INDEPENDENT SCHOOL DISTRICT NO. 622
NORTH ST. PAUL – MAPLEWOOD – OAKDALE,
MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2015

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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 622

School Board and Administration
as of June 30, 2015

SCHOOL BOARD

	Position
Theresa Augé	Chairperson
Steve Hunt	Vice Chairperson
Michelle Yener	Treasurer
Nancy Livingston	Clerk
Caleb Anderson	Director
Amy Coborn	Director
Becky Neve	Director

ADMINISTRATION

Patricia Phillips	Superintendent of Schools
Randy Anderson	Director of Business Services

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

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OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

EMPHASIS OF MATTER

As described in Note 1 of the notes to basic financial statements, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, during the year ended June 30, 2015. 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 and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 RSI 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 District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

(continued)

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

Prior Year Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 18, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 8, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 8, 2015

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This section of Independent School District No. 622's (the District) annual financial statements presents management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2015 by $77,278,272 (net position deficit). The District's total net position increased $8,246,086 during the fiscal year ended June 30, 2015, exclusive of the change in accounting principle reported in the current year as discussed below.

- The District recorded a change in accounting principle in the current year for reporting the District's participation in the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans. This change reduced beginning net position in the government-wide financial statements by $88,648,945.

- Government-wide revenues totaled $160.7 million and were $8.2 million more than expenses of $152.5 million.

- The General Fund's total fund balance (under governmental fund presentation) decreased $3.2 million from the prior year, compared to a $5.5 million decrease planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;

- Management's Discussion and Analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes *all* of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, except for the fiduciary funds. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements report the District's *net position* and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are all shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or major funds, rather than the District as a whole. Funds (Food Service and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called nonmajor funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.

- The District established other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund statements that explains the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses its internal service funds to account for the self-insurance activities of the District employees' medical claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. We exclude these activities from the government-wide financial statements because the District cannot use these assets to finance its operations. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary Statement of Net Position
as of June 30, 2015 and 2014

	2015	2014
Assets		
Current and other assets	$ 79,079,400	$ 90,440,736
Restricted assets	–	9,481,786
Capital assets, net of depreciation	112,613,272	112,446,950
Total assets	**$ 191,692,672**	**$ 212,369,472**
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	**$ 14,158,152**	**$ –**
Liabilities		
Current and other liabilities	$ 16,958,601	$ 27,267,997
Long-term liabilities	204,129,246	145,445,075
Total liabilities	**$ 221,087,847**	**$ 172,713,072**
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 38,476,724	$ 36,531,813
Pension plan deferments – PERA and TRA	23,564,525	–
Total deferred inflows of resources	**$ 62,041,249**	**$ 36,531,813**
Net position		
Net investment in capital assets	$ 10,969,313	$ 2,818,638
Restricted	3,437,107	2,153,681
Unrestricted	(91,684,692)	(1,847,732)
Total net position	**$ (77,278,272)**	**$ 3,124,587**

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, compensated absences, pension, and other post-employment benefits, which impacts the unrestricted portion of net position.

For the year ended June 30, 2015, total net position decreased by $80,402,859, which reflects an increase of $8,246,086 from current year operating results, while the change in accounting principle mentioned earlier reduced unrestricted net position by $88,648,945. This change in accounting principle for pensions significantly increased deferred outflows of resources, long-term liabilities, and deferred inflows of resources, as presented in the table above.

The District's increase in net investment in capital assets is due mostly to the District repaying debt at a faster rate than the assets being depreciated. An increase in net position restricted for debt service, food service, and community service contributed to the growth in the restricted portion of net position. The decrease in unrestricted net position was primarily due to the change in accounting principle previously discussed.

Table 2 presents a condensed version of the Statement of Activities of the District:

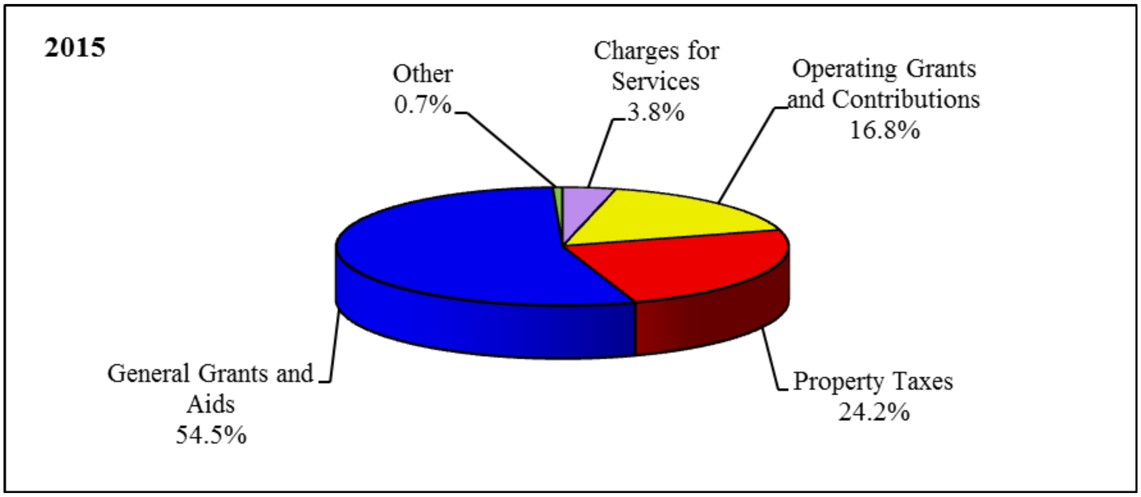
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2015 and 2014

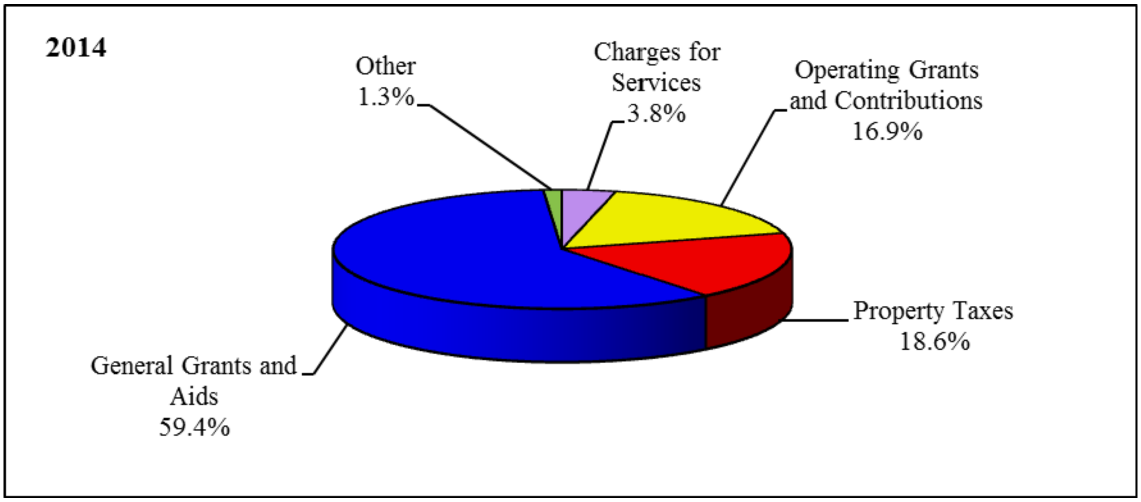
	2015	2014
Revenues		
Program revenues		
Charges for services	$ 6,032,179	$ 5,775,220
Operating grants and contributions	26,964,610	25,576,890
General revenues		
Property taxes	39,025,601	28,181,444
General grants and aids	87,618,485	89,699,343
Other	1,143,267	1,896,667
Total revenues	160,784,142	151,129,564
Expenses		
Administration	6,245,577	5,870,601
District support services	5,774,518	5,323,307
Elementary and secondary regular instruction	60,183,399	61,107,836
Vocational education instruction	2,515,435	2,363,819
Special education instruction	24,607,274	24,410,545
Instructional support services	6,131,212	7,283,020
Pupil support services	11,916,602	11,787,561
Sites and buildings	10,812,813	11,215,056
Fiscal and other fixed cost programs	555,882	463,639
Food service	6,141,087	6,079,470
Community service	7,985,251	8,004,445
Depreciation not included in other functions	3,910,796	3,880,837
Interest and fiscal charges	5,758,210	6,632,460
Total expenses	152,538,056	154,422,596
Change in net position	8,246,086	(3,293,032)
Net position – beginning, as previously reported	3,124,587	6,417,619
Change in accounting principle	(88,648,945)	–
Net position – beginning, restated	(85,524,358)	6,417,619
Net position – ending	**$ (77,278,272)**	**$ 3,124,587**

This statement is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

Figure A shows further analysis of these revenue sources.

Figure A – Sources of Revenues for Fiscal Years 2015 and 2014





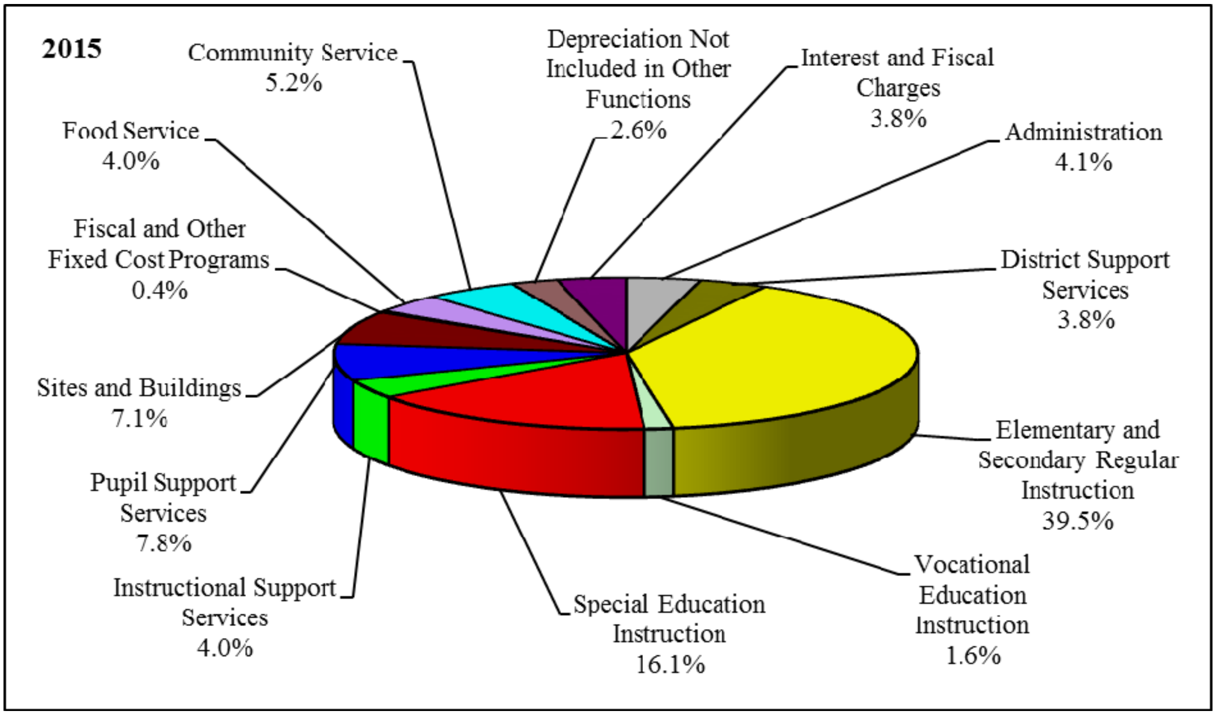
The largest share of the District's revenue is received from the state, including the basic general education aid and most of the operating grants. This significant reliance on the state for funding has placed pressure on local school districts as a result of limited funding increases in recent years.

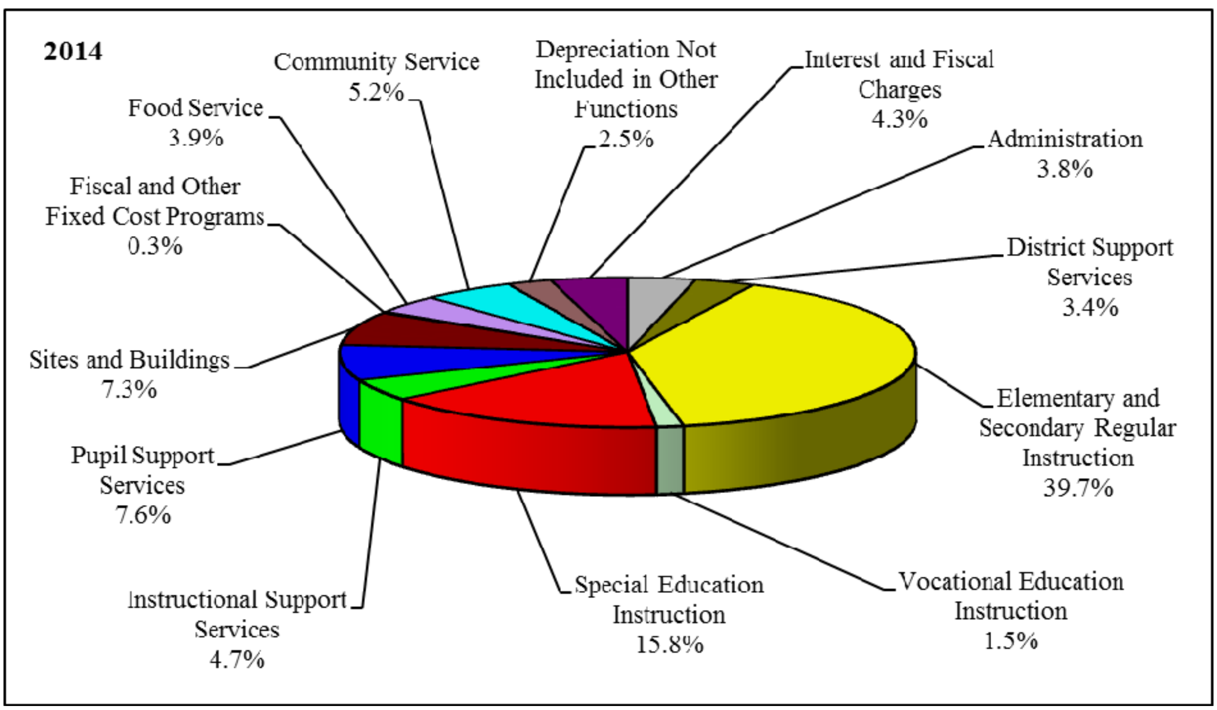
Property taxes are the next largest source of funding. The level of funding property tax sources provide is not only dependent on taxpayers of the District by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

The proportionate share of district revenue from these two sources may change significantly between fiscal years, due to the "tax shift." The tax shift is an accounting tool used on occasion to balance the state budget, whereby districts recognize cash collections for the subsequent year's property tax levy as current year revenue, and the state adjusts aid payments to districts by an equal amount.

Figure B shows further analysis of these expense functions.

Figure B – Expenses for Fiscal Years 2015 and 2014





The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2015 and 2014

	2015	2014	Increase (Decrease)
Major funds			
General	$ 3,975,251	$ 7,177,839	$ (3,202,588)
Capital Projects – Building Construction	(1,050,458)	(925,300)	(125,158)
Debt Service			
Regular	2,260,070	2,112,993	147,077
OPEB	469,815	438,008	31,807
Refunding Bond	–	9,481,785	(9,481,785)
Nonmajor funds			
Food Service Special Revenue	1,191,923	992,850	199,073
Community Service Special Revenue	779,191	419,308	359,883
Total governmental funds	$ 7,625,792	$ 19,697,483	$ (12,071,691)

As previously discussed, the focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2015, the District's governmental funds reported combined fund balances of $7,625,792, a decrease of $12,071,691 in comparison with the prior year, with $9,240,000 of this decrease due to a bond refunding. Approximately 27.7 percent of this amount ($2,115,071) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable or restricted to indicate that it is: 1) not in spendable form ($472,586) or 2) restricted for particular purposes ($5,038,135).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase (Decrease)	Percent Change
Revenue	$ 124,192,335	$ 125,934,007	$ 1,741,672	1.4%
Expenditures	$ 126,502,002	$ 131,411,722	$ 4,909,720	3.9%

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amends the budget for known changes in circumstances such as enrollment levels, legislative funding, and employee contract settlements.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2015 Actual	Amount	Percent	Amount	Percent
Revenue	$ 127,663,545	$ 1,729,538	1.4%	$ 6,087,302	5.0%
Expenditures	130,888,519	(523,203)	(0.4%)	996,318	0.8%
Excess (deficiency) of revenue over expenditures	(3,224,974)	2,252,741		5,090,984	
Net other financing sources	22,386	22,386		22,386	
Net change in fund balances	$ (3,202,588)	$ 2,275,127		$ 5,113,370	

The fund balance of the General Fund decreased $3,202,588, compared to a planned spend-down of $5,477,715 approved in the final budget.

General Fund revenues were over budget primarily in state sources due to an increase in special education revenue and Medical Assistance (MA) billing revenue. The District saw an increase in special education revenue of 6.3 percent and an increase in MA billing revenue of 179.0 percent. The revenue growth over the prior year was due to the increase in special education revenue, MA billing revenue, the 2.0 percent increase in the state funding formula, and the increase in aid for all-day kindergarten.

General Fund expenditures were 0.4 percent under budget, which were spread across several programs and object categories. Similar to revenues, expenditures also increased from the prior year due to negotiated salary and benefit increases.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and as authorized by the District's alternative facilities levy as approved by the Minnesota Department of Education. At June 30, 2015, the District had a deficit fund balance of $1,050,458, which reflects project costs incurred for which the District has future levy authority. This was a planned deficit which was approved by the School Board for the deferred maintenance on Beaver Lake Education Center and Gladstone. This deficit will be eliminated in the next fiscal year.

Debt Service Fund

The Debt Service Fund expenditures and other financing uses exceeded revenues by $9,302,901 in the current year. This fund reflects those revenues and expenditures related to the District's outstanding bonded indebtedness. During the current year, the District refunded $9,240,000 of outstanding bonds in advance of their original maturities, using refunding bond proceeds issued in prior years, contributing to the decrease in fund balance.

Other Governmental Funds

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $199,073, compared to a planned fund balance decrease of $62,620. As of June 30, 2015, the fund balance increased to 19.3 percent of expenditures.

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $359,883, compared to a planned fund balance increase of $160,706. As of June 30, 2015, the fund balance increased to 9.7 percent of expenditures.

Internal Service Fund

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost reimbursement basis. The District currently maintains one Internal Service Fund which is used to account for the District's self-insured health insurance activities.

Operating revenues for the Internal Service Fund for fiscal 2015 totaled $16,864,024 while operating expenses totaled $15,394,299.

The net position for the Internal Service Fund as of June 30, 2015 was $2,135,974, which represents a $1,469,725 increase from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ending June 30, 2015 and 2014:

Table 6
Capital Assets

	2015	2014	Change
Land	$ 19,577,877	$ 19,577,877	$ –
Construction in progress	3,308,248	1,630,063	1,678,185
Land improvements	8,885,893	8,589,543	296,350
Buildings and improvements	142,952,583	140,744,671	2,207,912
Furniture and equipment	16,896,445	16,109,352	787,093
Less accumulated depreciation	(79,007,774)	(74,204,556)	(4,803,218)
Total	$ 112,613,272	$ 112,446,950	$ 166,322
Depreciation expense	$ 4,994,581	$ 4,937,776	$ 56,805

By the end of 2015, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2015.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities, together with the change from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2015	2014	Change
General obligation bonds payable	$ 115,575,000	$ 134,065,000	$ (18,490,000)
Certificates of participation payable	4,895,000	5,720,000	(825,000)
Premium (discount) on bonds payable and certificates of participation payable	1,429,255	1,530,035	(100,780)
Net pension liability – PERA*	21,575,613	–	21,575,613
Net pension liability – TRA*	56,410,255	–	56,410,255
Net pension obligation	203,383	156,848	46,535
Severance benefits payable	2,651,196	2,514,075	137,121
Compensated absences payable	1,389,544	1,459,117	(69,573)
Total	$ 204,129,246	$ 145,445,075	$ 58,684,171

*Reflects current year change in accounting principle; prior year balances were not restated.

The $18.5 million decrease in general obligation bond principal payments was a result of $9.3 million in regularly scheduled principal payments and $9.2 million of advance refunding bond payments used to call the 2006 debt issue.

The $825,000 decrease in the certificates of participation payable is due to the scheduled payments during fiscal year 2015.

As previously discussed, the District recorded a change in accounting principle in the current year for reporting the District's participation in the PERA and TRA pension plans. Information needed to restate previous periods was not readily available; therefore, prior period amounts were not restated.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 6,970,329,000
Limit rate	15.0%
Legal debt limit	$ 1,045,549,350

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT'S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. In the 2015 fiscal year, several funding and pupil weighting changes went into effect, which included an equivalent increase of $105, or 2.0 percent, for the basic general education formula funding. The Legislature has added $117, or 2.0 percent, per pupil to the formula for fiscal year 2016 and an additional $119, or 2.0 percent, per pupil to the formula for fiscal year 2017. The ongoing demands on limited resources continue to present challenges in funding education for Minnesota schools.

Annual state funding formula increases that are less than the annual increase in inflation and a growing demand on limited resources have created challenges in funding education for Minnesota schools. Accordingly, the District continues to utilize sophisticated enrollment and planning tools, along with detailed and conservative budgeting and budget monitoring processes. The District will continue to seek all available sources of funding and maintain systems that ensure financial stability.

The District will strive to maintain its current level of educational programming and carry on its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives and utilizes. Should you have questions about these statements, or need additional information, please contact Randy Anderson, Director of Business Services, Independent School District No. 622, 2520 – East 12th Avenue, North St. Paul, Minnesota 55109. Randy Anderson may also be reached by telephone at (651) 748-7561.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Net Position
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	Governmental Activities	
	2015	2014
Assets		
Cash and temporary investments	$ 24,766,756	$ 36,791,633
Receivables		
Current taxes	24,004,668	22,859,650
Delinquent taxes	378,264	665,508
Accounts and interest	115,509	178,941
Due from other governmental units	11,715,849	11,826,630
Due from fiduciary fund	2,037,577	–
Inventory	370,426	404,703
Prepaid items	102,160	198,530
Negative net other post-employment benefit obligations	15,588,191	17,515,141
Restricted assets – temporarily restricted		
Cash and investments for debt service	–	9,479,578
Interest receivable for debt service	–	2,208
Total restricted assets – temporarily restricted	–	9,481,786
Capital assets		
Not depreciated	22,886,125	21,207,940
Depreciated, net of accumulated depreciation	89,727,147	91,239,010
Total capital assets, net of accumulated depreciation	112,613,272	112,446,950
Total assets	191,692,672	212,369,472
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	14,158,152	–
Total assets and deferred outflows of resources	$ 205,850,824	$ 212,369,472
Liabilities		
Aid anticipation certificates	$ 9,390,000	$ 16,931,079
Salaries payable	941,720	668,627
Accounts and contracts payable	2,306,461	4,179,392
Accrued interest payable	2,256,434	2,801,052
Due to other governmental units	1,227,773	1,811,306
Due to fiduciary fund	–	198,674
Unearned revenue	836,213	677,867
Long-term liabilities		
Due within one year	12,254,557	21,084,130
Due in more than one year	191,874,689	124,360,945
Total long-term liabilities	204,129,246	145,445,075
Total liabilities	221,087,847	172,713,072
Deferred inflows of resources		
Property taxes levied for subsequent year	38,476,724	36,531,813
Pension plan deferments – PERA and TRA	23,564,525	–
Total deferred inflows of resources	62,041,249	36,531,813
Net position		
Net investment in capital assets	10,969,313	2,818,638
Restricted for		
Capital asset acquisition	504,566	637,990
Debt service	761,075	–
Food service	1,191,923	992,850
Community service	798,000	478,443
Other purposes (state funding restrictions)	181,543	44,398
Unrestricted	(91,684,692)	(1,847,732)
Total net position	(77,278,272)	3,124,587
Total liabilities, deferred inflows of resources, and net position	$ 205,850,824	$ 212,369,472

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Activities
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015				2014
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 6,245,577	$ –	$ 7,623	$ (6,237,954)	$ (5,870,601)
District support services	5,774,518	650	64	(5,773,804)	(5,322,552)
Elementary and secondary regular instruction	60,183,399	628,944	2,166,165	(57,388,290)	(58,294,886)
Vocational education instruction	2,515,435	–	123,836	(2,391,599)	(2,286,021)
Special education instruction	24,607,274	497,901	16,185,416	(7,923,957)	(8,573,526)
Instructional support services	6,131,212	–	16,364	(6,114,848)	(7,237,709)
Pupil support services	11,916,602	6,058	221,366	(11,689,178)	(11,590,476)
Sites and buildings	10,812,813	91,272	4	(10,721,537)	(11,186,665)
Fiscal and other fixed cost programs	555,882	–	–	(555,882)	(463,639)
Food service	6,141,087	2,289,582	4,072,180	220,675	(85,478)
Community service	7,985,251	2,517,772	4,171,592	(1,295,887)	(1,645,636)
Depreciation not included in other functions	3,910,796	–	–	(3,910,796)	(3,880,837)
Interest and fiscal charges	5,758,210	–	–	(5,758,210)	(6,632,460)
Total governmental activities	$ 152,538,056	$ 6,032,179	$ 26,964,610	(119,541,267)	(123,070,486)
General revenues					
Taxes					
Property taxes, levied for general purposes				19,282,605	12,076,889
Property taxes, levied for capital projects				3,274,500	595,000
Property taxes, levied for community service				1,724,194	801,183
Property taxes, levied for debt service				14,744,302	14,708,372
General grants and aids				87,618,485	89,699,343
Other general revenues				1,078,630	1,804,768
Investment earnings				64,637	91,899
Total general revenues				127,787,353	119,777,454
Change in net position				8,246,086	(3,293,032)
Net position – beginning, as previously reported				3,124,587	6,417,619
Change in accounting principle				(88,648,945)	–
Net position – beginning, as restated				(85,524,358)	6,417,619
Net position – ending				$ (77,278,272)	$ 3,124,587

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Balance Sheet
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 9,354,309	$ –	$ 9,276,505
Cash and investments held by trustee	–	–	–
Receivables			
Current taxes	14,027,434	–	8,942,845
Delinquent taxes	211,762	–	150,228
Accounts and interest	38,529	–	–
Due from other governmental units	10,989,967	–	22
Due from other funds	2,947,786	–	–
Inventory	23,985	–	–
Prepaid items	99,628	–	–
Total assets	$ 37,693,400	$ –	$ 18,369,600
Liabilities			
Aid anticipation certificates	$ 9,390,000	$ –	$ –
Salaries payable	819,416	–	–
Accounts and contracts payable	800,438	140,249	–
Accrued interest payable	115,434	–	–
Due to other funds	–	910,209	–
Due to other governmental units	898,821	–	–
Unearned revenue	229,799	–	–
Total liabilities	12,253,908	1,050,458	–
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	244,119	–	172,190
Property taxes levied for subsequent year	21,220,122	–	15,467,525
Total deferred inflows of resources	21,464,241	–	15,639,715
Fund balances (deficits)			
Nonspendable	123,613	–	–
Restricted	686,109	–	2,729,885
Assigned	–	–	–
Unassigned	3,165,529	(1,050,458)	–
Total fund balances (deficits)	3,975,251	(1,050,458)	2,729,885
Total liabilities, deferred inflows of resources, and fund balances	$ 37,693,400	$ –	$ 18,369,600

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2015	Total Governmental Funds 2014
$ 2,802,770	$ 21,433,584	$ 34,250,809
–	–	9,479,578
1,034,389	24,004,668	22,859,650
16,274	378,264	665,508
76,980	115,509	181,149
725,860	11,715,849	11,826,630
–	2,947,786	525,901
346,441	370,426	404,703
2,532	102,160	198,530
$ 5,005,246	$ 61,068,246	$ 80,392,458
$ –	$ 9,390,000	$ 16,931,079
122,304	941,720	668,627
168,576	1,109,263	3,029,392
–	115,434	333,847
–	910,209	–
328,952	1,227,773	1,811,306
606,414	836,213	677,867
1,226,246	14,530,612	23,452,118
18,809	435,118	711,044
1,789,077	38,476,724	36,531,813
1,807,886	38,911,842	37,242,857
348,973	472,586	603,233
1,622,141	5,038,135	13,771,427
–	–	2,416,709
–	2,115,071	2,906,114
1,971,114	7,625,792	19,697,483
$ 5,005,246	$ 61,068,246	$ 80,392,458

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INDEPENDENT SCHOOL DISTRICT NO. 622

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Total fund balances – governmental funds	$ 7,625,792	$ 19,697,483
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	191,621,046	186,651,506
Accumulated depreciation	(79,007,774)	(74,204,556)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(115,575,000)	(134,065,000)
Certificates of participation payable	(4,895,000)	(5,720,000)
Premiums and discounts on debt	(1,429,255)	(1,530,035)
Net pension liability – PERA	(21,575,613)	–
Net pension liability – TRA	(56,410,255)	–
Severance benefits payable	(2,651,196)	(2,514,075)
Compensated absences payable	(1,389,544)	(1,459,117)
Net other post-employment benefit obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	15,588,191	17,515,141
Net pension obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	(203,383)	(156,848)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,141,000)	(2,467,205)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	2,135,974	666,249
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	14,158,152	–
Deferred inflows – PERA and TRA pension plans	(23,564,525)	–
Deferred inflows – delinquent taxes receivable	435,118	711,044
Total net position – governmental activities	$ (77,278,272)	$ 3,124,587

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 19,420,261	$ 3,274,500	$ 14,870,547
Investment earnings	18,736	–	36,456
Other	2,147,350	–	156,105
State sources	101,726,474	–	227
Federal sources	4,350,724	–	90,749
Total revenue	127,663,545	3,274,500	15,154,084
Expenditures			
Current			
Administration	6,204,965	–	–
District support services	5,735,305	–	–
Elementary and secondary regular instruction	59,933,326	–	–
Vocational education instruction	2,588,707	–	–
Special education instruction	25,137,862	–	–
Instructional support services	6,292,004	–	–
Pupil support services	11,819,255	–	–
Sites and buildings	11,578,003	–	–
Fiscal and other fixed cost programs	555,882	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	3,399,658	–
Debt service			
Principal	825,000	–	9,250,000
Interest and fiscal charges	218,210	–	5,966,985
Total expenditures	130,888,519	3,399,658	15,216,985
Excess (deficiency) of revenue over expenditures	(3,224,974)	(125,158)	(62,901)
Other financing sources (uses)			
Sale of assets	22,386	–	–
Payment on refunded debt	–	–	(9,240,000)
Total other financing sources (uses)	22,386	–	(9,240,000)
Net change in fund balances	(3,202,588)	(125,158)	(9,302,901)
Fund balances (deficit)			
Beginning of year	7,177,839	(925,300)	12,032,786
End of year	$ 3,975,251	$ (1,050,458)	$ 2,729,885

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2015	Total Governmental Funds 2014
$ 1,736,219	$ 39,301,527	$ 28,200,652
9,445	64,637	91,899
4,807,354	7,110,809	7,579,988
4,259,410	105,986,111	106,725,356
3,982,401	8,423,874	8,550,877
14,794,829	160,886,958	151,148,772
–	6,204,965	5,641,309
–	5,735,305	5,106,056
–	59,933,326	59,860,270
–	2,588,707	2,363,819
–	25,137,862	24,385,026
–	6,292,004	7,559,074
–	11,819,255	11,512,561
–	11,578,003	11,928,628
–	555,882	463,639
6,029,586	6,029,586	5,846,417
8,030,226	8,030,226	7,984,285
176,061	3,575,719	2,993,148
–	10,075,000	9,890,000
–	6,185,195	7,042,452
14,235,873	163,741,035	162,576,684
558,956	(2,854,077)	(11,427,912)
–	22,386	–
–	(9,240,000)	(8,745,000)
–	(9,217,614)	(8,745,000)
558,956	(12,071,691)	(20,172,912)
1,412,158	19,697,483	39,870,395
$ 1,971,114	$ 7,625,792	$ 19,697,483

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INDEPENDENT SCHOOL DISTRICT NO. 622

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Total net change in fund balances – governmental funds.	$ (12,071,691)	$ (20,172,912)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded in net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	5,160,903	4,815,089
Depreciation expense	(4,994,581)	(4,937,776)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	–	(20,919)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	18,490,000	17,835,000
Certificates of participation payable	825,000	800,000
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	326,205	319,918
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	100,780	90,074
The change in net other post-employment benefit obligations do not require the use of current financial resources and are not reported until actually due in the governmental funds.	(1,926,950)	(2,466,994)
The change in net pension obligations do not require the use of current financial resources and are not included in the change in fund balances until due.	(46,535)	(102,555)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences payable	69,573	(200,334)
Net pension liability – PERA	3,429,019	–
Net pension liability – TRA	12,893,900	–
Severance benefits payable	(137,121)	101,336
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	1,469,725	666,249
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial		
Deferred outflows – PERA and TRA pension plans	8,498,310	–
Deferred inflows – PERA and TRA pension plans	(23,564,525)	–
Deferred inflows – delinquent taxes receivable	(275,926)	(19,208)
Change in net position – governmental activities	$ 8,246,086	$ (3,293,032)

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2015

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 17,696,284	$ 19,463,557	$ 19,420,261	$ (43,296)
Investment earnings	30,000	30,000	18,736	(11,264)
Other	1,676,750	1,891,322	2,147,350	256,028
State sources	100,260,228	100,020,055	101,726,474	1,706,419
Federal sources	4,529,073	4,529,073	4,350,724	(178,349)
Total revenue	124,192,335	125,934,007	127,663,545	1,729,538
Expenditures				
Current				
Administration	5,600,158	6,057,470	6,204,965	147,495
District support services	6,066,409	6,343,863	5,735,305	(608,558)
Elementary and secondary regular instruction	58,726,550	59,868,762	59,933,326	64,564
Vocational education instruction	2,018,628	2,502,995	2,588,707	85,712
Special education instruction	22,368,027	24,486,533	25,137,862	651,329
Instructional support services	6,775,556	6,377,836	6,292,004	(85,832)
Pupil support services	11,103,788	11,860,463	11,819,255	(41,208)
Sites and buildings	12,302,886	12,258,800	11,578,003	(680,797)
Fiscal and other fixed cost programs	400,000	515,000	555,882	40,882
Debt service				
Principal	825,000	825,000	825,000	–
Interest and fiscal charges	315,000	315,000	218,210	(96,790)
Total expenditures	126,502,002	131,411,722	130,888,519	(523,203)
Excess (deficiency) of revenue over expenditures	(2,309,667)	(5,477,715)	(3,224,974)	2,252,741
Other financing sources				
Sale of assets	–	–	22,386	22,386
Net change in fund balances	$ (2,309,667)	$ (5,477,715)	(3,202,588)	$ 2,275,127
Fund balances				
Beginning of year			7,177,839	
End of year			$ 3,975,251	

See notes to basic financial statements

Statement of Net Position
Internal Service Fund
as of June 30, 2015
(With Partial Comparative Information as of June 30, 2014)

	2015	2014
Assets		
Current assets		
Cash and temporary investments	$ 3,333,172	$ 2,540,824
Liabilities		
Current liabilities		
Accounts and contracts payable	352,928	–
Due to other funds	–	724,575
Claims incurred but not reported	844,270	1,150,000
Total liabilities	1,197,198	1,874,575
Net position		
Unrestricted	$ 2,135,974	$ 666,249

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Fund
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Operating revenue		
Charges for services	$ 16,864,024	$ 16,004,639
Operating expenses		
Claims and settlements	15,394,299	15,338,390
Operating income	1,469,725	666,249
Net position		
Beginning of year	666,249	–
End of year	$ 2,135,974	$ 666,249

See notes to basic financial statements

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Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Contributions from governmental funds	$ 16,864,024	$ 16,004,639
Payments for health claims	(15,347,101)	(14,188,390)
Net cash flows from operating activities	1,516,923	1,816,249
Cash flows from noncapital financing activities		
Advances from other funds	(724,575)	724,575
Net change in cash and cash equivalents	792,348	2,540,824
Cash and cash equivalents		
Beginning of year	2,540,824	–
End of year	$ 3,333,172	$ 2,540,824
Reconciliation of operating income to net cash flows from operating activities		
Operating income	$ 1,469,725	$ 666,249
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and contracts payable	352,928	–
Claims incurred, but not reported	(305,730)	1,150,000
Net cash flows from operating activities	$ 1,516,923	$ 1,816,249

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Fiduciary Net Position
as of June 30, 2015

	Private-Purpose Trust Fund	Post Employment Benefits Trust Fund
Assets		
Cash and temporary investments	$ 999,799	$ 3,892,873
Investments, at fair value		
Local government obligations	–	7,264,365
Negotiable certificates of deposit	–	1,399,834
MNTrust Investment Shares Portfolio	–	2,503,497
Investment pools/mutual funds	97,812	1,671,754
Guaranteed investment contracts	–	135,585
Receivables		
Accounts and interest	17,521	1,331,372
Prepaid items	3,500	–
Total assets	1,118,632	18,199,280
Liabilities		
Accounts and contracts payable	57,131	–
Due to other funds	–	2,037,577
Due to other governmental units	736	–
Total liabilities	57,867	2,037,577
Net position		
Held in trust for scholarships and OPEB	$ 1,060,765	$ 16,161,703

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 622

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2015

	Private-Purpose Trust Fund	Post Employment Benefits Trust Fund
Additions		
Contributions		
Private donations	$ 1,688,710	$ –
Employee	–	723,340
Total contributions	1,688,710	723,340
Investment earnings		
Interest	23	811,840
Net increase (decrease) in fair value of investments	–	(171,998)
Total investment earnings	23	639,842
Total additions	1,688,733	1,363,182
Deductions		
Benefits paid to plan members	–	2,863,352
Scholarships and other deductions	1,770,700	–
Total deductions	1,770,700	2,863,352
Change in net position	(81,967)	(1,500,170)
Net position		
Beginning of year	1,142,732	17,661,873
End of year	$ 1,060,765	$ 16,161,703

See notes to basic financial statements

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 622 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, 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. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (the 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 includes 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.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular student activities. The District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and 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 Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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 internally directed revenues are reported instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For capital assets that can be specifically identified with or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not included in other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. The Proprietary Fund (Internal Service Fund) is presented in the Proprietary Fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statement of the Proprietary Fund (Internal Service Fund) is consolidated into the governmental activities in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity. Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, and private-purpose trust. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service funds are charges to customers for service. Operating expenses for the internal service funds include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

1. **Revenue Recognition** – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are generally considered as available if collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the 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:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or under the alternative facilities program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used to pay principal, interest, and related costs on the 2009A taxable OPEB bond issue.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used primarily to record financial activities of the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue 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.

Proprietary Funds

Internal Service Fund – The Internal Service Fund accounts for the financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund is used to account for health insurance offered by the District to its employees as a self-insured plan.

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for resources held in trust to be used by various other third parties to award scholarships to former students and for other purposes for which the resources are being held.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

E. Budgetary Information

Each June, the School Board adopts an annual budget for the following fiscal year for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level.

Budgeted expenditure appropriations lapse at year-end. Expenditures in the Food Service Special Revenue Fund exceeded budgeted appropriations by $242,571. Revenues in excess of budget financed this variance.

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.

Earnings from the investments of the Capital Projects – Building Construction Fund are allocated specifically to that fund.

In the Post-Employment Benefits Trust Fund, cash and cash equivalents and investments at fair value are deposited by the District in an irrevocable trust account, the use of which is restricted to paying post-employment insurance benefits as specified in the trust agreement. Interest earned in these trust accounts is allocated directly to these funds.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purpose by the District of three months or less to be cash equivalent. The proprietary fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are also reported at amortized cost. Investment income is accrued at the Balance Sheet date.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Purchased food and supplies are recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenses/expenditures at the time of consumption.

J. Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $2,959,895 of the property tax levy collectible in 2015 as revenue to the District in fiscal year 2014–2015. The remaining portion of the taxes collectible in 2015 is recorded as deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost if purchased or constructed. Donated capital 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 $5,000 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 is not capitalized.

Capital assets are recorded in the government-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 assets are generally 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, ranging from 20 to 50 years for land improvements and buildings and improvements, and 5 to 20 years for furniture and equipment. Capital assets that are not depreciated include land and construction in progress.

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

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

M. Compensated Absences Payable

1. **Vacation Pay** – Under the terms of union contracts, certain employees accrue vacation at varying rates, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation and related benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements. Unused vacation pay is accrued in governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of severance benefits for some employees upon termination.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts.

Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance or retirement benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year’s salary.

Members of certain employee groups may also elect to receive district matching contributions paid into tax-deferred matching contribution plans. The amount of any severance or retirement benefit due to an individual is reduced by the total contributions made to such a plan over the course of that individual's employment.

Severance or retirement benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

The amount of severance is recorded as a liability in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance or retirement pay is accrued in the governmental fund financial statements only when it becomes due and payable.

O. State-Wide Pension Plans

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 the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006.

P. Risk Management and Self-Insurance

1. **General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal 2015.

2. **Self-Insurance** – The District has established an Internal Service Fund to account for and finance its self-insured risk of loss for employee health insurance plans. Under these plans, the Internal Service Fund provides coverage to participating employees and their dependents for various healthcare costs as described in the plans.

   The District makes premium payments to the Internal Service Fund on behalf of program participants based on provisional rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of health insurance claim liabilities for the last two years are as follows:

Fiscal Year Ended June 30,	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ –	$ 15,338,390	$ 14,188,390	$ 1,150,000
2015	$ 1,150,000	$ 15,041,371	$ 15,347,101	$ 844,270

Q. Net Position

In the government-wide and internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is displayed in three components:

- **Net Investment in Capital Assets –** Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.

- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- **Unrestricted Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

R. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

- **Committed –** Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District’s Director of Business Services is authorized to establish assignments of fund balance.

- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, then unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

S. 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 represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. This deferred outflow results from differences between expected and actual experience, changes of assumptions, the difference between projected and actual earnings on pension plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items which qualify for reporting in this category.

The first item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available.

The second item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

The third item, deferred inflows of resources related to pensions, is reported in the government-wide Statement of Net Position. This deferred inflow results from differences between expected and actual experience, changes of assumptions, and the difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized as required under pension standards.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Use of Estimates

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

U. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

V. Change in Accounting Principle

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. GASB Statement No. 68 included major changes in how employers account for pension benefit expenses and liabilities. In financial statements prepared using the economic resources measurement focus and accrual basis of accounting (government-wide and proprietary funds), an employer is required to recognize a liability for its share of the net pension liability provided through the pension plan. An employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources for its share related to pensions. This standard required retroactive implementation, which resulted in the restatement of net position as of June 30, 2014. The net position of governmental activities in the government-wide financial statements as of June 30, 2014 was decreased by $88,648,945. This change reflects the District's proportionate share of the net pension liabilities ($94,308,787 decrease in net position) and related deferred outflows of resources ($5,659,842 increase in net position) for the PERA and TRA pension plans, which are now reported by employers under current guidance. Certain amounts necessary to fully restate fiscal year 2014 financial information are not determinable; therefore, prior year comparative amounts have not been restated.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$	7,785,858
Investments		34,942,787
Cash on hand		3,630
Total	$	42,732,275

Cash and investments are presented in the financial statements as follows:

Statement of Net Position		
Cash and temporary investments	$	24,766,756
Statement of Fiduciary Net Position		
Cash and temporary investments		
Private-Purpose Trust Fund		999,799
Employee Benefit Trust Funds		3,892,873
Investments		
Private-Purpose Trust Fund		97,812
Employee Benefit Trust Funds		12,975,035
Total	$	42,732,275

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety 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 standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The District's deposit policy does not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $7,785,858, while the balance on the bank records was $9,336,066. At June 30, 2015, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Interest Risk – Maturity Duration in Years: Less Than 1	Interest Risk – Maturity Duration in Years: 1 to 5	Interest Risk – Maturity Duration in Years: 5 to 10	Total
Local government obligations	AA	S&P	$ –	$ 2,689,263	$ –	$ 2,689,263
Local government obligations	Aaa	Moody's	$ –	$ 221,044	$ –	221,044
Local government obligations	Aa	Moody's	$ –	$ 4,319,509	$ 34,549	4,354,058
Guaranteed investment contract	N/R	N/A	$ 135,585	$ –	$ –	135,585
Negotiable certificates of deposit	N/R	N/A	$ –	$ 1,399,834	$ –	1,399,834
Investment pools/mutual funds	N/R	N/A	N/A	N/A	N/A	1,671,754
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	101,577
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	13,330,560
Minnesota Trust Term Series	AAA	S&P	N/A	N/A	N/A	11,039,112
Total						$ 34,942,787

N/A – Not Applicable
N/R – Not Rated

The Minnesota School District Liquid Asset Fund (MSDLAF) and MNTrust Investment Shares Portfolio (MNTrust) are regulated by Minnesota Statutes and are external investment pools not registered with the Securities Exchange Commission (SEC) that follow the same regulatory rules of the SEC under rule 2a7. The District's investments in the MSDLAF and MNTrust are measured at the net asset value per share provided by the pools, which are based on an amortized cost method that approximates fair value.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The District's investment policies do not further restrict investing in specific financial instruments.

Post-Employment Benefits Trust Fund – This fund represents investments administered by the District's OPEB Trust Fund investment managers. The District's investment policy, discussed previously, extends to the OPEB Trust Fund investments.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the state of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse repurchase agreements, and commercial paper if issued by a United States corporation or its Canadian subsidiary and if rated in the highest two quality categories by a nationally recognized rating agency; and in the State Board of Investments. Investments are stated at fair value.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk. The District invested 7.4 percent of its portfolio in Independent School District (ISD) No. 152, Moorhead, Minnesota local government obligations at June 30, 2015.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments the District considers such things as interest rates and cash flow needs.

At year-end, $1,671,754 of the District's investments were uninsured and not registered in the District's name, with the securities held by the purchasing agent, or by its trust department or agent, but not in the District's name.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 19,577,877	$ –	$ –	$ –	$ 19,577,877
Construction in progress	1,630,063	4,218,896	–	(2,540,711)	3,308,248
Total capital assets, not depreciated	21,207,940	4,218,896	–	(2,540,711)	22,886,125
Capital assets, depreciated					
Land improvements	8,589,543	88,839	–	207,511	8,885,893
Buildings and improvements	140,744,671	–	–	2,207,912	142,952,583
Furniture and equipment	16,109,352	853,168	(191,363)	125,288	16,896,445
Total capital assets, depreciated	165,443,566	942,007	(191,363)	2,540,711	168,734,921
Less accumulated depreciation for					
Land improvements	(2,385,467)	(413,731)	–	–	(2,799,198)
Buildings and improvements	(61,083,363)	(3,529,536)	–	–	(64,612,899)
Furniture and equipment	(10,735,726)	(1,051,314)	191,363	–	(11,595,677)
Total accumulated depreciation	(74,204,556)	(4,994,581)	191,363	–	(79,007,774)
Net capital assets, depreciated	91,239,010	(4,052,574)	–	2,540,711	89,727,147
Total capital assets, net	$ 112,446,950	$ 166,322	$ –	$ –	$ 112,613,272

Depreciation expense for the year ended June 30, 2015 was charged to the following governmental functions:

Administration	$ 478
Elementary and secondary regular instruction	98,424
Special education instruction	12,453
Pupil support services	808,457
Food service	95,133
Sites and buildings	68,840
Depreciation not included in other functions	3,910,796
Total depreciation expense	$ 4,994,581

NOTE 4 – AID ANTICIPATION CERTIFICATES

Short-term borrowing for cash flow purposes is summarized as follows:

Issue Date	Maturity Date	Interest Rate	June 30, 2014	Additions	Retirements	June 30, 2015
08/29/2013	09/16/2014	2.00%	$ 16,931,079	$ –	$ 16,931,079	$ –
01/27/2015	09/15/2015	2.00%	–	9,390,000	–	9,390,000
			$ 16,931,079	$ 9,390,000	$ 16,931,079	$ 9,390,000

Interest and fiscal charges, net of premium amortization of $23,867, were charged to the General Fund in fiscal year 2015 related to these certificates.

NOTE 5 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
General obligation bonds payable					
2004D Recreational Facility Refunding Bonds	10/01/2004	3.00–3.80%	$ 1,385,000	05/01/2017	$ 295,000
2006B Refunding Bonds	11/01/2006	4.25–5.00%	$ 51,950,000	02/01/2025	32,725,000
2006C Refunding Bonds	11/01/2006	4.00–5.00%	$ 21,680,000	02/01/2023	13,485,000
2007A Alternative Facility Bonds	03/01/2007	3.50–4.25%	$ 4,170,000	02/01/2027	2,930,000
2008A Alternative Facility Bonds	02/01/2008	3.00–4.00%	$ 10,895,000	02/01/2028	8,175,000
2009A Taxable OPEB Bonds	02/01/2009	3.50–6.20%	$ 30,000,000	02/01/2027	20,445,000
2009B Alternative Facility Bonds	02/12/2009	2.00–4.50%	$ 6,390,000	02/01/2029	4,985,000
2010A Alternative Facility Bonds	02/11/2010	0.65–5.75%	$ 6,795,000	02/01/2030	5,520,000
2010C Crossover Refunding Bonds	10/28/2010	3.00–3.20%	$ 4,750,000	02/01/2024	3,735,000
2011A Alternative Facility Bonds	04/14/2011	3.00–4.10%	$ 6,720,000	02/01/2031	5,545,000
2012A Refunding Bonds	04/25/2012	2.00–2.38%	$ 8,955,000	02/01/2025	8,230,000
2012B Alternative Facility Refunding Bonds	10/25/2012	2.13–3.00%	$ 9,505,000	02/01/2027	9,505,000
Total general obligation bonds payable					$ 115,575,000

These bonds were issued to finance acquisition and/or construction of capital facilities, to finance (refund) prior bond issues, or to finance OPEB. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

The general obligation recreational facility refunding bonds were issued to finance acquisition and construction of an ice arena. Revenue from the operation of the arena will be used to retire principal and interest payments on the bonds. The District has levy authority to utilize if these revenues are not sufficient to retire principal and interest payments. A Joint Powers Board was created to provide for the operation, use, maintenance, and repair of the ice arena. The joint powers agreement is described further in Note 12 – Joint Ventures of these notes to basic financial statements.

In October 2012, the District issued $9,505,000 General Obligation Alternative Facilities Refunding Bonds, Series 2012B. The proceeds of this issue were used to refund, in advance of their stated maturities, the 2016 through 2027 maturities of the 2006 General Obligation Alternative Facilities Bonds, totaling $9,240,000. The proceeds of the 2012B issue were placed in an escrow account pending the call date of the refunded issue. Until the call date, the District made all debt service payments on the outstanding issue, while interest payments on the 2012B issue were paid from proceeds of the escrow account. On February 1, 2015, the escrow account was used to call the remaining principal of the 2006 issue and the District assumed the remaining principal and interest payments on the 2012B issue. As a result of the advance refunding, the District achieved a debt service savings of approximately $676,811, with a present value of approximately $557,974, using the yield of the bonds as the discount factor.

The District's 2010A Alternative Facility Bonds were issued as Build America Bonds – Direct Pay, for which the District will receive a federal tax credit equal to 35 percent of the interest payment on this debt issue. Although the District has complied with all eligibility requirements for this credit, the District has received notice from the Internal Revenue Service that future interest payment credits will be reduced.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Original Issue	Final Maturity	Principal Outstanding
Certificates of participation payable					
2006D Refunding Certificates of Participation	11/01/2006	4.00–4.25%	$ 1,830,000	02/01/2020	$ 825,000
2010B Certificates of Participation	09/30/2010	2.00–3.50%	$ 2,500,000	02/01/2025	1,885,000
2011B Refunding Certificates of Participation	12/15/2011	2.00–3.00%	$ 3,675,000	02/01/2019	2,185,000
Total certificates of participation payable					$ 4,895,000

The District sold certificates of participation under Minnesota Statute § 123B.51 to finance additions and improvements to existing school facilities or to refund prior certificates of participation issued. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates. These certificates of participation are being paid by the General Fund.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including severance benefits, OPEB, pension benefits, and compensated absences. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established an Employee Benefit Trust Fund to finance OPEB obligations.

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and certificates of participation are as follows:

Year Ending	General Obligation Bonds		Certificates of Participation	
June 30,	Principal	Interest	Principal	Interest
2016	$ 9,715,000	$ 4,961,734	$ 840,000	$ 146,431
2017	10,120,000	4,571,096	870,000	120,744
2018	10,325,000	4,136,454	895,000	98,389
2019	10,740,000	3,708,766	915,000	73,645
2020	10,715,000	3,257,146	365,000	46,690
2021–2025	48,675,000	9,665,363	1,010,000	104,450
2026–2030	14,825,000	1,617,428	–	–
2031	460,000	18,860	–	–
	$ 115,575,000	$ 31,936,847	$ 4,895,000	$ 590,349

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

E. Changes in Long-Term Liabilities

	Balance – June 30, 2014	Change in Accounting Principle*	Additions	Retirements	Balance – June 30, 2015	Due Within One Year
General obligation bonds payable	$ 134,065,000	$ –	$ –	$ 18,490,000	$ 115,575,000	$ 9,715,000
Certificates of participation payable	5,720,000	–	–	825,000	4,895,000	840,000
Plus premium (discount)	1,530,035	–	–	100,780	1,429,255	–
Total bonds and certificates of participation payable	141,315,035	–	–	19,415,780	121,899,255	10,555,000
Net pension obligation	156,848	–	384,456	337,921	203,383	–
Net pension liability – PERA	–	25,004,632	1,594,223	5,023,242	21,575,613	–
Net pension liability – TRA	–	69,304,155	3,348,232	16,242,132	56,410,255	–
Severance benefits payable	2,514,075	–	326,614	189,493	2,651,196	310,013
Compensated absences payable	1,459,117	–	1,232,352	1,301,925	1,389,544	1,389,544
	$ 145,445,075	$ 94,308,787	$ 6,885,877	$ 42,510,493	$ 204,129,246	$ 12,254,557

*Adjustment is part of the change in accounting principle described earlier in these notes.

NOTE 6 – FUND BALANCES

A. Classifications

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. When applicable, certain restrictions which have an accumulated deficit balance at June 30 are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ 23,985	$ –	$ –	$ 346,441	$ 370,426
Prepaid items	99,628	–	–	2,532	102,160
Total nonspendable	123,613	–	–	348,973	472,586
Restricted					
Health and safety	504,566	–	–	–	504,566
Safe schools	181,543	–	–	–	181,543
Debt service	–	–	2,729,885	–	2,729,885
Food service	–	–	–	845,482	845,482
School readiness	–	–	–	33,876	33,876
Early childhood family education programs	–	–	–	310,887	310,887
Community education	–	–	–	168,252	168,252
Adult basic education	–	–	–	263,644	263,644
Total restricted	686,109	–	2,729,885	1,622,141	5,038,135
Unassigned					
Alternative facilities restricted account deficit	–	(1,050,458)	–	–	(1,050,458)
General Fund	3,165,529	–	–	–	3,165,529
Total unassigned	3,165,529	(1,050,458)	–	–	2,115,071
Total	$ 3,975,251	$ (1,050,458)	$ 2,729,885	$ 1,971,114	$ 7,625,792

B. Minimum Unassigned Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum unassigned fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unassigned General Fund balance of 5.0 to 7.0 percent of the annual budget. At June 30, 2015, the unassigned fund balance of the General Fund was 2.4 percent of current year expenditures.

C. Deficit Fund Balance

At June 30, 2015, the Capital Projects – Building Construction Fund had a deficit fund balance of $1,050,458. The deficit will be funded by future tax levies.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The 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 Association (TRA)

The 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. The 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 Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

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

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.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

1. GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for the 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

2. TRA Benefits

The 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 Statutes 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 the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2%
All years after	2.7%
Coordinated	
First 10 years if service years are up to July 1, 2006	1.2%
First 10 years if service years are July 1, 2006 or after	1.4%
All other years of service if service years are up to July 1, 2006	1.7%
All other years of service if service years are July 1, 2006 or after	1.9%

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) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

C. Contributions

Minnesota Statutes 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 percent and 6.5 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5 percent of pay in 2015. In calendar year 2014, the District was required to contribute 11.78 percent of pay for Basic Plan members and 7.25 percent for Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were $1,784,137. The District's contributions were equal to the required contributions for each year as set by state statutes.

2. TRA Contributions

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

	Year Ended June 30,			
	2014		2015	
	Employee	Employer	Employee	Employer
Basic Plan	10.5%	11.0%	11.0%	11.5%
Coordinated Plan	7.0%	7.0%	7.5%	7.5%

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2015, were $4,241,912. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

D. Pension Costs

1. GERF Pension Costs

At June 30, 2015, the District reported a liability of $21,575,613 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 the 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 the PERA's participating employers. At June 30, 2014, the District's proportion was 0.4593 percent.

For the year ended June 30, 2015, the District recognized pension expense of $1,594,223 for its proportionate share of the GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 331,119	$ –
Changes in actuarial assumptions	2,223,582	–
Differences between projected and actual investment earnings	–	5,829,711
The District's contributions to the GERF subsequent to the measurement date	1,784,137	–
Total	$ 4,338,838	$ 5,829,711

A total of $1,784,137 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (605,861)
2017	$ (605,861)
2018	$ (605,861)
2019	$ (1,457,427)

2. TRA Pension Costs

At June 30, 2015, the District reported a liability of $56,410,255 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 1.2242 percent at the end of the measurement period and 1.2081 percent for the beginning of the period.

The pension liability amount reflected a reduction due to direct aid provided to the 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	$ 56,410,255
State's proportionate share of the net pension liability associated with the District	$ 3,968,323

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 $3,175,122. It also recognized $173,110 as pension expense for the support provided by direct aid.

At June 30, 2015, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,813,322	$ –
Difference between projected and actual investment earnings	–	17,734,814
Changes in proportion and differences between contributions made and the District's proportionate share of contributions	764,080	–
District's contributions to the TRA subsequent to the measurement date	4,241,912	–
Total	$ 9,819,314	$ 17,734,814

A total of $4,241,912 reported as deferred outflows of resources related to pensions resulting from district contributions to the 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 the TRA will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	$ (3,269,319)
2017	$ (3,269,319)
2018	$ (3,269,319)
2019	$ (3,269,319)
2020	$ 919,864

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:

Assumptions	GERF	TRA
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 actuarial experience studies. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB Statement No. 67 valuation.

The following changes in actuarial assumptions for the GERF occurred in 2014: as of July 1, 2013, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2046. As of July 1, 2014, the post-retirement benefit increase rate was assumed to increase from 1.0 percent to 2.5 percent on January 1, 2031.

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

The long-term expected rate of return on pension plan investments is 7.9 percent for the GERF and 8.25 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic stocks	45%	5.50%
International stocks	15%	6.00%
Bonds	18%	1.45%
Alternative assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent for the GERF and 8.25 percent for the 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 the statute. Based on those assumptions, each of the pension plan's fiduciary net positions were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following 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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 34,780,759	$ 21,575,613	$ 10,710,885
TRA discount rate	7.25%	8.25%	9.25%
District's proportionate share of the TRA net pension liability	$ 93,226,833	$ 56,410,255	$ 25,717,957

H. Pension Plan Fiduciary Net Position

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

Detailed information about the TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at the TRA website at www.MinnesotaTRA.org; by writing to the TRA at 60 Empire Drive, Suite 400, St. Paul, Minnesota 55103-2088; or by calling (651) 296-2409 or (800) 657-3669.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment insurance benefits to certain eligible employees through the District's OPEB Plan, a single-employer defined benefit plan administered by the District. The plan does not issue a publicly available financial report.

The District is phasing out post-employment medical and dental insurance to all district employees, in accordance with their respective master employment agreements. These contractual agreements do not include any specific contribution or funding requirements. The eligibility for, amount of, duration of, and the District's contribution to the cost of the benefits provided varies by contract, hire dates, and date of retirement.

All retirees of the District have the option under state law to continue their medical insurance coverage at their cost through the District from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of certain employee groups, the District pays the eligible retiree's premiums for medical and dental for some period after retirement. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are invested plan assets accumulated for payment of future benefits which are held in the Post-Employment Benefits Trust Fund.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

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

ARC	$ 2,431,242
Interest on net OPEB obligation	(788,181)
Adjustment to ARC	1,051,875
Annual OPEB cost (expense)	2,694,936
Contributions made	767,986
Change in net OPEB obligation	1,926,950
Negative net OPEB obligation – beginning of year	(17,515,141)
Negative net OPEB obligation – end of year	$ (15,588,191)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the (negative) net OPEB obligation for the past three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	(Negative) Net OPEB Obligation
June 30, 2013	$ 2,686,256	$ 815,501	30.4 %	$ (19,982,135)
June 30, 2014	$ 2,698,465	$ 231,471	8.6 %	$ (17,515,141)
June 30, 2015	$ 2,694,936	$ 767,986	28.5 %	$ (15,588,191)

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was 55.0 percent funded. The actuarial accrued liability for benefits was $35,632,923, and the actuarial value of assets was $19,589,346, resulting in an unfunded actuarial accrued liability (UAAL) of $16,043,577. The covered payroll (annual payroll of active employees covered by the plan) was $64,507,019, and the ratio of the UAAL to the covered payroll was 24.9 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of investment expenses) based on the District's own investments; a 3.0 percent rate of projected salary increases; an inflation rate of 2.5 percent; an annual healthcare cost trend rate of 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent for medical insurance; and an annual healthcare trend rate of 3.0 and 5.0 percent for dental insurance and vision insurance, respectively. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2013 for the various amortization layers ranged from 25 to 30 years.

F. Post-Employment Benefits Trust Fund

The District administers a defined benefit OPEB Plan. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan.

The Post-Employment Benefits Trust Fund is reported using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

G. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	480
Active plan members	1,310
Total members	1,790

NOTE 9 – PENSION BENEFITS PLAN

A. Plan Description

The District provides pension benefits to certain eligible employees through the District's Pension Benefits Plan, a single-employer defined benefit plan administered by the District. All pension benefits are based on contractual agreements with employee groups. As of July 1, 2013, the plan had 86 active participants and 1 retiree participant receiving payments. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

The District maintains various early retirement incentive payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. No employee can receive severance or retirement benefits in excess of one year's salary.

NOTE 9 – PENSION BENEFITS PLAN (CONTINUED)

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. There are no invested plan assets accumulated for payment of future benefits.

C. Annual Pension Cost and Net Pension Obligation

The District's annual pension cost (expense) is calculated based on the ARC of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement Nos. 25, 27, and 50. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the District's annual pension cost for the year, the amount actually contributed to the plan, and the changes in the District's net pension obligation to the plan:

ARC	$ 396,789
Interest on net pension obligation	7,058
Adjustment to ARC	(19,391)
Annual pension cost (expense)	384,456
Contributions made	337,921
Change in net pension obligation	46,535
Net pension obligation – beginning of year	156,848
Net pension obligation – end of year	$ 203,383

The District's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the past three years are as follows:

Fiscal Year Ended	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
June 30, 2013	$ 284,710	$ 184,569	64.8 %	$ 54,293
June 30, 2014	$ 286,092	$ 183,537	64.2 %	$ 156,848
June 30, 2015	$ 384,456	$ 337,921	87.9 %	$ 203,383

D. Funded Status and Funding Progress

As of July 1, 2013, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $1,222,867, and the actuarial value of assets was $0, resulting in a UAAL of $1,222,867. The covered payroll (annual payroll of active employees covered by the plan) was $4,015,203, and the ratio of the UAAL to the covered payroll was 30.5 percent.

NOTE 9 – PENSION BENEFITS PLAN (CONTINUED)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress immediately following the notes to basic financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

In the July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of investment expenses) based on the District's own investments; a 3.0 percent rate of projected salary increase for all members. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization period at July 1, 2013 for the various amortization layers ranged from 5 to 10 years.

NOTE 10 – FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan, which is classified as a "cafeteria plan" (the Plan) under § 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependant care benefits.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependant care are paid by the District to a trust account maintained by an outside administrator on a monthly basis. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the employee. The medical reimbursement and dependant care activity is included in the financial statements in the General Fund and special revenue funds.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors in an amount equal to the eligible healthcare and dependant care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Receivables

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

B. Construction Contracts

The District is committed to various contracts awarded for construction and maintenance projects. The District's commitment for uncompleted work on these contracts at June 30, 2015 was $161,912.

C. Legal Claims

The District is a defendant in various lawsuits. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

D. Operating Leases

The District leases buildings and equipment under operating leases that expire through June 30, 2019. Total costs for such leases were $281,829 for the year ended June 30, 2015. The future minimum lease payments for these leases are as follows:

Year Ending June 30,	Amount
2016	$ 214,500
2017	214,500
2018	214,500
2019	17,875
Total	$ 661,375

NOTE 12 – JOINT VENTURES

A. Valley Crossing Elementary

The District participates in a joint venture to govern the administration, financing, and operation of a joint elementary school known as Valley Crossing Community School (the Joint School). The Joint School was established through a joint powers agreement entered into on October 18, 1994 and amended in July 1995 with the District; ISD No. 834 and ISD No. 833 (the Independent Districts); and Northeast Metropolitan Intermediate School District No. 916 (the Intermediate District) pursuant to applicable Minnesota Statutes. The Independent Districts establish policies and take steps to ensure that a sufficient number of pupils from each of the Independent Districts and the Intermediate District will be enrolled in the Joint School and will also provide advice and assistance to the Intermediate District (which is responsible for the operations of the Joint School).

NOTE 12 – JOINT VENTURES (CONTINUED)

As part of the joint powers agreement covering the construction and operation of the Joint School, the District is committed to levy its proportionate share of lease costs necessary to repay $18,000,000 of bonds issued during fiscal 1995–1996 to fund construction of the Joint School. A calculation is performed to determine each participating member district's proportionate share of the required lease levy based on each district's number of pupils attending the Joint School. The District's share of the total debt service requirement on these bonds for fiscal 2014–2015 is $199,651, out of a total commitment of $1,409,613 for three participating school districts.

B. Joint Ice Arena

The District is a party to a joint powers agreement, together with the cities of Oakdale and Maplewood, which establishes a Joint Powers Board. The Joint Powers Board was created in 1996 to provide for the construction, operation, use, maintenance, and repair of a joint ice arena (Tartan Arena).

Each member is entitled to appoint two members to the Joint Powers Board. The District issued bonds in the amount of $1,950,000 to partially finance the construction of Tartan Arena. The District pledged its full faith and credit to the performance of these bonds. Scheduled bond payments are funded from Tartan Arena revenue prior to coverage of operating expenses.

The District also pledged the allocation of funds to pay one-third of any projected shortfalls in annual revenues available for the operation and maintenance of the facility. For the year ended June 30, 2015, operating revenues for the facility, after scheduled bond payments, were $413,857 and operating expenditures were $514,589. All property acquired under this agreement is one-third owned by each member of the joint powers agreement. The District's share of the financial activity of Tartan Arena is included within the District's Community Service Special Revenue Fund.

NOTE 13 – INTERFUND BALANCES AND TRANSACTIONS

Interfund Receivables and Payables

The District had the following interfund receivables and payables at June 30, 2015:

	Due From Other Funds	Due To Other Funds
Governmental Funds		
General Fund	$ 2,947,786	$ –
Capital Projects –		
Building Construction Fund	–	910,209
Fiduciary Fund		
Post-Employment Benefits Fund	–	2,037,577
Total all funds	$ 2,947,786	$ 2,947,786

These balances represent interfund amounts due to the General Fund relating to post-employment benefit costs to be reimbursed and to eliminate a temporary cash deficit in the Capital Projects – Building Construction Fund as of June 30, 2015. Such interfund balances are reported in the fund financial statements, but are eliminated as necessary in the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

Defined Benefit Pensions Plans
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2014
District's proportion of the net pension liability (asset)	0.4593%
District's proportionate share of the net pension liability (asset)	$ 21,575,613
District's covered-employee payroll	$ 24,110,024
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89.49%
Plan fiduciary net position as a percentage of the total pension liability	78.70%

Teachers Retirement Association

District's proportion of the net pension liability (asset)	1.2242%
District's proportionate share of the net pension liability (asset) (a)	$ 56,410,255
District's proportionate share of the state of Minnesota's proportionate share of the net pension liability (b)	3,968,323
Proportionate share of the net pension liability and the District's share of the state of Minnesota's share of the net pension liability (a + b)	$ 60,378,578
District's covered-employee payroll	$ 55,880,148
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.95%
Plan fiduciary net position as a percentage of the total pension liability	81.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This information is not available for previous fiscal years.

INDEPENDENT SCHOOL DISTRICT NO. 622

Defined Benefit Pensions Plans
Schedule of District Contributions
GERF/TRA Retirement Funds
June 30, 2015

Public Employees Retirement Association

	2015
Statutorily required contribution	$ 1,784,137
Contributions in relation to the statutorily required contributions	1,784,137
Contribution deficiency (excess)	$ –
District’s covered-employee payroll	$ 24,164,168
Contributions as a percentage of covered-employee payroll	7.38%

Teachers Retirement Association

Statutorily required contribution	$ 4,241,912
Contributions in relation to the statutorily required contributions	4,241,912
Contribution deficiency (excess)	$ –
District’s covered-employee payroll	$ 56,560,535
Contributions as a percentage of covered-employee payroll	7.50%

Note: The District implemented GASB Statement No. 68 in fiscal 2015. This information is not available for previous fiscal years.

Schedules of Funding Progress and Schedule of Employer Contributions
June 30, 2015

Other Post-Employment Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	$ 38,598,519	$ 27,079,530	$ 11,518,989	70.2 %	$ 57,824,601	19.9 %
July 1, 2011	$ 38,984,713	$ 23,463,923	$ 15,520,790	60.2 %	$ 60,267,563	25.8 %
July 1, 2013	$ 35,632,923	$ 19,589,346	$ 16,043,577	55.0 %	$ 64,507,019	24.9 %

Other Post-Employment Benefits Plan
Schedule of Employer Contributions

Year Ended June 30,	Annual Required Contribution	Percentage Contributed	(Negative) Net OPEB Obligation
2010	$ 1,801,103	28.7%	$(25,310,581)
2011	$ 1,801,103	32.3%	$(23,650,942)
2012	$ 2,206,744	37.1%	$(21,852,890)
2013	$ 2,277,856	35.8%	$(19,982,135)
2014	$ 2,291,557	10.1%	$(17,515,141)
2015	$ 2,431,242	31.6%	$(15,588,191)

Pension Benefits Plan
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	$ 1,755,328	$ –	$ 1,755,328	– %	$ 4,774,607	36.8 %
July 1, 2011	$ 1,487,282	$ –	$ 1,487,282	– %	$ 4,037,418	36.8 %
July 1, 2013	$ 1,222,867	$ –	$ 1,222,867	– %	$ 4,015,203	30.5 %

SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 622

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 970,350	$ 1,832,420	$ 2,802,770
Receivables			
Current taxes	–	1,034,389	1,034,389
Delinquent taxes	–	16,274	16,274
Accounts and interest	–	76,980	76,980
Due from other governmental units	114,716	611,144	725,860
Inventory	346,441	–	346,441
Prepaid items	–	2,532	2,532
Total assets	$ 1,431,507	$ 3,573,739	$ 5,005,246
Liabilities			
Salaries payable	$ 13,910	$ 108,394	$ 122,304
Accounts and contracts payable	86,893	81,683	168,576
Due to other governmental units	1,046	327,906	328,952
Unearned revenue	137,735	468,679	606,414
Total liabilities	239,584	986,662	1,226,246
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	18,809	18,809
Property taxes levied for subsequent year	–	1,789,077	1,789,077
Total deferred inflows of resources	–	1,807,886	1,807,886
Fund balances			
Nonspendable for inventory	346,441	–	346,441
Nonspendable for prepaid items	–	2,532	2,532
Restricted	845,482	776,659	1,622,141
Total fund balances	1,191,923	779,191	1,971,114
Total liabilities, deferred inflows of resources, and fund balances	$ 1,431,507	$ 3,573,739	$ 5,005,246

INDEPENDENT SCHOOL DISTRICT NO. 622

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2015

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,736,219	$ 1,736,219
Investment earnings	2,002	7,443	9,445
Other	2,289,582	2,517,772	4,807,354
State sources	323,148	3,936,262	4,259,410
Federal sources	3,749,032	233,369	3,982,401
Total revenue	6,363,764	8,431,065	14,794,829
Expenditures			
Current			
Food service	6,029,586	–	6,029,586
Community service	–	8,030,226	8,030,226
Capital outlay	135,105	40,956	176,061
Total expenditures	6,164,691	8,071,182	14,235,873
Net change in fund balances	199,073	359,883	558,956
Fund balances			
Beginning of year	992,850	419,308	1,412,158
End of year	$ 1,191,923	$ 779,191	$ 1,971,114

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 9,354,309	$ 22,424,280
Receivables		
Current taxes	14,027,434	13,257,052
Delinquent taxes	211,762	357,440
Accounts and interest	38,529	97,074
Due from other governmental units	10,989,967	11,638,758
Due from other funds	2,947,786	511,541
Inventory	23,985	26,904
Prepaid items	99,628	192,123
Total assets	$ 37,693,400	$ 48,505,172
Liabilities		
Aid anticipation certificates	$ 9,390,000	$ 16,931,079
Salaries payable	819,416	534,172
Accounts and contracts payable	800,438	1,871,570
Accrued interest payable	115,434	333,847
Due to other governmental units	898,821	1,372,250
Unearned revenue	229,799	183,231
Total liabilities	12,253,908	21,226,149
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	244,119	381,775
Property taxes levied for subsequent year	21,220,122	19,719,409
Total deferred inflows of resources	21,464,241	20,101,184
Fund balances (deficit)		
Nonspendable for inventory	23,985	26,904
Nonspendable for prepaid items	99,628	192,123
Restricted for health and safety	504,566	–
Restricted for operating capital	–	637,990
Restricted for safe schools	181,543	44,398
Assigned for subsequent year's budget	–	2,309,667
Assigned for integration	–	107,042
Unassigned for health and safety restricted account deficit	–	(474,774)
Unassigned	3,165,529	4,334,489
Total fund balances	3,975,251	7,177,839
Total liabilities, deferred inflows of resources, and fund balances	$ 37,693,400	$ 48,505,172

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 19,463,557	$ 19,420,261	$ (43,296)	$ 12,083,629
Investment earnings	30,000	18,736	(11,264)	23,504
Other	1,891,322	2,147,350	256,028	2,440,701
State sources	100,020,055	101,726,474	1,706,419	102,199,089
Federal sources	4,529,073	4,350,724	(178,349)	4,829,320
Total revenue	125,934,007	127,663,545	1,729,538	121,576,243
Expenditures				
Current				
Administration				
Salaries	4,222,350	4,288,385	66,035	4,125,334
Employee benefits	1,570,735	1,697,683	126,948	1,298,847
Purchased services	131,307	122,325	(8,982)	113,409
Supplies and materials	32,048	31,272	(776)	35,723
Capital expenditures	15,000	10,534	(4,466)	6,583
Other expenditures	86,030	54,766	(31,264)	61,413
Total administration	6,057,470	6,204,965	147,495	5,641,309
District support services				
Salaries	2,595,518	2,474,655	(120,863)	2,492,013
Employee benefits	1,001,854	935,762	(66,092)	892,375
Purchased services	924,373	932,430	8,057	913,019
Supplies and materials	227,067	172,813	(54,254)	179,310
Capital expenditures	1,425,110	1,061,806	(363,304)	451,569
Other expenditures	169,941	157,839	(12,102)	177,770
Total district support services	6,343,863	5,735,305	(608,558)	5,106,056
Elementary and secondary regular instruction				
Salaries	38,339,783	38,213,848	(125,935)	38,108,511
Employee benefits	14,273,510	14,771,375	497,865	14,025,716
Purchased services	5,470,592	5,147,438	(323,154)	4,817,631
Supplies and materials	1,189,174	1,260,566	71,392	2,341,829
Capital expenditures	515,703	427,414	(88,289)	485,738
Other expenditures	80,000	112,685	32,685	80,845
Total elementary and secondary regular instruction	59,868,762	59,933,326	64,564	59,860,270

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	1,279,286	1,390,029	110,743	1,237,226
Employee benefits	561,418	597,255	35,837	406,996
Purchased services	361,566	349,499	(12,067)	417,376
Supplies and materials	38,475	56,970	18,495	53,270
Capital expenditures	11,000	4,000	(7,000)	11,184
Other expenditures	251,250	190,954	(60,296)	237,767
Total vocational education instruction	2,502,995	2,588,707	85,712	2,363,819
Special education instruction				
Salaries	16,020,422	16,217,714	197,292	15,824,948
Employee benefits	6,085,351	6,224,685	139,334	5,807,444
Purchased services	2,036,250	2,382,191	345,941	2,446,679
Supplies and materials	170,397	190,110	19,713	207,732
Capital expenditures	67,113	78,306	11,193	67,693
Other expenditures	107,000	44,856	(62,144)	30,530
Total special education instruction	24,486,533	25,137,862	651,329	24,385,026
Instructional support services				
Salaries	4,745,989	4,700,044	(45,945)	5,331,229
Employee benefits	1,211,206	1,171,453	(39,753)	1,240,041
Purchased services	189,531	190,141	610	289,224
Supplies and materials	194,971	172,189	(22,782)	212,088
Capital expenditures	20,200	42,854	22,654	447,881
Other expenditures	15,939	15,323	(616)	38,611
Total instructional support services	6,377,836	6,292,004	(85,832)	7,559,074
Pupil support services				
Salaries	5,723,074	5,820,371	97,297	5,902,642
Employee benefits	1,982,784	1,987,461	4,677	1,965,455
Purchased services	2,514,467	2,447,595	(66,872)	2,116,428
Supplies and materials	1,024,338	973,769	(50,569)	911,087
Capital expenditures	611,050	587,397	(23,653)	612,584
Other expenditures	4,750	2,662	(2,088)	4,365
Total pupil support services	11,860,463	11,819,255	(41,208)	11,512,561

(continued)

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	3,913,578	3,983,250	69,672	3,856,036
Employee benefits	1,931,037	1,976,621	45,584	1,737,900
Purchased services	3,251,544	3,100,572	(150,972)	3,090,476
Supplies and materials	623,450	562,704	(60,746)	574,284
Capital expenditures	2,284,690	1,621,170	(663,520)	2,428,425
Other expenditures	254,501	333,686	79,185	241,507
Total sites and buildings	12,258,800	11,578,003	(680,797)	11,928,628
Fiscal and other fixed cost programs				
Purchased services	515,000	555,882	40,882	463,639
Debt service				
Principal	825,000	825,000	–	800,000
Interest and fiscal charges	315,000	218,210	(96,790)	271,819
Total debt service	1,140,000	1,043,210	(96,790)	1,071,819
Total expenditures	131,411,722	130,888,519	(523,203)	129,892,201
Excess (deficiency) of revenue over expenditures	(5,477,715)	(3,224,974)	2,252,741	(8,315,958)
Other financing sources				
Sale of assets	–	22,386	22,386	–
Net change in fund balances	$ (5,477,715)	(3,202,588)	$ 2,275,127	(8,315,958)
Fund balances				
Beginning of year		7,177,839		15,493,797
End of year		$ 3,975,251		$ 7,177,839

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 970,350	$ 904,162
Receivables		
Due from other governmental units	114,716	1,077
Due from other funds	–	14,360
Inventory	346,441	377,799
Prepaid items	–	512
Total assets	$ 1,431,507	$ 1,297,910
Liabilities		
Salaries payable	$ 13,910	$ 36,765
Accounts and contracts payable	86,893	134,145
Due to other governments	1,046	1,099
Unearned revenue	137,735	133,051
Total liabilities	239,584	305,060
Fund balances		
Nonspendable for inventory	346,441	377,799
Nonspendable for prepaid items	–	512
Restricted for food service	845,482	614,539
Total fund balances	1,191,923	992,850
Total liabilities and fund balances	$ 1,431,507	$ 1,297,910

INDEPENDENT SCHOOL DISTRICT NO. 622

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 2,002	$ 2,002	$ 927
Other – primarily meal sales	2,098,500	2,289,582	191,082	2,400,712
State sources	300,000	323,148	23,148	223,866
Federal sources	3,461,000	3,749,032	288,032	3,369,414
Total revenue	5,859,500	6,363,764	504,264	5,994,919
Expenditures				
Current				
Salaries	1,609,579	1,624,590	15,011	1,592,422
Employee benefits	632,541	598,286	(34,255)	571,264
Purchased services	231,000	239,247	8,247	170,207
Supplies and materials	3,314,000	3,546,537	232,537	3,496,408
Other expenditures	15,000	20,926	5,926	16,116
Capital outlay	120,000	135,105	15,105	50,215
Total expenditures	5,922,120	6,164,691	242,571	5,896,632
Net change in fund balances	$ (62,620)	199,073	$ 261,693	98,287
Fund balances				
Beginning of year		992,850		894,563
End of year		$ 1,191,923		$ 992,850

INDEPENDENT SCHOOL DISTRICT NO. 622

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ 1,832,420	$ 1,856,864
Receivables		
Current taxes	1,034,389	994,378
Delinquent taxes	16,274	28,763
Accounts and interest	76,980	71,423
Due from other governmental units	611,144	186,763
Prepaid items	2,532	5,895
Total assets	$ 3,573,739	$ 3,144,086
Liabilities		
Salaries payable	$ 108,394	$ 97,690
Accounts and contracts payable	81,683	57,224
Due to other governmental units	327,906	437,957
Unearned revenue	468,679	361,585
Total liabilities	986,662	954,456
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	18,809	30,834
Property taxes levied for subsequent year	1,789,077	1,739,488
Total deferred inflows of resources	1,807,886	1,770,322
Fund balances (deficit)		
Nonspendable for prepaid items	2,532	5,895
Restricted for community education programs	168,252	–
Restricted for early childhood family education programs	310,887	205,552
Restricted for school readiness	33,876	1,056
Restricted for adult basic education	263,644	235,106
Unassigned for community education restricted account (deficit)	–	(28,301)
Total fund balances	779,191	419,308
Total liabilities, deferred inflows of resources, and fund balances	$ 3,573,739	$ 3,144,086

INDEPENDENT SCHOOL DISTRICT NO. 622

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,739,487	$ 1,736,219	$ (3,268)	$ 800,985
Investment earnings	–	7,443	7,443	5,177
Other – primarily tuition and fees	2,414,236	2,517,772	103,536	2,587,985
State sources	4,309,699	3,936,262	(373,437)	4,302,084
Federal sources	259,985	233,369	(26,616)	259,985
Total revenue	8,723,407	8,431,065	(292,342)	7,956,216
Expenditures				
Current				
Salaries	3,714,608	3,604,204	(110,404)	3,601,891
Employee benefits	1,215,914	1,268,621	52,707	1,145,965
Purchased services	3,084,594	2,708,963	(375,631)	2,741,830
Supplies and materials	431,789	382,006	(49,783)	386,049
Other expenditures	99,472	66,432	(33,040)	108,550
Capital outlay	16,324	40,956	24,632	11,348
Total expenditures	8,562,701	8,071,182	(491,519)	7,995,633
Net change in fund balances	$ 160,706	359,883	$ 199,177	(39,417)
Fund balances				
Beginning of year		419,308		458,725
End of year		$ 779,191		$ 419,308

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2015 and 2014

	2015	2014
Assets		
Cash and temporary investments	$ –	$ 30,709
Receivables		
Accounts and interest	–	10,444
Total assets	$ –	$ 41,153
Liabilities		
Accounts and contracts payable	$ 140,249	$ 966,453
Due to other funds	910,209	–
Total liabilities	1,050,458	966,453
Fund balances (deficit)		
Unassigned for alternative facilities program account deficit	(1,050,458)	(925,300)
Total liabilities and fund balances	$ –	$ 41,153

INDEPENDENT SCHOOL DISTRICT NO. 622

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			2014
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 3,274,500	$ 3,274,500	$ –	$ 595,000
Investment earnings	–	–	–	51
Total revenue	3,274,500	3,274,500	–	595,051
Expenditures				
Capital outlay				
Salaries	147,500	92,492	(55,008)	–
Employee benefits	52,500	32,974	(19,526)	–
Purchased services	–	94	94	9,951
Supplies and materials	–	10	10	–
Capital expenditures	3,489,550	3,274,088	(215,462)	2,921,634
Total expenditures	3,689,550	3,399,658	(289,892)	2,931,585
Net change in fund balances	$ (415,050)	(125,158)	$ 289,892	(2,336,534)
Fund balances (deficit)				
Beginning of year		(925,300)		1,411,234
End of year		$ (1,050,458)		$ (925,300)

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INDEPENDENT SCHOOL DISTRICT NO. 622

Debt Service Fund
Balance Sheet by Account
as of June 30, 2015
(With Comparative Totals as of June 30, 2014)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2015	Totals 2014
Assets				
Cash and temporary investments	$ 7,620,977	$ 1,655,528	$ 9,276,505	$ 9,034,794
Cash and investments held by trustee	–	–	–	9,479,578
Receivables				
Current taxes	7,323,145	1,619,700	8,942,845	8,608,220
Delinquent taxes	121,765	28,463	150,228	279,305
Accounts and interest	–	–	–	2,208
Due from other governmental units	18	4	22	32
Total assets	$ 15,065,905	$ 3,303,695	$ 18,369,600	$ 27,404,137
Deferred inflows of resources				
Unavailable revenue – delinquent taxes	$ 139,740	$ 32,450	$ 172,190	$ 298,435
Property taxes levied for subsequent year	12,666,095	2,801,430	15,467,525	15,072,916
Total deferred inflows of resources	12,805,835	2,833,880	15,639,715	15,371,351
Fund balances				
Restricted for bond refunding	–	–	–	9,481,785
Restricted for debt service	2,260,070	469,815	2,729,885	2,551,001
Total fund balances	2,260,070	469,815	2,729,885	12,032,786
Total deferred inflows of resources and fund balances	$ 15,065,905	$ 3,303,695	$ 18,369,600	$ 27,404,137

INDEPENDENT SCHOOL DISTRICT NO. 622

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2015
(With Partial Comparative Information for the Year Ended June 30, 2014)

	2015			
		Actual		
	Budget	Regular Debt Service Account	OPEB Debt Service Account	Total
Revenue				
Local sources				
Property taxes	$ 14,811,612	$ 12,166,509	$ 2,704,038	$ 14,870,547
Investment earnings	50,000	34,140	2,316	36,456
Other	156,105	156,105	–	156,105
State sources	–	188	39	227
Federal sources	90,749	90,749	–	90,749
Total revenue	15,108,466	12,447,691	2,706,393	15,154,084
Expenditures				
Debt service				
Principal	9,250,000	7,795,000	1,455,000	9,250,000
Interest	5,732,053	4,529,700	1,202,353	5,732,053
Fiscal charges and other	255,250	217,699	17,233	234,932
Total expenditures	15,237,303	12,542,399	2,674,586	15,216,985
Excess (deficiency) of revenue over expenditures	(128,837)	(94,708)	31,807	(62,901)
Other financing sources (uses)				
Payment on refunded debt	–	(9,240,000)	–	(9,240,000)
Net change in fund balances	$ (128,837)	(9,334,708)	31,807	(9,302,901)
Fund balances				
Beginning of year		11,594,778	438,008	12,032,786
End of year		$ 2,260,070	$ 469,815	$ 2,729,885

2014	
Over (Under) Budget	Actual
$ 58,935	$ 14,721,038
(13,544)	62,240
–	150,590
227	317
–	92,158
45,618	15,026,343
–	9,090,000
–	6,522,873
(20,318)	247,760
(20,318)	15,860,633
65,936	(834,290)
(9,240,000)	(8,745,000)
$ (9,174,064)	(9,579,290)
	21,612,076
	$ 12,032,786

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INDEPENDENT SCHOOL DISTRICT NO. 622

Government-Wide Revenue by Type
Last Ten Fiscal Years

	Program Revenues			General Revenues			
Year Ended June 30,	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	Total
2006	$ 6,650,084	$ 18,459,216	$ 2,027,582	$26,798,058	$ 68,859,055	$ 3,593,619	$126,387,614
	5%	15%	2%	21%	54%	3%	100%
2007	7,302,894	17,592,291	1,142,124	28,378,947	76,116,394	3,987,472	134,520,122
	5%	13%	1%	21%	57%	3%	100%
2008	7,544,923	16,778,151	921,564	29,131,756	77,936,235	3,353,067	135,665,696
	6%	12%	1%	21%	58%	2%	100%
2009	7,034,610	19,414,384	1,496,046	31,822,972	78,841,366	2,165,226	140,774,604
	5%	14%	1%	23%	56%	1%	100%
2010	6,481,090	23,034,902	733,804	36,010,780	78,078,016	2,049,621	146,388,213
	4%	16%	1%	25%	53%	1%	100%
2011	6,409,830	22,364,002	717,093	42,465,843	72,155,166	1,349,205	145,461,139
	4%	15%	1%	29%	50%	1%	100%
2012	6,410,000	23,812,733	776,859	35,324,450	81,936,669	1,000,864	149,261,575
	4%	16%	1%	24%	54%	1%	100%
2013	5,898,321	22,034,721	952,882	34,824,007	80,141,530	1,286,467	145,137,928
	4%	15%	1%	24%	55%	1%	100%
2014	5,775,220	25,576,890	–	28,181,444	89,699,343	1,896,667	151,129,564
	4%	17%	–	19%	59%	1%	100%
2015	6,032,179	26,964,610	–	39,025,601	87,618,485	1,143,267	160,784,142
	4%	17%	–	24%	54%	1%	100%

Note: The change in “tax shift” as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 622

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2006	$ 4,129,436	$ 2,012,595	$ 46,502,282	$ 840,122	$ 20,615,233	$ 6,227,536	$ 8,604,690
	3%	2%	37%	1%	17%	5%	7%
2007	4,219,865	2,159,345	48,078,301	783,128	21,056,040	7,938,470	8,678,705
	3%	2%	38%	1%	16%	6%	7%
2008	4,363,832	2,398,387	51,734,899	790,055	17,958,216	7,778,043	9,115,068
	3%	2%	39%	1%	14%	6%	7%
2009	4,716,192	2,855,986	55,686,194	894,972	21,616,906	9,372,172	9,548,763
	3%	2%	39%	1%	15%	7%	7%
2010	5,387,109	3,105,906	55,744,097	1,645,492	21,870,189	8,670,281	8,904,244
	4%	2%	39%	1%	16%	6%	7%
2011	5,390,352	3,290,211	56,608,582	1,529,476	22,371,541	9,097,765	10,011,663
	4%	2%	40%	1%	17%	6%	7%
2012	5,309,820	2,965,928	57,322,341	1,907,747	21,709,308	8,335,422	10,896,900
	4%	2%	40%	1%	16%	6%	8%
2013	5,696,613	3,746,860	60,757,308	2,720,883	22,326,972	7,489,802	11,547,693
	4%	3%	41%	2%	15%	5%	8%
2014	5,870,601	5,323,307	61,107,836	2,363,819	24,410,545	7,283,020	11,787,561
	4%	3%	39%	2%	16%	5%	8%
2015	6,245,577	5,774,518	60,183,399	2,515,435	24,607,274	6,131,212	11,916,602
	4%	4%	39%	2%	16%	4%	8%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Included in Other Functions	Interest and Fiscal Charges	Total
$ 10,449,474	$ 316,441	$ 4,815,752	$ 7,344,278	$ 5,264,043	$ 7,141,504	$ 124,263,386
8%	–	4%	6%	4%	6%	100%
9,007,401	323,472	5,026,298	6,972,111	5,812,156	7,924,258	127,979,550
7%	–	4%	5%	5%	6%	100%
9,053,388	348,192	5,436,900	7,581,156	6,227,807	7,377,489	130,163,432
7%	–	4%	6%	5%	6%	100%
10,235,133	255,788	5,502,331	7,968,297	6,594,941	7,423,000	142,670,675
7%	–	4%	6%	4%	5%	100%
9,353,992	264,879	5,633,849	7,825,395	2,971,502	7,665,447	139,042,382
7%	–	4%	6%	2%	6%	100%
8,305,688	287,433	5,978,174	8,309,716	3,390,729	7,622,134	142,193,464
6%	–	4%	6%	2%	5%	100%
8,851,610	313,049	5,943,051	8,191,135	3,368,647	7,461,262	142,576,220
6%	–	4%	6%	2%	5%	100%
9,870,233	383,858	5,796,121	7,960,612	3,704,183	6,965,589	148,966,727
7%	–	4%	5%	2%	4%	100%
11,215,056	463,639	6,079,470	8,004,445	3,880,837	6,632,460	154,422,596
7%	–	4%	5%	3%	4%	100%
10,812,813	555,882	6,141,087	7,985,251	3,910,796	5,758,210	152,538,056
7%	–	4%	5%	3%	4%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Revenue	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2006	$ 11,123,685	$ 85,606,440	$ 3,804,008	$ 2,743,212	$ 103,277,345
	11%	83%	4%	2%	100%
2007	18,497,690	85,061,668	4,283,802	2,970,900	110,814,060
	17%	77%	4%	2%	100%
2008	17,918,484	85,477,461	4,279,772	2,564,046	110,239,763
	16%	78%	4%	2%	100%
2009	21,226,830	88,959,966	4,324,109	2,006,373	116,517,278
	18%	76%	4%	2%	100%
2010	20,588,351	80,649,148	14,329,420	2,239,106	117,806,025
	17%	69%	12%	2%	100%
2011	26,288,166	82,031,088	6,629,412	1,748,152	116,696,818
	23%	70%	6%	1%	100%
2012	18,697,893	91,939,838	6,559,018	1,535,360	118,732,109
	16%	77%	6%	1%	100%
2013	18,454,543	91,000,638	4,918,898	2,055,980	116,430,059
	16%	78%	4%	2%	100%
2014	12,083,629	102,199,089	4,829,320	2,464,205	121,576,243
	10%	84%	4%	2%	100%
2015	19,420,261	101,726,474	4,350,724	2,166,086	127,663,545
	15%	80%	3%	2%	100%

Note: The change in "tax shift" as approved in legislation impacted the amount of tax revenue recognized in fiscal years 2006, 2011, and 2014. Changes in the amount of revenue recognized due to the tax shift are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 622

General Fund Expenditures by Program
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2006	$ 4,129,436	$ 2,012,595	$ 47,178,494	$ 840,122	$ 20,615,233
	4%	2%	47%	1%	21%
2007	4,219,865	2,159,345	49,933,156	783,128	21,056,040
	4%	2%	48%	1%	20%
2008	4,374,043	2,435,187	53,130,147	798,676	18,082,623
	4%	2%	50%	1%	17%
2009	6,529,415	4,327,200	75,134,480	894,972	21,609,424
	5%	3%	52%	1%	15%
2010	5,277,573	3,015,817	54,530,676	1,645,492	21,950,307
	5%	3%	47%	2%	19%
2011	5,305,595	4,002,664	55,465,285	1,529,476	22,357,187
	4%	3%	47%	1%	19%
2012	5,155,823	2,830,572	55,575,039	1,907,747	21,683,444
	4%	3%	48%	2%	19%
2013	5,611,039	3,675,221	59,133,667	2,720,883	22,317,638
	4%	3%	47%	2%	18%
2014	5,641,309	5,106,056	59,860,270	2,363,819	24,385,026
	4%	4%	46%	2%	19%
2015	6,204,965	5,735,305	59,933,326	2,588,707	25,137,862
	5%	4%	46%	2%	19%

Note: In fiscal 2009, the expenditures included $30,583,899 of employer contributions to the Post-Employment Benefits Trust Fund related to OPEB debt issuance.

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 6,227,536	$ 8,589,068	$ 8,738,704	$ 1,528,557	$ 99,859,745
6%	9%	9%	1%	100%
7,938,470	8,610,190	7,926,099	1,627,641	104,253,934
7%	8%	8%	2%	100%
7,801,655	9,113,629	8,185,039	1,686,473	105,607,472
7%	9%	8%	2%	100%
9,330,700	9,552,635	13,103,881	1,389,643	141,872,350
7%	7%	9%	1%	100%
8,645,005	9,685,448	9,243,624	1,370,365	115,364,307
7%	8%	8%	1%	100%
9,072,127	10,097,762	12,173,859	1,185,032	121,188,987
7%	8%	10%	1%	100%
8,343,843	10,630,685	8,339,015	1,585,378	116,051,546
7%	9%	7%	1%	100%
8,796,278	11,242,143	11,375,982	1,481,617	126,354,468
7%	9%	9%	1%	100%
7,559,074	11,512,561	11,928,628	1,535,458	129,892,201
6%	9%	9%	1%	100%
6,292,004	11,819,255	11,578,003	1,599,092	130,888,519
5%	9%	9%	1%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 622

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

Tax Year Collectible	General Fund	Community Service Special Revenue Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Total All Funds
Levies					
2006	$ 17,484,313	$ 1,309,449	$ 856,087	$ 9,258,916	$ 28,908,765
2007	18,179,602	1,316,834	–	10,424,015	29,920,451
2008	21,435,219	1,077,510	–	9,814,559	32,327,288
2009	21,195,701	1,231,953	–	15,133,934	37,561,588
2010	19,956,942	1,386,016	–	15,133,427	36,476,385
2011	19,101,942	1,533,337	–	15,938,022	36,573,301
2012	17,819,202	1,510,521	–	15,108,471	34,438,194
2013	19,220,241	1,628,075	–	15,037,632	35,885,948
2014	22,736,688	1,739,488	–	15,072,916	39,549,092
2015	24,180,017	1,789,077	–	15,467,525	41,436,619
Tax capacity rates					
2006	7.59400	1.58100	0.37200	11.17900	20.72600
2007	5.27800	1.39300	–	11.02700	17.69800
2008	8.99300	1.13100	–	10.30200	20.42600
2009	8.00050	1.27700	–	15.68700	24.96450
2010	7.59800	1.49000	–	16.27100	25.35900
2011	7.61000	1.77100	–	18.40400	27.78500
2012	7.48081	1.89568	–	18.96091	28.33740
2013	9.56500	2.24600	–	20.74100	32.55200
2014	14.91700	2.35100	–	20.37500	37.64300
2015	14.92884	2.17043	–	18.76449	35.86376
Market value rates					
2006	0.1477000	–	–	–	0.1477000
2007	0.1515800	–	–	–	0.1515800
2008	0.1398300	–	–	–	0.1398300
2009	0.1485000	–	–	–	0.1485000
2010	0.1458400	–	–	–	0.1458400
2011	0.1502700	–	–	–	0.1502700
2012	0.1483409	–	–	–	0.1483409
2013	0.1666600	–	–	–	0.1666600
2014	0.1506200	–	–	–	0.1506200
2015	0.1436500	–	–	–	0.1436500

Note: A tax rate based on market value is primarily used for a portion of the District's referendum levy.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 622

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities				
			Fiscal Disparities		
	Agricultural	Non-Agricultural	Contribution	Distribution	Tax Increment
2006	$ 158,558	$ 86,093,074	$ (10,034,162)	$ 8,506,245	$ (2,099,830)
2007	171,689	96,485,075	(11,122,360)	9,188,580	(1,797,206)
2008	174,327	100,602,510	(13,282,622)	10,675,266	(1,474,788)
2009	178,015	101,526,122	(14,020,569)	12,361,168	(1,383,776)
2010	198,067	96,899,141	(15,237,979)	12,741,373	(1,317,352)
2011	212,756	90,381,843	(14,370,959)	12,667,198	(1,172,302)
2012	201,037	82,534,347	(13,682,390)	12,035,579	(1,171,893)
2013	165,549	76,691,891	(13,335,710)	11,567,832	(1,088,314)
2014	223,970	78,001,023	(12,698,773)	11,458,013	(1,457,211)
2015	430,038	84,043,471	(12,968,373)	11,680,027	(1,334,853)

Note: Market value is used primarily for extension of the District’s referendum levy.

Source: State of Minnesota School Tax Report

Total Taxable	Market Value
$ 82,623,885	$ 7,051,020,126
92,925,778	7,804,697,951
96,694,693	8,066,751,700
98,660,960	8,021,014,250
93,283,250	7,607,252,800
87,718,536	7,100,019,400
79,916,680	6,828,952,000
74,001,248	6,299,805,800
75,527,022	6,424,286,100
81,850,310	6,970,329,000

INDEPENDENT SCHOOL DISTRICT NO. 622

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2006	$ 24,954,593	$ 3,068,290	$ 885,882	$ 28,908,765
2007	25,986,738	3,201,578	732,135	29,920,451
2008	28,100,466	3,397,512	829,310	32,327,288
2009	32,448,397	4,145,812	967,379	37,561,588
2010	30,548,650	4,920,463	1,007,272	36,476,385
2011	30,539,758	4,951,226	1,082,317	36,573,301
2012	29,383,091	5,055,103	–	34,438,194
2013	30,881,429	5,004,519	–	35,885,948
2014	33,892,337	5,656,755	–	39,549,092
2015	35,275,869	6,160,750	–	41,436,619

Note 1: A portion of the total spread levy is paid through various property tax credits which are paid through state aids.

Note 2: Delinquent taxes receivable are written off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Note 3: For taxes collectible in 2012, a portion of the property tax credits was eliminated and replaced with state aid.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2015			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
30,096	0.1	–	–
27,583	0.1	–	–
37,743	0.1	–	–
(9,907)	–	–	–
43,085	0.1	–	–
249,664	0.6	–	–
–	–	24,004,668	57.9
$ 378,264		$ 24,004,668	

INDEPENDENT SCHOOL DISTRICT NO. 622

Student Enrollment
Last Ten Fiscal Years

	Average Daily Membership (ADM) (for Students Served and Tuition Paid)					
Year Ended June 30,	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2006	102	621	4,787	6,151	11,661	13,663
2007	144	638	4,710	6,234	11,727	13,741
2008	161	622	4,588	6,077	11,448	13,448
2009	167	658	4,508	6,032	11,365	13,330
2010	170	619	4,388	5,895	11,072	13,005
2011	167	596	4,388	5,828	10,979	12,900
2012	176	672	4,334	5,703	10,885	12,734
2013	171	688	4,452	5,601	10,912	12,739
2014	189	662	4,499	5,377	10,727	12,502
2015	202	641	4,506	5,366	10,715	11,788

Note 1: Student enrollment numbers are estimated for the most recent year presented.

Note 2: Beginning in fiscal 2015, changes in ADM weightings as noted below reduced the calculated pupil units.

Note 3: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2006 through 2007	1.250	1.000	0.557	0.557	1.115	1.060	1.300
Fiscal 2008 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 622

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures	
U.S. Department of Agriculture			
Passed through Minnesota Department of Education			
Child nutrition cluster			
School Breakfast Program	10.553	$ 714,484	
National School Lunch Program	10.555	2,922,137	
Total child nutrition cluster			3,636,621
U.S. Department of Education			
Direct from U.S. Department of Education			
Indian Education – Grants to Local Educational Agencies	84.060		45,964
Passed through Minnesota Department of Education			
Special education cluster			
Special Education – Grants to States	84.027	2,215,228	
Special Education – Preschool Grants	84.173	72,471	
Total special education cluster			2,287,699
Special Education – Grants for Infants and Families	84.181		59,036
Title I Grants to Local Educational Agencies	84.010		1,549,751
Education for Homeless Children and Youth	84.196		22,001
English Language Acquisition State Grants	84.365		106,836
Improving Teacher Quality State Grants	84.367		213,715
Adult Education – Basic Grants to States	84.002		233,369
Passed through Northeast Metropolitan Intermediate School District No. 916			
Career and Technical Education – Basic Grants to States	84.048		38,001
Total federal awards			$ 8,192,993

(continued)

Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2015

Note 1: This Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: Non-monetary assistance of $208,127 is reported in this schedule at the fair market value of commodities received and disbursed for the U.S. Department of Agriculture National School Lunch Program (CFDA No. 10.555).

Note 3: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 4: The District provided federal awards to subrecipients as follows:

Program Title	Federal CFDA No.	Amount Provided
Title I Grants to Local Educational Agencies	84.010	$ 28,119
Improving Teacher Quality State Grants	84.367	$ 6,132

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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 School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (the District) 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, and have issued our report thereon dated December 8, 2015.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

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

(continued)

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 8, 2015

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 622's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to on the previous page that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 8, 2015

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 622
North St. Paul – Maplewood – Oakdale, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 622 (the District) 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, and have issued our report thereon dated December 8, 2015.

MINNESOTA LEGAL COMPLIANCE

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

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 *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as item 2015-001. 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.

DISTRICT'S RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 8, 2015

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INDEPENDENT SCHOOL DISTRICT NO. 622

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:		
Material weakness(es) identified?	___ Yes	X No
Significant deficiency(ies) identified?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs?		X Unmodified ___ Qualified ___ Adverse ___ Disclaimer
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	___ Yes	X No

Programs tested as major programs:

Program or Cluster	CFDA No.
U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555
U.S. Department of Education – special education cluster consisting of:	
– Special Education – Grants to States	84.027
– Special Education – Preschool Grants	84.173

Threshold for distinguishing type A and B programs.	$ 300,000	
Does the auditee qualify as a low-risk auditee?	___ Yes	X No

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

D. FINDINGS – MINNESOTA LEGAL COMPLIANCE AUDIT

2015-001 Payment of Invoices

Criteria – Minnesota Statute § 471.425 requires prompt payment of local government bills within a standard payment period of 35 days from the receipt of goods and services for districts with governing boards that meet at least once a month.

Condition – One of forty disbursements selected for testing was not paid within the required thirty-five days from the receipt of goods and services.

Questioned Costs – Not applicable.

Context – One of forty disbursements tested was not paid within the required thirty-five day period. This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – Independent School District No. 622 (the District) did not pay all of its bills in a timely manner.

Recommendation – We recommend that the District review its procedures for paying invoices to ensure that all bills are paid within the statutory time limit.

Corrective Action Plan

Actions Planned – The District will review procedures for paying invoices with the district employees responsible for the processing of invoices.

Official Responsible – The Director of Business Services.

Planned Completion Date – June 30, 2016.

Disagreement With or Explanation of Finding – The District is in agreement with this finding.

Plan to Monitor – The Director of Business Services will review the District’s procedures for paying invoices with district employees responsible for processing disbursements, and will perform additional procedures to ensure that bills are paid within the statutory time limit.

E. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE CHILD NUTRITION CLUSTER – CFDA NOS. 10.553 AND 10.555

2014-001 Internal Control Over Compliance With Federal Procurement, Suspension, and Debarment Requirements

Condition – During our audit, we noted that the District did not have sufficient controls in place within its child nutrition cluster federal programs to assure that it was not contracting for goods or services with parties that are suspended or debarred, or whose principals are suspended or debarred from participating in contracts involving the expenditure of federal program funds.

Recommendation – We recommend that the District review its internal control procedures relating to procurement, suspension, and debarment for the child nutrition cluster federal programs. Internal controls over compliance for this area should include verification that any vendor with which the District contracts for goods or services exceeding $25,000 is not listed as suspended or debarred on the federal Excluded Parties List System (EPLS) website.

Current Status – This finding was corrected in the current year.

INDEPENDENT SCHOOL DISTRICT NO. 622

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2015

		Audit	UFARS	Audit – UFARS
General Fund				
Total revenue		$ 127,663,545	$ 127,663,545	$ –
Total expenditures		$ 130,888,519	$ 130,888,519	$ –
Nonspendable				
460	Nonspendable fund balance	$ 123,613	$ 123,613	$ –
Restricted/reserve				
403	Staff development	$ –	$ –	$ –
405	Deferred maintenance	$ –	$ –	$ –
406	Health and safety	$ 504,566	$ 504,566	$ –
407	Capital projects levy	$ –	$ –	$ –
408	Cooperative revenue	$ –	$ –	$ –
409	Alternative facility program	$ –	$ –	$ –
413	Project funded by COP	$ –	$ –	$ –
414	Operating debt	$ –	$ –	$ –
416	Levy reduction	$ –	$ –	$ –
417	Taconite building maintenance	$ –	$ –	$ –
423	Certain teacher programs	$ –	$ –	$ –
424	Operating capital	$ –	$ –	$ –
426	$25 taconite	$ –	$ –	$ –
427	Disabled accessibility	$ –	$ –	$ –
428	Learning and development	$ –	$ –	$ –
434	Area learning center	$ –	$ –	$ –
435	Contracted alternative programs	$ –	$ –	$ –
436	State approved alternative program	$ –	$ –	$ –
438	Gifted and talented	$ –	$ –	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
441	Basic skills programs	$ –	$ –	$ –
445	Career and technical programs	$ –	$ –	$ –
448	Achievement and integration	$ –	$ –	$ –
449	Safe schools levy	$ 181,543	$ 181,543	$ –
450	Pre-kindergarten	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
453	Unfunded severance and retirement levy	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Committed				
418	Committed for separation	$ –	$ –	$ –
461	Committed fund balance	$ –	$ –	$ –
Assigned				
462	Assigned fund balance	$ –	$ –	$ –
Unassigned				
422	Unassigned fund balance	$ 3,165,529	$ 3,165,529	$ –
Food Service				
Total revenue		$ 6,363,764	$ 6,363,763	$ 1
Total expenditures		$ 6,164,691	$ 6,164,690	$ 1
Nonspendable				
460	Nonspendable fund balance	$ 346,441	$ 346,441	$ –
Restricted				
452	OPEB liability not in trust	$ –	$ –	$ –
464	Restricted fund balance	$ 845,482	$ 845,482	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Community Service				
Total revenue		$ 8,431,065	$ 8,431,064	$ 1
Total expenditures		$ 8,071,182	$ 8,071,182	$ –
Nonspendable				
460	Nonspendable fund balance	$ 2,532	$ 2,532	$ –
Restricted/reserve				
426	$25 taconite	$ –	$ –	$ –
431	Community education	$ 168,252	$ 168,252	$ –
432	ECFE	$ 310,887	$ 310,887	$ –
440	Teacher development and evaluation	$ –	$ –	$ –
444	School readiness	$ 33,876	$ 33,876	$ –
447	Adult basic education	$ 263,644	$ 263,644	$ –
452	OPEB liability not in trust	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2015

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 3,274,500	$ 3,274,500	$ –
Total expenditures		$ 3,399,658	$ 3,399,659	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
407	Capital projects levy	$ –	$ –	$ –
409	Alternative facility program	$ (1,050,458)	$ (1,050,458)	$ –
413	Project funded by COP	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ –	$ –	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 12,447,691	$ 12,447,692	$ (1)
Total expenditures		$ 12,542,399	$ 12,542,399	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted/reserve				
425	Bond refundings	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
Restricted				
464	Restricted fund balance	$ 2,260,070	$ 2,260,070	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ 1,688,733	$ 1,688,732	$ 1
Total expenditures		$ 1,770,700	$ 1,770,700	$ –
422	Net position	$ 1,060,765	$ 1,060,765	$ –
Internal Service				
Total revenue		$ 16,864,024	$ 16,864,024	$ –
Total expenditures		$ 15,394,299	$ 15,394,301	$ (2)
422	Net position	$ 2,135,974	$ 2,135,974	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ 1,363,182	$ 1,363,182	$ –
Total expenditures		$ 2,863,352	$ 2,863,350	$ 2
422	Net position	$ 16,161,703	$ 16,161,703	$ –
OPEB Debt Service Fund				
Total revenue		$ 2,706,393	$ 2,706,393	$ –
Total expenditures		$ 2,674,586	$ 2,674,586	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 469,815	$ 469,815	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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