421 N. Rebecca St., Ivanhoe, Minnesota 56136.



**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Investments	1,469,714	1,228,187
Receivables:		
Property Taxes	648,878	475,406
Governmental Units	78,029	157,014
Other	19,545	393
Inventory	3,023	3,315
Prepaid Items	10,355	1,558
Capital Assets:		
Non-Depreciable	9,694	9,694
Depreciable - net of accumulated depreciation	8,133,525	8,667,472
<b>Total Assets</b>	<b>10,372,763</b>	<b>10,543,039</b>
 <b><u>Deferred Outflows of Resources</u></b>		
Related to Pensions	133,435	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>10,506,198</b>	<b>10,543,039</b>
 <b><u>Liabilities</u></b>		
Accounts Payable	28,593	14,161
Salaries Payable	52,597	80,699
Due to Other Governmental Units	9,022	1,234,655
Payroll Deductions	28,468	46,107
Deferred Revenue		5,340
Short Term Indebtedness	524,554	361,180
Long-term Liabilities:		
Portion Due Within One Year	545,070	451,902
Portion Due in More Than One Year	9,385,000	8,515,957
Pension Benefit Payable	929,418	
<b>Total Liabilities</b>	<b>11,502,722</b>	<b>10,710,001</b>
 <b><u>Deferred Inflows of Resources</u></b>		
Property Taxes Levied for Subsequent Year	1,328,122	988,924
Related to Pensions	365,406	
<b>Total Deferred Inflows of Resources</b>	<b>1,693,528</b>	<b>988,924</b>
 <b><u>Net Position</u></b>		
Invested in Capital Assets, Net of Related Debt	(1,656,781)	2,166
Restricted for:		
General Fund State Mandated Purposes	150,926	352,186
Food Service	(6,685)	3,315
Community Service	108,124	74,725
Debt Service	107,301	124,534
Unrestricted	(1,392,937)	(1,712,812)
<b>Total Net Position</b>	<b>(2,690,052)</b>	<b>(1,155,886)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>10,506,198</b>	<b>10,543,039</b>

See accompanying notes to the financial statements.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b><u>Functions</u></b>	<b>Program Revenues</b>				<b>Net (Expense) Revenue and Changes in Net Assets</b>	
	<b><u>Expenses</u></b>	<b><u>Charges For Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>Total Government Activities</u></b>	
					<b>2015</b>	<b>2014</b>
<b>Governmental Activities</b>						
District and School Administration	32,273				(32,273)	(147,810)
District Support Services	97,718				(97,718)	(58,208)
Regular Instruction	823,086		94,882		(728,204)	(1,113,908)
Vocational Instruction	160				(160)	(102,976)
Exceptional Instruction	216,935		43,297		(173,638)	(175,529)
Instructional Support Services	31,370				(31,370)	(25,357)
Pupil Support Services	227,500				(227,500)	(233,343)
Site, Buildings and Equipment	780,365				(780,365)	(753,128)
Fiscal and Other Fixed Cost Programs	24,405				(24,405)	(22,252)
Food Service	83,310	37,184	36,126		(10,000)	(419)
Community Service	76,312	23,915	11,966		(40,431)	(12,928)
Interest and Fiscal Charges on						
Long-term Liabilities	518,482				(518,482)	(357,198)
<b>Total</b>	<b>2,911,916</b>	<b>61,099</b>	<b>186,271</b>	<b>-0-</b>	<b>(2,664,546)</b>	<b>(3,003,056)</b>
<b><u>General Revenues</u></b>						
Property Taxes Levied for:						
General Purposes					396,985	171,582
Community Service					46,474	14,692
Debt Service					616,791	605,364
Federal and State Aid Not Restricted to Specific Purposes					1,159,617	1,573,669
Earnings on Investments					398	286
Miscellaneous					83,874	95,869
<b>Total General Revenues</b>					<b>2,304,139</b>	<b>2,461,462</b>
Change in Net Position					(360,407)	(541,594)
Net Position - Beginning, As Originally Stated					(1,155,886)	(614,292)
Prior Period Adjustment					(1,173,759)	
Net Position - Beginning, As Restated					(2,329,645)	(614,292)
Net Position - Ending					<b>(2,690,052)</b>	<b>(1,155,886)</b>

See accompanying notes to the financial statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2015	2014
<b>Assets</b>						
Cash and Investments	820,566		107,841	541,307	1,469,714	1,228,187
Current Property Taxes Receivable	244,065		9,840	385,113	639,018	465,375
Delinquent Property Taxes Receivable	5,769		534	3,557	9,860	10,031
Accounts Receivable	250	214	19,081		19,545	393
Due From Other Funds	6,351				6,351	
Due From Department of Education	66,500	730	1,198	1,789	70,217	146,894
Due From Other Minnesota School Districts	1,747				1,747	7,182
Due From Federal Government	6,065				6,065	2,938
Inventory		3,023			3,023	3,315
Prepaid Items	10,355				10,355	1,558
Total Assets	1,161,668	3,967	138,494	931,766	2,235,895	1,865,873
<b>Liabilities, Deferred Inflows of Resources and Fund B</b>						
<b>Liabilities</b>						
Accounts Payable	24,076	245	4,272		28,593	14,161
Interest Payable	8,177				8,177	5,592
Salaries Payable	43,995	4,056	4,546		52,597	80,699
Short Term Indebtedness	516,377				516,377	355,588
Due to Other Funds		6,351			6,351	
Due to Other Governmental Units	203				203	214
Due to Other Minnesota School Districts	8,819				8,819	1,234,441
Payroll Deductions	28,468				28,468	46,107
Unearned Revenue-Other						5,340
Total Liabilities	630,115	10,652	8,818		649,585	1,742,142
<b>Deferred Inflows of Resources</b>						
Unearned Revenue-Delinquent Taxes	9,769		534	3,557	13,860	10,031
Property Taxes Levied for Subsequent Years	486,196		21,018	820,908	1,328,122	988,924
Total Deferred Inflows of Resources	495,965	-0-	21,552	824,465	1,341,982	998,955
<b>Fund Balance</b>						
Fund Balance-Nonspendable	10,355	3,023			13,378	4,873
Fund Balance-Restricted	10,201		108,124	107,301	225,626	257,028
Fund Balance-Committed	130,370				130,370	292,859
Fund Balance-Unassigned	(115,338)	(9,708)			(125,046)	(1,429,984)
Total Fund Balance	35,588	(6,685)	108,124	107,301	244,328	(875,224)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	1,161,668	3,967	138,494	931,766	2,235,895	1,865,873

See accompanying notes to the financial statements.

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
Total Governmental Fund Balances	244,328	(875,224)
Amounts reported in Governmental Activities in The Statement of Net Assets are Different Because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Cost of Capital Assets	11,466,965	11,466,965
Less: Accumulated Depreciation	<u>(3,323,746)</u>	<u>(2,789,799)</u>
	8,143,219	8,677,166
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue.		
	13,860	10,031
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources related to Pensions	133,435	
Deferred Inflows of Resources related to Pensions	<u>(365,406)</u>	(231,971)
Long-term liabilities that pertain to governmental funds 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 assets. Balances at year-end are:		
Bonds Payable	(9,800,000)	(8,675,000)
Pension Benefits Payable	(929,418)	
Severance Payable	<u>(130,070)</u>	<u>(292,859)</u>
	(10,859,488)	(8,967,859)
Net Position of Governmental Activities	<u>(2,690,052)</u>	<u>(1,155,886)</u>

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>	
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Debt Service</b>	<b>2015</b>	<b>2014</b>
<b>Revenues</b>						
Local Property Tax Levies	393,156		46,474	616,791	1,056,421	791,023
Other Local and County Revenues	46,011		51,271	105	97,387	123,243
Revenue from State Sources	1,212,077	6,692	11,966	17,888	1,248,623	1,685,714
Revenue from Federal Sources	67,831	29,434			97,265	124,572
Other	9,128	37,184			46,312	71,846
Total Revenues	1,728,203	73,310	109,711	634,784	2,546,008	2,796,398
<b>Expenditures</b>						
District and School Administration	32,273				32,273	147,810
District Support Services	97,718				97,718	58,208
Regular Instruction	993,954				1,221,454	1,075,479
Vocational Instruction						102,816
Exceptional Instruction	216,935				216,935	221,476
Community Education and Services			76,312		76,312	56,739
Instructional Support Services	31,370				31,370	25,357
Pupil Support Services	224,346	83,310			307,656	358,126
Site, Buildings and Equipment	254,020				254,020	225,719
Fiscal and Other Fixed Cost Programs	24,405			655,464	679,869	654,450
Total Expenditures	1,875,021	83,310	76,312	655,464	2,690,107	2,926,180
Excess Revenues (Expenditures)	(146,818)	(10,000)	33,399	(20,680)	(144,099)	(129,782)
<b>Other Financing Sources (Uses)</b>						
Permanent Transfer	(3,447)			3,447		
Judgement Expense	(140,188)				(140,188)	
Sale of Bonds	1,402,167				1,402,167	
Sale of Equipment	1,672				1,672	9,963
Total Other Financing Sources (Uses)	1,260,204			3,447	1,263,651	9,963
Net Change in Fund Balance	1,113,386	(10,000)	33,399	(17,233)	1,119,552	(119,819)
Fund Balance-Beginning	(1,077,798)	3,315	74,725	124,534	(875,224)	(755,405)
Fund Balance-Ending	35,588	(6,685)	108,124	107,301	244,328	(875,224)

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
Net Change in Governmental Fund Balances	1,119,552	(119,819)

Amounts reported for the 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 \$2,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital Outlay			8,028	
Depreciation Expense	<u>(533,947)</u>	(533,947)	<u>(534,999)</u>	(526,971)

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. 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. The net effect of these differences is as follows:

Bond Payments	285,000		275,000	
Bond Proceeds	(1,410,000)			
Severance	<u>162,789</u>	(962,211)	<u>(170,419)</u>	104,581

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, are therefore deferred in the funds.	3,829	615
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Pension Benefits	12,370
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Change in Net Position of Governmental Activities	<u>(360,407)</u>	<u>(541,594)</u>
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See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b>Better/(Worse)</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	369,965	366,498	393,156	26,658
Other Local and County Revenues	39,050	32,840	46,011	13,171
Revenue from State Sources	1,191,996	1,252,203	1,212,077	(40,126)
Revenue from Federal Sources	71,125	69,250	67,831	(1,419)
Other	2,500	9,209	9,128	(81)
Total Revenues	1,674,636	1,730,000	1,728,203	(1,797)
<b><u>Expenditures</u></b>				
District and School Administration	42,827	33,995	32,273	(1,722)
District Support Services	86,866	99,084	97,718	(1,366)
Regular Instruction	964,302	1,026,775	993,954	(32,821)
Exceptional Instruction	97,052	174,416	216,935	42,519
Instructional Support Services	23,040	22,770	31,370	8,600
Pupil Support Services	270,719	258,620	224,346	(34,274)
Site, Building and Equipment	215,000	230,411	254,020	23,609
Fiscal and Other Fixed Cost Programs	22,800	24,575	24,405	(170)
Total Expenditures	1,722,606	1,870,646	1,875,021	4,375
Excess Revenues (Expenditures)	(47,970)	(140,646)	(146,818)	(6,172)
<b><u>Other Financing Sources (Uses)</u></b>				
Permanent Transfer		(3,447)	(3,447)	
Judgement Expense	(132,000)	(140,188)	(140,188)	
Sale of Bonds	1,350,000	1,402,167	1,402,167	
Sale of Equipment	3,000	375	1,672	1,297
Total Other Financing Sources (Uses)	1,221,000	1,258,907	1,260,204	1,297
Net Change in Fund Balance	1,173,030	1,118,261	1,113,386	(4,875)
Fund Balance-Beginning			(1,077,798)	
Fund Balance-Ending			35,588	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Better/(Worse)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Revenue from State Sources	3,120	4,750	6,692	1,942
Revenue from Federal Sources	25,800	23,100	29,434	6,334
Other	30,760	30,775	37,184	6,409
Total Revenues	59,680	58,625	73,310	14,685
<b><u>Expenditures</u></b>				
Pupil Support Services	72,548	77,325	83,310	(5,985)
Total Expenditures	72,548	77,325	83,310	(5,985)
Net Change in Fund Balance	<u>(12,868)</u>	<u>(18,700)</u>	(10,000)	<u>8,700</u>
Fund Balance-Beginning			3,315	
Fund Balance-Ending			<u>(6,685)</u>	

See accompanying notes to the financial statements.



**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR COMMUNITY SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Better/(Worse)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	29,407	27,907	46,474	18,567
Other Local and County Revenues	24,125	26,087	51,271	25,184
Revenue from State Sources	9,782	11,985	11,966	(19)
Total Revenues	63,314	65,979	109,711	43,732
<b><u>Expenditures</u></b>				
Community Education and Services	54,944	75,067	76,312	(1,245)
Total Expenditures	54,944	75,067	76,312	(1,245)
Net Change in Fund Balance	8,370	(9,088)	33,399	42,487
Fund Balance-Beginning			74,725	
Fund Balance-Ending			108,124	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Better/(Worse)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Than Final</b>
				<b>Budget</b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	632,824	614,935	616,791	1,856
Other Local and County Revenues			105	105
Revenue from State Sources		17,888	17,888	
Total Revenues	<u>632,824</u>	<u>632,823</u>	<u>634,784</u>	<u>1,961</u>
<b><u>Expenditures</u></b>				
Fiscal and Other Fixed Cost Programs	<u>632,573</u>	<u>655,123</u>	<u>655,464</u>	<u>(341)</u>
Total Expenditures	<u>632,573</u>	<u>655,123</u>	<u>655,464</u>	<u>(341)</u>
Excess Revenues (Expenditures)	251	(22,300)	(20,680)	1,620
<b><u>Other Financing Sources (Uses)</u></b>				
Permanent Transfer		3,447	3,447	
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>3,447</u>	<u>3,447</u>	<u>-0-</u>
Net Change in Fund Balance	<u>251</u>	<u>(18,853)</u>	<u>(17,233)</u>	<u>1,620</u>
Fund Balance-Beginning			124,534	
Fund Balance-Ending			<u>107,301</u>	

See accompanying notes to the financial statements.

**STATEMENT OF FIDUCIARY ASSETS**  
**EXPENDABLE TRUST FUND**  
**JUNE 30, 2015**

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Cash and Investments	<u>4,273</u>	<u>4,267</u>
<b>Total Assets</b>	<u><u>4,273</u></u>	<u><u>4,267</u></u>
 <b><u>Net Position</u></b>		
Reserved for Scholarships	<u>4,273</u>	<u>4,267</u>
<b>Total Net Position</b>	<u><u>4,273</u></u>	<u><u>4,267</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>2015</u></b>	<b><u>2014</u></b>
<b><u>Additions</u></b>		
Interest Income	<u>6</u>	<u>6</u>
Total Additions	6	6
<b><u>Deductions</u></b>		
Change in Net Position	6	6
Net Position - Beginning of Year	<u>4,267</u>	<u>4,261</u>
Net Position - End of Year	<u><u>4,273</u></u>	<u><u>4,267</u></u>

See accompanying notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies**

**A.     Basis of Presentation**

The financial statements of Independent School District No. 403 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.

**B.     Financial Reporting Entity**

Independent School District 403, Ivanhoe, was formed and operates pursuant to applicable Minnesota laws and statutes. The Ivanhoe District operates under an elected six member Board of Education form of government. The Board has control over all activities related to the public school education in the Ivanhoe District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

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

**C.     Basic Financial Statement Presentation**

The 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 funds. The Fiduciary Funds are only reported in the Statements of Fiduciary Net Position at the fund financial statement level.

**NOTES TO THE 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 assets are 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 inter fund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental 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: expendable trust, and agency. 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.

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

**D.     Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. 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 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 as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies - continued**

**D.     Basis of Accounting and Measurement Focus - continued**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measureable" 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (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 measureable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

The District reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

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

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report is as follows:

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies - continued**

**D.     Basis of Accounting and Measurement Focus - continued**  
**Governmental Funds**  
**General Fund**

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District which are not accounted for in other funds.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

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

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

**Debt Service Fund**

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**Fiduciary Funds**

**Agency Fund**

The Agency Fund is used to account for the assets belonging to student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

**E.     Budgets and Budgetary Accounting**

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process nor in the regular district accounting.

Once a budget is approved, it can be amended by school personnel with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies - continued**

**F.     Cash and Temporary Investments**

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The school District uses the average cash balance method of allocating investment income to the various funds.

**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.

**H.     Inventories**

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly inventory items on hand at the school are not included in inventory. Inventory of the Food Service Fund is recorded as expenditure when items are used. United States Department of Agriculture (USDA) commodities received are recorded at cost determined using the USDA standard price list and are included in the Food Service Fund inventory when received. Revenue is recognized and the expenditure is recorded when commodities are used.

**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 expenditure at the time of consumption.

**J.     Property Tax Recognition**

The levy certification is made in December of each year. The tax levy is collectible as of January 2<sup>nd</sup> of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies - continued**

**K.     Property Tax Recognition - continued**

Current taxes receivable includes the amount of Homestead Market Value Credit Aid and Disparity Reduction Aid to be received after July 1, 2015, and will be recognized as revenue during the fiscal year ending June 30, 2016. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

**L.     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 at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$2,000 or more, which benefit more than one fiscal year. 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 statements, 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 or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements, and 5 to 20 years for equipment and vehicles. Land is not depreciated.

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

**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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs, if material, are also reported as deferred charges and amortized over the term of the related debt.

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 or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies - continued**

**N.     Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position 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 of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

**O.     Fund Equity**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The following are the five fund balance categories used by the District:

Non-Spendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The District's highest level of decision making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1     Summary of Significant Accounting Policies - continued**

**O.     Fund Equity- continued**

**Assigned Fund Balance**

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the business manager and/or superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

**Unassigned Fund Balance**

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The school district will strive to maintain a fund balance of between 25% and 34% of total operating expenditures to fund balance. The fund balance shall be defined as the sum of the restricted, committed, assigned and unassigned fund balances in the General Fund, Food Service Fund and the Community Service Fund. Total operating expenditures will include the expenditures in the funds noted above.

If resources from more than one fund balance classification could be spent, the school district established the following order for resource use: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

**P.     Net Position**

Net position represents the difference between assets and liabilities in the District-wide and Fiduciary Fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the 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.

**Q.     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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 1      Summary of Significant Accounting Policies - continued**

**R.      Certain Comparative Data and Reclassifications**

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

**S.      Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**T.      Subsequent Events**

Subsequent events have been evaluated through December 7, 2015, which is the date the financial statements were available to be issued.

**Note 2      Deposits and Investments**

**A.      Deposits**

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the District's bank balance of \$767,301 was exposed to custodial credit risk.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 2     Cash and Investments - continued**

**B.     Investments**

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

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

The District's investments are potentially subject to various risks including the following:  
Custodial Credit Risk

The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk

The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

Concentration of Credit Risk

The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk

The risk that changes in the market interest rates will adversely affect the fair value of an investment.

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 2      Cash and Investments - continued**

**B.      Investments - continued**

	<u>Credit Risk</u>	<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Carrying</u>
	<u>Rating</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Value</u>
	<u>Agency</u>	<u>of Portfolio</u>	<u>Date</u>	
Investment Pools:				
Minnesota School District Liquid Asset Fund Plus				
Liquid Class	AAAm	20%	N/A	169,444
MAX Class	AAAm	80%	N/A	602,594
Total Investments				772,038
Nonnegotiable				
Certificates of				
Deposit				3,163
Cash on Hand				750
Deposits				698,036
Total Cash and Investments				<u>1,473,987</u>

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments – statement of net position	1,469,714
Cash and temporary investments – statement of fiduciary net position	<u>4,273</u>
	<u>1,473,987</u>

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

The Minnesota School District Liquid Asset Fund issues a publicly available financial report. That report may be obtained on the Internet at [www.msdlaf.org](http://www.msdlaf.org).

**Note 3      Due From Department of Education**

Amounts due from the Department of Education are aids and reimbursements receivable for the fiscal years as follows:

	<u>June 30</u>	
<u>General Fund</u>	<u>2014</u>	<u>2013</u>
General Education Aid	62,609	136,782
Other State Credits	2,992	2,508
Special Education	899	4,693
Total General Fund	66,500	143,983
 <u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Breakfast	730	

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 3     Due From Department of Education - continued**

**Special Revenue Funds - continued**

**Community Service Fund**

Early Childhood and Family Education	35	(25)
Other State Credits	<u>1,163</u>	<u>1,099</u>
Total Community Services	<u>1,198</u>	<u>1,074</u>
Total Special Revenue Funds	<u>1,928</u>	<u>1,074</u>

**Debt Service Fund**

Other State Credits	<u>1,789</u>	<u>1,837</u>
Total All Funds	<u>70,217</u>	<u>146,894</u>

**Note 4     Due From Federal Government Through the Department of Education**

Amounts due from the federal government through the Department of Education are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Federal Program - Title I	<u>5,565</u>	<u>-0-</u>
- Title II	<u>500</u>	<u>2,938</u>
Total General Fund	<u>6,065</u>	<u>2,938</u>

**Note 5     Capital Assets**

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

	<b><u>Balance</u></b> <b><u>07/01/14</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>06/30/15</u></b>
Capital assets not depreciated				
Land	9,694			9,694
Capital assets depreciated				
Land Improvements	10,093,594			10,093,594
Buildings	1,065,699			1,035,699
Equipment	307,386			307,386
Vehicles	20,592			20,592
Total capital assets depreciated	<u>11,457,271</u>	<u>-0-</u>	<u>-0-</u>	<u>11,457,271</u>
Less accumulated depreciation for				
Land Improvements	(1,766,380)	(504,680)		(2,271,060)
Buildings	(862,371)	(7,606)		(869,977)
Equipment	(154,613)	(19,087)		(173,700)
Vehicles	(6,435)	(2,574)		(9,009)
Total Accumulated Depreciation	<u>(2,789,799)</u>	<u>(533,947)</u>	<u>-0-</u>	<u>(3,323,746)</u>
Total capital assets depreciated – net	<u>8,667,472</u>	<u>(533,947)</u>		<u>8,133,525</u>
Net Capital Assets	<u>8,677,166</u>	<u>(533,947)</u>	<u>-0-</u>	<u>8,143,219</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 5     Capital Assets - continued**

Depreciation expense of \$533,947 for the year ended June 30, 2015 was charged to the following governmental functions:

Regular Instruction	4,288
Vocational Instruction	160
Pupil Support Services	3,154
Sites, Buildings, and Equipment	<u>526,345</u>
Total	<u>533,947</u>

**Note 6     Due To Other Minnesota School Districts**

The amounts due to other Minnesota School Districts are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Independent School District No. 402		
Hendricks – Arbitration Settlement		1,225,502
Independent School District No. 099		
SW/WC Service Coop – Reimbursements	<u>8,819</u>	<u>8,939</u>
Total General Fund	<u>8,819</u>	<u>1,234,441</u>
Total All Funds	<u>8,819</u>	<u>1,234,441</u>

**Note 7     Due to Other Governmental Units**

Amounts due to Other Governmental Units are as follows:

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Minnesota Department of Revenue		
Sales Tax	<u>203</u>	<u>214</u>
Total General Fund	<u>203</u>	<u>214</u>

**Note 8     Certificates of Indebtedness**

	<u>June 30,</u> <u>2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2015</u>
Minnesota Tax and Aid Anticipation Certificates of Indebtedness, Series 2013A Maturity September 16, 2014, Interest rate 2%	355,588	-0-	355,588	-0-
Minnesota Tax and Aid Anticipation Certificates of Indebtedness, Series 2014A Maturity September 10, 2015, Interest rate 2%	-0-	<u>516,377</u>	-0-	<u>516,377</u>
Total	<u>355,588</u>	<u>516,377</u>	<u>355,588</u>	<u>516,377</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 9      Long-Term Liabilities**

**A.      Bonds Payable**

Bonds payable at June 30, 2015 are comprised of the following items:

	<b><u>Balance</u></b> <b><u>June 30, 2015</u></b>
General Obligation Judgment Bonds, Series 2014, Due in annual installments of \$115,000 to \$160,000 through February 1, 2025, interest at 2.00% to 3.45%	1,410,000
General Obligation School Building Bonds, Series 2008A, due in annual installments of \$235,000 to \$635,000 through February 1, 2034, interest at 3.00% to 4.15%.	<u>8,390,000</u>
Total Bonds Payable	<u><u>9,800,000</u></u>

The annual requirements to amortize the bonds payable outstanding as of June 30, 2015, including interest payments, are listed below.

<b><u>Year Ended</u></b> <b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2016	415,000	391,346	806,346
2017	445,000	361,798	806,798
2018	455,000	348,248	803,248
2019	470,000	332,748	802,748
2020	490,000	316,445	806,445
2021-2025	<u>2,720,000</u>	1,301,158	4,021,158
2026-2030	<u>2,430,000</u>	797,483	3,227,483
2031-2035	<u>2,375,000</u>	251,905	<u>2,626,905</u>
Total	<u><u>9,800,000</u></u>	<u><u>4,101,131</u></u>	<u><u>13,901,131</u></u>

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

The following is a schedule of the changes in Long-Term Liabilities:

	<b><u>Balance</u></b> <b><u>7/1/14</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>6/30/15</u></b>	<b><u>Due Within</u></b> <b><u>One Year</u></b>
Bonds Payable	8,675,000	1,410,000	285,000	9,800,000	415,000
Pension Benefits	1,240,053	121,255	431,890	929,418	
Severance Pay	292,859	8,682	171,471	130,070	130,070
Total	<u>10,207,912</u>	<u>1,539,937</u>	<u>888,361</u>	<u>10,859,488</u>	<u>545,070</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 10    Fund Balances**

**Non-Spendable Fund Balance**

The District has the following non-spendable fund balances as of June 30, 2015:

**General Fund**

Prepaid Expenses	10,355
Total General Fund	<u>10,355</u>

**Special Revenue Funds**

**Food Service**

Inventory	3,023
Total Special Revenue Funds	<u>3,023</u>
Total All Funds	<u><u>13,378</u></u>

**Restricted Fund Balance**

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2015:

**General Fund**

Deferred Maintenance	15,066
Staff Development	375
Health & Safety	(34,870)
Operating Capital	23,915
Teacher Development & Evaluation	3,967
Gifted & Talented	811
Safe Schools	<u>937</u>
Total General Fund	10,201

**Special Revenue Funds**

**Community Services**

Community Education	38,369
Early Childhood and Family Education	18,474
School Readiness	49,811
Restricted	<u>1,470</u>
Total Special Revenue Funds	108,124

**Debt Service**

Restricted	107,301
Total Debt Service Fund	<u>107,301</u>
Total All Funds	<u><u>225,626</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 10   Fund Balances – continued**

**Committed Fund Balance**

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision making authority.

The District's highest level of decision making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

The District has the following committed fund balances as of June 30, 2015.

**General Fund**

Separation	<u>130,070</u>
Total General Fund	<u>130,070</u>
Total All Funds	<u>130,070</u>

**Assigned Fund Balance**

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the district finance director and superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

The District has no assigned fund balances as of June 30, 2015.

**Unassigned Fund Balance**

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

The District has the following unassigned fund balances as of June 30, 2015:

<b><u>General Fund</u></b>	(115,338)
<b><u>Special Revenue Fund</u></b>	
Food Service	<u>(9,708)</u>
Total All Funds	<u>(125,046)</u>

**Stabilization Amounts**

Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2015.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Defined Benefit Pension Plans**

**A.    Plan Descriptions**

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

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

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

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

**2.    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 through MnSCU.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Defined Benefit Pension Plans – continued**

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

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

**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 10 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 all 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11   Defined Benefit Pension Plans – continued**

**B.   Benefits Provided – continued**

**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 as described.

*Tier I Benefits*

<b>Tier I</b>	<b>Step Rate Formula</b>	<b>Percentage</b>
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years 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 service years are July 1, 2006 or after	1.9% per year

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Defined Benefit Pension Plans – continued**

**B.    Benefits Provided – continued**

**2.    TRA 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 years of 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 or more years 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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Defined Benefit Pension Plans – continued**

**C.    Contributions**

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

**1.    GERF Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated plan members contributed 6.5% of their 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 \$13,023. 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:

	<b>Ending June 30, 2014</b>		<b>Ending June 30, 2015</b>	
	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer</b>
<b>Basic</b>	10.5%	11.0%	11.0%	11.5%
<b>Coordinated</b>	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 \$35,514. 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 \$169,110 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 0.0036%.

For the year ended June 30, 2015, the District recognized pension expense of \$12,554 for its proportionate share of GERF's pension expense.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    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, and its contributions subsequent to the measurement date, from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$2,595	-
Changes in actuarial assumptions	\$17,428	-
Difference between projected and actual investment earnings	-	\$45,693
Changes in proportion and differences between contributions made and District's proportionate share of contributions (second part to be determined by District)	-	-
District's contributions to GERF subsequent to the measurement date	\$13,023	-
<b>Total</b>	<b>\$33,046</b>	<b>\$45,693</b>

\$13,023 reported as deferred outflows of resources related to pensions resulting from District contributions 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:

<b>Year ended June 30</b>	<b>Pension Expense Amount</b>
2016	(\$4,749)
2017	(\$4,749)
2018	(\$4,748)
2019	(\$11,424)
2020	\$0

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Defined Benefit Pension Plans – continued**

**D.    Pension Costs – continued**

**2.    TRA Pension Costs**

At June 30, 2015, the District reported a liability of \$760,308 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 0.0165% at the end of the measurement period and 0.0182% for the beginning of the period.

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

District's proportionate share of net pension liability	\$760,308
State's proportionate share of net pension liability associated with the district	\$53,606

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 \$23,803. It also recognized \$2,338 as pension expense for the support provided by direct aid.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Defined Benefit Pension Plans – continued**

**D.    Pension Costs – continued**

**2.    TRA Pension Costs – continued**

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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$64,875	
Difference between projected and actual investment earnings		\$239,033
Changes in proportion and differences between contributions made and District's proportionate share of contributions (second part to be determined by District)		\$80,680
District's contributions to TRA subsequent to the measurement date	\$35,514	
<b>Total</b>	<b>\$100,389</b>	<b>\$319,713</b>

\$35,514 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 the pension expense as follows:

<b>Year ended June 30</b>	<b>Pension Expense Amount</b>
2016	(\$63,058)
2017	(\$63,058)
2018	(\$63,058)
2019	(\$63,058)
2020	(\$2,607)

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11   Defined Benefit Pension Plans – continued**

**E.   Actuarial Assumptions**

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

<b>Assumptions</b>	<b>GERF</b>	<b>TRA</b>
Inflation	2.75% per year	3.0%
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 an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The 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.

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

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.25% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11 Defined Benefit Pension Plans – continued**

**E. Actuarial Assumptions – continued**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	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 rates specified in statute. Based on those assumptions, 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 to determine the total pension liability.

**G. Pension Liability Sensitivity**

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	<b>1% Decrease in Discount Rate</b>	<b>Discount Rate</b>	<b>1% Increase in Discount Rate</b>
GERS Discount Rate	6.9%	7.9%	8.9%
District's proportionate share of the GERS net pension liability	\$272,612	\$169,110	\$83,952
TRA Discount Rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	\$1,256,529	\$760,308	\$346,632

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 11    Pension Plan – continued**

**H.    Pension Plan Fiduciary Net Position**

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

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

**I.    Other Postemployment Benefits (OPEB)**

The school has no liability for postemployment benefits other than pension benefits.

**Note 12    Vacation and Sick Leave**

Full-time year around employees receive vacation based on their years of service. In the event of termination an employee who has completed at least six months of service is reimbursed for any unused accumulated vacation. Maximum vacation accrual is 30 days at the end of any fiscal year. Vacation pay is charged to operations when taken by the employees of the district.

Full-time year round employees accrue 14 sick days per year and school year employees accrue 11 sick days per year. All employees may accumulate up to 8 times their respective yearly allowance. Sick days do not vest under the District's policy, and accordingly, employees can be paid sick leave only for qualifying absences. Since the employee's accumulating rights to receive compensation for future absences are contingent upon the absences being caused by qualifying events and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Full-time and school year employees are granted personal days which are subject to approval by the superintendent and charged to sick leave. Teachers earn 2 personal days per year and are allowed to accrue up to 5 days. Any contingent liability for unused personal days is not recognized in the financial statements.

**Note 13    Risk Management**

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**Note 14**    **Subsequent Events**

Subsequent events have been evaluated through November 18, 2015, which is the date the financial statements were available to be issued.

**Note 15**    **Deficit Fund Balance**

The following fund had a deficit fund balance at June 30, 2015:

Food Service Fund	6,685
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Program needs will be monitored in the future to alleviate expenditure excesses in the Food Service Fund.

**Note 16**    **Transfers**

The following is a schedule of the transfers for the year ended June 30, 2015:

	<u>Transfer In</u>	<u>Transfer Out</u>
General		3,447
Debt Service	3,447	

**Note 17**    **Changes in Accounting Principle/Prior Period Adjustment**

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

The beginning net position of the governmental activities has been decreased to reflect this change in accounting principle. Beginning governmental activities net position has been restated from (\$1,155,886) to (\$2,359,645) (a decrease of \$1,173,759). Prior year partial comparative information does not reflect this change in accounting principle because the cost-sharing multiple-employer defined benefit pension plans in which the District participates have not made this information available.

**Note 18**    **Due To/From Other Funds**

Below is a schedule of interfund receivables and payables at June 30, 2015.

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	6,351	
Food Service Fund		6,351

The interfund receivable/payable was created to record the pooled cash that was overdrawn in the food service fund.



**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND EMPLOYER CONTRIBUTIONS**  
**JUNE 30, 2015**

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Employer's Covered- Employee Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>					
PERA					
June 30, 2014	0.0036%	169,110	199,151	84.9%	78.7%
TRA					
June 30, 2014	0.0165%	760,308	753,049	101.0%	81.5%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
PERA					
2014	13,584	13,584	-0-	199,151	6.8%
TRA					
2014	52,713	52,713	-0-	753,049	7.0%

See Note 11, Defined Benefit Pension Plans, for more information

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015.  
Information for prior years is not available. Additional years will be reported as they become available.

**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2015**

<b><u>Assets</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Cash and Investments	820,566	674,123
Current Property Taxes Receivable	244,065	156,460
Delinquent Property Taxes Receivable	5,769	3,976
Accounts Receivable	250	
Prepays	10,355	1,558
Due from Other Funds	6,351	
Due From Department of Education	66,500	143,983
Due From Other Minnesota School Districts	1,747	7,182
Due From Federal Government	6,065	2,938
Total Assets	<u>1,161,668</u>	<u>990,220</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Salaries Payable	43,995	70,715
Accounts Payable	24,076	12,854
Short Term Indebtedness	516,377	355,588
Interest Payable	8,177	5,592
Due to Other Governmental Units	203	214
Due to Other Minnesota School Districts	8,819	1,234,441
Payroll Deductions	28,468	46,107
Total Liabilities	<u>630,115</u>	<u>1,725,511</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unearned Revenue-Delinquent Taxes	9,769	3,976
Property Taxes Levied for Subsequent Years	486,196	338,531
Total Deferred Inflows of Resources	<u>495,965</u>	<u>342,507</u>
<b><u>Fund Equity</u></b>		
Fund Balance-Nonspendable	10,355	1,558
Fund Balance-Restricted	10,201	57,769
Fund Balance-Committed	130,370	292,859
Fund Balance-Unassigned	(115,338)	(1,429,984)
Total Fund Equity	<u>35,588</u>	<u>(1,077,798)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>1,161,668</u>	<u>990,220</u>

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30			2014
	2015		Over/(Under)	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	366,498	393,156	26,658	286,655
Local Property Tax Shift				(115,688)
	<u>366,498</u>	<u>393,156</u>	<u>26,658</u>	<u>170,967</u>
 <u>Other Local and County Revenues</u>				
County Apportionment	6,000	7,559	1,559	7,907
Admissions				19,267
Gifts	1,500	7,083	5,583	25,578
Interest Income	425	258	(167)	156
Rent of Facilities	2,476	2,476		2,476
Other Revenues	<u>22,439</u>	<u>28,635</u>	<u>6,196</u>	<u>24,889</u>
Total Other Local and County Revenues	<u>32,840</u>	<u>46,011</u>	<u>13,171</u>	<u>80,273</u>
 <u>Revenue From State Sources</u>				
Disparity Reduction Aid	981	981	(4,090)	880
Endowment Fund Apportionment	5,071	5,654	4,673	5,569
General Education Aid	1,191,484	1,159,627	(31,857)	1,467,081
Market Value Credit	2,487	2,487		2,283
Other State Aids	12,180	11,572	(608)	17,822
Property Tax Shift Offset				115,688
Special Education	<u>40,000</u>	<u>31,756</u>	<u>(8,244)</u>	<u>28,434</u>
Total Revenue From State Sources	<u>1,252,203</u>	<u>1,212,077</u>	<u>(40,126)</u>	<u>1,637,757</u>
 <u>Revenue From Federal Sources</u>				
Federal Aid Programs	69,250	67,831	(1,419)	72,360
 <u>Sales and Other Conversion of Assets</u>				
Sale of Materials	<u>9,209</u>	<u>9,128</u>	<u>(81)</u>	<u>2,376</u>
Total Sales and Other Conversion of Assets	<u>9,209</u>	<u>9,128</u>	<u>(81)</u>	<u>2,376</u>
Total Revenues	<u>1,730,000</u>	<u>1,728,203</u>	<u>(1,797)</u>	<u>1,963,733</u>

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30			
	2015			2014
			Over/(Under)	
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
Dues and Memberships	4,550	3,868	(682)	4,675
Fixed Charges and Employee Benefits	3,365	3,283	(82)	23,608
Professional Services	2,700	1,998	(702)	13,401
Salaries	22,300	22,325	25	104,531
Supplies	380		(380)	415
Travel and Transportation	700	799	99	1,180
Total District and School Administration	33,995	32,273	(1,722)	147,810
 <u>District Support</u>				
Dues and Memberships	6,750	6,750		6,845
Equipment Leased	840	840		759
Principal	6,356	6,114	(242)	4,925
Fixed Charges and Employee Benefits	6,796	6,642	(154)	1,857
Professional Services	30,300	34,200	3,900	36,091
Salaries	45,650	41,362	(4,288)	2,371
Supplies	2,150	1,568	(582)	3,485
Travel and Transportation	242	242		1,875
Total District Support Services	99,084	97,718	(1,366)	58,208
 <u>Regular Instruction</u>				
<u>Elementary School</u>				
Equipment	4,000	1,870	(2,130)	3,921
Fixed Charges and Employee Benefits	136,710	77,316	(59,394)	69,688
Professional Services	6,500	3,294	(3,206)	8,895
Rent	10,757	8,999	(1,758)	
Repairs and Maintenance	350	320	(30)	
Salaries	504,804	550,697	45,893	327,814
Supplies	21,050	13,901	(7,149)	33,897
Travel and Transportation	9,675	9,894	219	1,019
Total Elementary	693,846	666,291	(27,555)	445,234

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30			2014
	2015		Over/(Under)	
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Regular Instruction - continued</u>				
<u>Secondary School</u>				
Dues and Memberships				2,281
Equipment				12,381
Fixed Charges and Employee Benefits				108,452
Instructional Supplies	1,380	1,669	289	32,754
Payment to Other Agency's				4,736
Professional Services				30,424
Repairs and Maintenance				730
Salaries				316,430
Supplies				7,207
Travel and Transportation	2,180	33,073	30,893	66,417
Tuition to Other Minnesota School Districts	329,369	292,921	(36,448)	48,433
Total Secondary	332,929	327,663	(5,266)	630,245
Total Regular Instruction	1,026,775	993,954	(32,821)	1,075,479
<u>Vocational Instruction</u>				
Professional Services				2,590
Fixed Charges and Employee Benefits				17,068
Instructional Supplies				16,231
Repair and Maintenance				209
Salaries				66,587
Travel and Transportation				131
Total Vocational Instruction	-0-	-0-	-0-	102,816
<u>Exceptional Instruction</u>				
Fixed Charges and Employee Benefits	26,616	35,443	8,827	27,155
Instructional Supplies	2,899	4,370	1,471	1,633
Professional Services		294	294	
Salaries	88,739	96,056	7,317	151,159
Travel and Transportation	4,591	7,793	3,202	6,743
Tuition to Other Minnesota School Districts	51,571	72,979	21,408	34,786
Total Exceptional Instruction	174,416	216,935	42,519	221,476
<u>Instructional Support Services</u>				
Fixed Charges and Employee Benefits	12	167	155	1,784
Instructional Supplies	275	251	(24)	
Dues	1,500	1,463	(37)	
Professional Services	20,000	27,136	7,136	17,387
Salaries	83	1,264	1,181	5,348
Supplies	500	311	(189)	838
Travel and Transportation	400	778	378	
Total Instructional Support	22,770	31,370	8,600	25,357

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30		Over/(Under)	
	2015	2014		
	Budget	Actual	Budget	Actual
<b><u>Expenditures - continued</u></b>				
<b><u>Pupil Support</u></b>				
Fixed Charges and Employee Benefits	3,687	33,047	29,360	12,457
Fuel	30,000	26,350	(3,650)	39,111
Insurance	2,650	2,620	(30)	2,615
Professional Services	8,200	3,089	(5,111)	7,950
Pupil Transportation	191,000	198,707	7,707	182,589
Salaries	18,881	18,221	(660)	25,203
Supplies	200	80	(120)	565
Transportation Chargebacks	(45,000)	(55,335)	(10,335)	(79,389)
Travel and Transportation	49,002	(2,433)	(51,435)	38,984
Total Pupil Support	258,620	224,346	(34,274)	230,085
<b><u>Site, Building and Equipment</u></b>				
Equipment	6,000		(6,000)	12,328
Fixed Charges and Employee Benefits	20,827	19,811	(1,016)	18,804
Fuel	2,400	2,323	(77)	2,676
Other	45	45		45
Professional Services	29,489	46,634	17,145	15,034
Repair and Maintenance Service	30,500	29,792	(708)	22,588
Salaries	46,400	50,393	3,993	42,582
Supplies	11,050	7,707	(3,343)	12,893
Utilities	83,700	97,315	13,615	98,769
Total Site, Building and Equipment	230,411	254,020	23,609	225,719
<b><u>Fixed Cost Programs</u></b>				
Interest	4,300	4,049	(251)	3,819
Property Insurance	20,275	20,356	81	18,433
Total Fixed Cost Programs	24,575	24,405	(170)	22,252
Total Expenditures	1,870,646	1,875,021	4,375	2,109,202
Excess Revenues (Expenditures)	(140,646)	(146,818)	(6,172)	(145,469)
<b><u>Other Financing Sources (Uses)</u></b>				
Permanent Transfer	(3,447)	(3,447)		(1,991)
Judgement Expense	(140,188)	(140,188)		
Sale of Bonds	1,402,167	1,402,167		
Sale of Equipment	375	1,672	1,297	9,963
Total Other Financing Sources (Uses)	1,258,907	1,260,204	1,297	7,972
Excess Revenues (Expenditures) After				
Other Financing Sources (Uses)	1,118,261	1,113,386	(4,875)	(137,497)
Fund Balance-July 1		(1,077,798)		(940,301)
Fund Balance-June 30		35,588		(1,077,798)

**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2015**

			<b>Total</b>	
			<b>(Memo Only)</b>	
<b><u>Assets</u></b>	<b><u>Food</u></b>	<b><u>Community</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
	<b><u>Service</u></b>	<b><u>Service</u></b>		
Cash and Investments		107,841	107,841	99,128
Current Property Taxes Receivable		9,840	9,840	8,330
Delinquent Property Taxes Receivable		534	534	643
Accounts Receivable	214	19,081	19,295	393
Due from Department of Education	730	1,198	1,928	1,074
Due from Other Funds				
Inventory	3,023		3,023	3,315
Total Assets	<u>3,967</u>	<u>138,494</u>	<u>142,461</u>	<u>112,883</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	245	4,272	4,517	1,307
Salaries Payable	4,056	4,546	8,602	9,984
Due to Other Funds	6,351		6,351	
Unearned Revenue - Other				5,340
Total Liabilities	<u>10,652</u>	<u>8,818</u>	<u>19,470</u>	<u>16,631</u>
<b><u>Deferred Inflows of Resources</u></b>				
Unearned Revenue - Delinquent Taxes		534	534	643
Property Taxes Levied for Subsequent Years		21,018	21,018	17,569
Total Deferred Inflows of Resources	<u>-0-</u>	<u>21,552</u>	<u>21,552</u>	<u>18,212</u>
<b><u>Fund Equity</u></b>				
Fund Balance-Restricted		108,124	108,124	74,725
Fund Balance-Nonspendable	3,023		3,023	3,315
Fund Balance-Unassigned	(9,708)		(9,708)	
Total Fund Equity	<u>(6,685)</u>	<u>108,124</u>	<u>101,439</u>	<u>78,040</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>3,967</u>	<u>138,494</u>	<u>142,461</u>	<u>112,883</u>

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>Food</u></b>	<b><u>Community</u></b>	<b><u>Total</u></b>	
	<b><u>Service</u></b>	<b><u>Service</u></b>	<b><u>(Memo Only)</u></b>	
<b><u>Revenues</u></b>			<b><u>2015</u></b>	<b><u>2014</u></b>
Local Property Tax Levy		46,474	46,474	14,692
Other Local and County Revenues		51,271	51,271	42,865
Revenue from State Sources	6,692		6,692	5,940
Revenue from Federal Sources	29,434	11,966	41,400	75,863
Other	37,184		37,184	69,470
Total Revenues	<u>73,310</u>	<u>109,711</u>	<u>183,021</u>	<u>208,830</u>
 <b><u>Expenditures</u></b>				
Community Education and Services		76,312	76,312	56,739
Pupil Support Services	83,310		83,310	128,041
Total Expenditures	<u>83,310</u>	<u>76,312</u>	<u>159,622</u>	<u>184,780</u>
 Excess Revenues (Expenditures)	(10,000)	33,399	23,399	24,050
 <b><u>Other Financing Sources</u></b>				
Permanent Transfer				1,991
Excess Revenues (Expenditures) After				
Other Financing Sources (Uses)	<u>(10,000)</u>	<u>33,399</u>	<u>23,399</u>	<u>26,041</u>
 Excess Revenues (Expenditures)	(10,000)	33,399	23,399	26,041
Fund Balance-July 1	3,315	74,725	78,040	51,999
Fund Balance-June 30	<u>(6,685)</u>	<u>108,124</u>	<u>101,439</u>	<u>78,040</u>



**FOOD SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30			2014
	2015		Over/(Under)	
<b><u>Revenues</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>
<b><u>Other Local and County Revenues</u></b>				
Interest Income				1
Total Local and County Revenues	-0-	-0-	-0-	1
<b><u>Revenue From State Sources</u></b>				
Lunch Reimbursement	2,000	2,441	441	3,204
Other State Aid	2,750	4,251	1,501	2,736
Total Revenue from State Sources	4,750	6,692	1,942	5,940
<b><u>Revenue From Federal Sources</u></b>				
Breakfast Reimbursement	3,500	6,908	3,408	9,651
Commodities	2,600	6,355	3,755	8,838
Lunch Reimbursement	17,000	16,171	(829)	33,723
Total Revenue From Federal Sources	23,100	29,434	6,334	52,212
<b><u>Sales and Other Conversion of Assets</u></b>				
Sale of Lunches	30,775	37,184	6,409	69,470
Total Revenues	58,625	73,310	14,685	127,623
<b><u>Expenditures</u></b>				
<b><u>Pupil Support Services</u></b>				
Commodities	3,000	6,354	(3,354)	8,773
Fixed Charges and Employee Benefits	5,545	4,812	733	13,414
Food	23,000	21,028	1,972	41,973
Milk	7,080	6,215	865	11,646
Other	850	578	272	847
Repairs and Maintenance	1,000	1,139	(139)	725
Salaries	35,200	41,832	(6,632)	49,004
Supplies	1,600	1,352	248	1,631
Travel	50		50	28
Total Expenditures	77,325	83,310	(5,985)	128,041
Excess Revenues (Expenditures)	(18,700)	(10,000)	8,700	(418)
<b><u>Other Financing Sources</u></b>				
Permanent Transfer				1,991
Excess Revenues (Expenditures) After				
Other Financing Sources (Uses)	(18,700)	(10,000)	8,700	1,573
Fund Balance-July 1		3,315		1,742
Fund Balance-June 30		(6,685)		3,315

**COMMUNITY SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30			2014
	2015		Over/(Under)	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	27,907	46,474	18,567	25,905
Property Tax Shift				(11,213)
Total Local Property Tax Levies	27,907	46,474	18,567	14,692
<u>Other Local and County Revenues</u>				
Fees from Patrons	22,500	23,915	1,415	20,160
Grant	3,562	27,321	23,759	22,680
Interest Income	25	35	10	24
Total Other Local and County Revenues	26,087	51,271	25,184	42,864
<u>Revenue From State Sources</u>				
Disparity Aid	141	141		189
Homestead/Agriculture Credit	357	357		489
Other State Aids	11,487	11,468	(19)	11,760
Property Tax Shift			0	11,213
Total Revenue From State Sources	11,985	11,966	(19)	23,651
Total Revenues	65,979	109,711	43,732	81,207
<u>Expenditures</u>				
<u>Community Education and Services</u>				
Equipment	1,300	1,295	5	2,029
Fixed Charges and Employee Benefits	8,710	7,829	881	5,628
Instructional Supplies	1,200	328	872	1,719
Other	1,174	1,610	(436)	2,829
Rent	2,500	2,476	24	2,476
Salaries	59,058	57,838	1,220	40,362
Supplies	925	4,711	(3,786)	1,546
Travel	200	225	(25)	150
Total Expenditures	75,067	76,312	(1,245)	56,739
Excess Revenues (Expenditures)	(9,088)	33,399	42,487	24,468
Fund Balance-July 1		74,725		50,257
Fund Balance-June 30		108,124		74,725

**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Year Ended June 30			
	2015			2014
<b><u>Revenues</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Better/(Worse) Than Budget</u></b>	<b><u>Actual</u></b>
<u>Local Property Tax Levy</u>				
Local Tax Levy	614,935	616,791	1,856	605,364
<u>Other Local and County Revenues</u>				
Interest Income		105	105	105
Total Other Local and County Revenues	-0-	105	105	105
<u>Revenue From State Sources</u>				
Disparity Aid	5,059	5,059		5,112
Market Value Credit	12,829	12,829		13,254
Total Revenue From State Sources	17,888	17,888		18,366
Total Revenues	632,823	634,784	1,961	623,835
<b><u>Expenditures</u></b>				
Bond Interest	347,123	347,123		356,748
Bond Principal	285,000	285,000		275,000
Other Bond Expenses	23,000	23,341	(341)	450
Total Expenditures	655,123	655,464	(341)	632,198
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers In	3,447	3,447		
Total Other Financing Sources (Uses)	3,447	3,447	-0-	-0-
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	(18,853)	(17,233)	1,620	(8,363)
Fund Balance-July 1		124,534		132,897
Fund Balance-June 30		107,301		124,534

**UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Audit	UFARS	Audit - UFARS
<b><u>01 GENERAL FUND</u></b>			
Total Revenues	<u>1,728,203</u>	<u>1,728,203</u>	<u>0</u>
Total Expenditures	<u>2,015,209</u>	<u>2,015,209</u>	<u>0</u>
Non Spendable:			
4.60 Non Spendable	10,355	10,355	-0-
Restricted:			
4.03 Staff Development	375	375	-0-
4.05 Deferred Maintenance	15,066	15,066	-0-
4.06 Health and Safety	(34,870)	(34,870)	-0-
4.24 Operating Capital	23,915	23,915	-0-
4.38 Gifted & Talented	811	811	-0-
4.40 Teacher Development	3,967	3,967	-0-
4.49 Safe Schools	937	937	-0-
Committed:			
4.18 Designated - Severance	130,370	130,370	-0-
Unassigned:			
4.22 Unassigned	(115,338)	(115,338)	-0-
<b><u>02 FOOD SERVICE</u></b>			
Total Revenues	<u>73,310</u>	<u>73,309</u>	<u>1</u>
Total Expenditures	<u>83,310</u>	<u>83,310</u>	<u>-0-</u>
Non Spendable:			
4.60 Non Spendable	3,023	3,023	-0-
Unreserved:			
4.63 Unassigned	(9,708)	(9,709)	1
<b><u>04 COMMUNITY SERVICE</u></b>			
Total Revenues	<u>109,711</u>	<u>109,710</u>	<u>1</u>
Total Expenditures	<u>76,312</u>	<u>76,312</u>	<u>0</u>
Restricted:			
4.31 Community Education	38,369	38,369	-0-
4.32 Early Child & Family Education	18,474	18,474	-0-
4.44 School Readiness	49,811	49,811	-0-
4.64 Restricted Fund Balance	1,470	1,468	2
Unassigned:			
4.63 Unassigned	-0-	-0-	-0-
<b><u>07 DEBT SERVICE</u></b>			
Total Revenues	<u>634,784</u>	<u>634,785</u>	<u>(1)</u>
Total Expenditures	<u>655,464</u>	<u>655,464</u>	<u>-0-</u>
Restricted:			
4.64 Restricted	107,301	107,303	(2)
<b><u>07 TRUST</u></b>			
Total Revenues	<u>5</u>	<u>5</u>	<u>-0-</u>
Total Expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Unassigned:			
4.22 Unassigned	4,273	4,272	1

**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
contactl@mtcocpa.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
contactp@mtcocpa.com

Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538  
Marshall, Minnesota 56258  
507 337-0501

**PARTNERS**

David L. Meulebroeck, CPA  
Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA

**WITH THE FIRM**

Amanda K. Baarson Sandy, CPA  
Amy L. Mollberg, CPA  
Sally A. Sterk, CPA  
Blake R. Klinsing, CPA

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

To The Board of Education  
Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Independent School District No. 403's basic financial statements and have issued our report thereon dated December 7, 2015.

**Internal Control Financial Reporting**

In planning and performing our audit, we considered the Independent School District No. 403's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 403's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 403's internal control over financial reporting.

Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we identified certain deficiencies in internal control over financial reporting 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 over financial reporting such that there is a reasonable possibility that a material misstatement of the Independent School District No. 403's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be material weaknesses 2015-I and 2015-II.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Independent School District No. 403's financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

## **Minnesota Legal Compliance**

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

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 403 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Independent School District No. 403's noncompliance with the above referenced provisions.


Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

### **Independent School District No. 403's Response to Findings**

The Independent School District No. 403's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Independent School District No. 403's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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



Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
Pipestone, Minnesota

December 7, 2015

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**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
contactl@mtcocpa.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
contactp@mtcocpa.com

Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538  
Marshall, Minnesota 56258  
507 337-0501

**PARTNERS**

David L. Meulebroeck, CPA  
Matthew A. Taubert, CPA  
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**INDEPENDENT AUDITOR'S REPORT ON THE**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**OF THE STUDENT ACTIVITY FUND**

To the Board of Education  
Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

**Report on the Financial Statements**

We have audited the statement of cash receipts and disbursements of the student activity fund of Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota for the year ended June 30, 2015.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 error or fraud.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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 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.

Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

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

### ***Basis for Qualified Opinion***

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

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

### ***Qualified Opinion***

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the cash transactions of the district's student activity account for the year ended June 30, 2015, and the cash balance at that date.

### ***Report on Other Legal and Regulatory Requirements***

In accordance with Minnesota Statutes, we have also issued our report dated December 7, 2015, on our consideration of the District's compliance with the provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the district has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.



Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
Pipestone, Minnesota

December 7, 2015

**STUDENT ACTIVITY FUND**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b><u>Organization</u></b>	<b><u>07-01-14 Balance</u></b>	<b><u>2014-15 Receipts</u></b>	<b><u>2014-15 Disbursements</u></b>	<b><u>06-30-15 Balance</u></b>
Jr. Class	3,063		385	2,678
"L" Club	64			64
"L" Club Baseball	225			225
"L" Club BBB	922			922
"L" Club FB	144			144
General	1,051	503	52	1,502
Music	5,372	6,366	4,708	7,030
Art Club	2,215			2,215
SADD	750	83	83	750
Spanish	2,666			2,666
FFA	9,609	250	4,354	5,505
Student Enrichment	3,096	16,564	14,948	4,712
NHS	20			20
Yearbook	2,922			2,922
Jr Rebels	59			59
Total	<u>32,178</u>	<u>23,766</u>	<u>24,530</u>	<u>31,414</u>

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**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
contactl@mtcocpa.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
contactp@mtcocpa.com

Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538  
Marshall, Minnesota 56258  
507 337-0501

**PARTNERS**

David L. Meulebroeck, CPA  
Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA

**WITH THE FIRM**

Amanda K. Baarson Sandy, CPA  
Amy L. Mollberg, CPA  
Sally A. Sterk, CPA  
Blake R. Klinsing, CPA

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

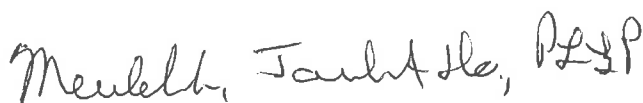
To the Board of Education  
Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

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 accounts of Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota for the year ended June 30, 2015, and have issued our report thereon dated December 7, 2015.

The *Manual for Student Activity Accounting*, issued by the Minnesota Department of Education, pursuant to *Minnesota Statutes* Section 123.49, 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 Student Activity 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 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.



Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
Pipestone, Minnesota

December 7, 2015

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**I. Financial Statement Audit-Internal Controls**

**Previously Reported Items Not Resolved**

*2015-I                      Lack of Segregation of Duties*

Due to the limited number of office personnel within the accounting department, proper segregation of the accounting functions necessary to ensure adequate internal accounting control in the areas of bank reconciliation, receipts, disbursements, payroll, journal entries and budgets are not possible. Although this is not unusual in small office situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

The District has implemented internal control procedures which utilize the existing staff to provide for segregation of duties in accounting functions whenever possible.

We recommend that the District's management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

**Corrective Action Plan (CAP)**

**Evaluation of disagreement with audit findings:**

There is no disagreement with the audit findings.

**Actions planned in response to the finding:**

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented internal control procedures that will address the areas of segregation the district is lacking, including bank reconciliation's, receipts, disbursements, payroll, journal entries, and budget. The procedures will utilize staff and board members to the extent possible.

**Official responsible for Ensuring CAP:**

The District's Superintendent in conjunction with the Board of Education is the official responsible for ensuring corrective action.

**Planned completion date for CAP:**

December 31, 2015

**Plan to monitor completion of CAP:**

The Superintendent and Board of Education will monitor the internal control system.

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

**I. Financial Statement Audit-Internal Controls-continued**  
**Previously Reported Items Not Resolved-continued**  
*2015-II GAAP Financial Statements*

District personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the 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:

The District's Superintendent in conjunction with the Board of Education is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2015

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.