

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS  
Cold Spring, Minnesota**

**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2015**



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**BOARD OF EDUCATION AND ADMINISTRATION  
For the Year Ended June 30, 2015**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Nadine Schnettler	Chairperson	December 31, 2016
Lynn Schurman	Vice Chairperson	December 31, 2016
Lisa Demuth	Clerk	December 31, 2018
Mike Austreng	Treasurer	December 31, 2016
Kara Habben	Director	December 31, 2018
Richard Bohannon	Director	December 31, 2018
<u>Administration</u>		
Scott Staska	Superintendent	
Michelle Evenson	Director of Business Services	



## INDEPENDENT AUDITOR'S REPORT

BerganKDV, Ltd.

To the School Board  
Independent School District No. 750  
ROCORI Schools  
Cold Spring, 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. 750, Cold Spring, Minnesota, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

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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 Independent School District No. 750, Cold Spring, Minnesota, as of June 30, 2015, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Implementation of GASB 68 and GASB 71

As discussed in Note 11 to the financial statements, the District has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, which follows this report letter, the Schedule of Funding Progress – Other Post Employment Benefits on page 64, Schedule of Employer Contributions – Other Post Employment Benefits on page 64, Schedule of District's and Non-Employer Proportionate Share (if applicable) of Net Pension Liability Last Ten Years GERS Retirement Funds on page 65, Schedule of District's and Non-Employer Proportionate Share (if applicable) of Net Pension Liability Last Ten Years TRA Retirement Funds on page 65, Schedule of District Contributions of GERS Retirement Funds Last Ten Years on page 66 and Schedule of District Contributions of TRA Retirement Funds Last Ten Years on page 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*, and is also not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2015, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

A handwritten signature in black ink that reads 'BerganKDV, Ltd.'.

BerganKDV, Ltd.  
St. Cloud, Minnesota  
October 5, 2015

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

This section of Independent School District No. 750 – ROCORI Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

**FINANCIAL HIGHLIGHTS**

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

- Net position increased by \$ 986,902 for current year activity
- Overall governmental fund revenues were \$ 25,079,209 while overall expenditures totaled \$ 25,304,453
- General Fund balance increased \$ 490,184
- General Fund unassigned fund balance increased \$ 173,573

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

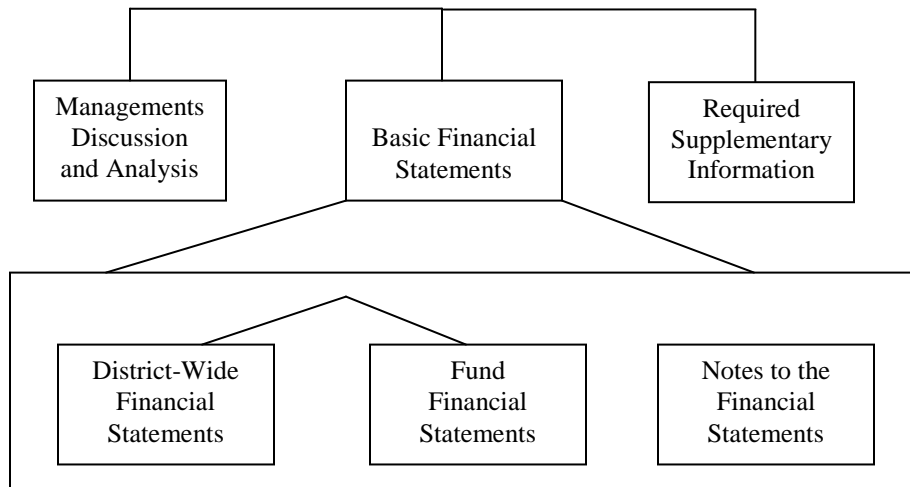
The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The diagram on the following page shows how the various parts of this annual report are arranged and related to one another.



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS**



Summary < ----- > Detail

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized on the next page. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

<b>Basic Financial Statements</b>			
	<b>District Wide Statements</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as funds set aside for future other post employment benefits (OPEB) payments
Required Financial Statements	<ul style="list-style-type: none"> <li>❖ Statement of Net Position</li> <li>❖ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>❖ Balance Sheet</li> <li>❖ Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>❖ Statement of Fiduciary Net Position</li> <li>❖ Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds to not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and dedications during the year, regardless of when cash is received or paid

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**District-Wide Statements**

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- Governmental Activities – All of the District's basic services are included here, such as regular and special education, transportation, administration, food services and community education. Property taxes and state aids finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

All of the District's funds, except the OPEB Trust Fund, are governmental funds. Governmental funds generally focus on (1) cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

The OPEB Trust Fund is a fiduciary fund. The District is the trustee, or fiduciary, for assets that belong to others, such as money set aside to pay future OPEB liabilities. The District is responsible for ensuring that the assets in this fund are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

**Net Position**

The District's combined net position was \$ (5,664,864) on June 30, 2015 (see details in Table A-1.) This is an increase of \$ 986,902 from \$ (6,651,766), the restated beginning net position as shown in Table A-2. Beginning net position for 2014-2015 was restated due to the implementation of GASB Statements No. 68 and No. 71. Pension liabilities and related deferred outflows and inflows of resources are recorded in 2015 with the implementation of GASB Statements No. 68 and No. 71.

**Table A-1**

	<u>2013-2014</u>	<u>2014-2015</u>
Current and Other Assets	\$ 14,409,464	\$ 12,792,798
Capital Assets	38,102,031	37,556,028
Total Assets	<u>\$ 52,511,495</u>	<u>\$ 50,348,826</u>
Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ 1,897,357</u>
Long-Term Liabilities	\$ 35,601,030	\$ 44,755,965
Other Liabilities	6,112,502	4,329,783
Total Liabilities	<u>\$ 41,713,532</u>	<u>\$ 49,085,748</u>
Deferred Inflows of Resources	<u>\$ 4,767,227</u>	<u>\$ 8,825,299</u>
Net Position:		
Net Investment in Capital Assets	\$ 5,979,261	\$ 5,868,526
Restricted for Other Purposes	768,646	1,004,680
Unrestricted	(717,171)	(12,538,070)
Total Net Position	<u>\$ 6,030,736</u>	<u>\$ (5,664,864)</u>

**Change in Net Position**

The decrease of current assets is largely due to a decrease in cash and investments as the District did not reissue short term borrowing for cash flow. There was a decrease in capital assets which resulted from the current year's depreciation of assets and finishing the prior year's construction in progress. Current liabilities decreased due to the District not issuing certificates of indebtedness. A summary of the revenue and expense is presented in Table A-2 on the next page.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

**Table A-2**

	<u>2013-2014</u>	<u>2014-2015</u>
<b>REVENUES:</b>		
Program Revenues:		
Charges for Services	\$ 2,120,990	\$ 2,011,271
Operating Grants and Contributions	4,712,708	5,230,929
Capital Grants and Contributions	258,768	325,845
General Revenues:		
Property Taxes	4,050,868	4,953,748
Aids and Payments from State and Other	12,470,033	12,553,310
Other Sources	5,095	5,583
	<u>5,095</u>	<u>5,583</u>
Total Revenues	<u><u>\$ 23,618,462</u></u>	<u><u>\$ 25,080,686</u></u>
<b>EXPENSES:</b>		
Administration	\$ 1,361,242	\$ 1,396,490
District Support Services	416,819	379,529
Elementary and Secondary Regular Instruction	7,670,942	7,674,061
Vocational Instruction	89,154	121,040
Special Education Instruction	2,526,408	2,654,772
Instructional Support Services	1,490,566	1,515,500
Pupil Support Services	2,118,517	2,156,443
Site, Buildings and Equipment	2,589,198	2,305,578
Fiscal and Other Fixed Cost Programs	132,275	129,983
Student Activities	1,005,054	1,172,930
Food Service	1,214,581	1,244,714
Community Education and Services	621,233	620,629
Unallocated Depreciation	1,039,994	1,103,934
Interest and Fiscal charges on Long-Term Debt	1,577,464	1,618,181
	<u>1,577,464</u>	<u>1,618,181</u>
Total Expenses	23,853,447	24,093,784
Change in Net Position	(234,985)	986,902
Net Position- Beginning	6,265,721	6,030,736
Change in Accounting Principle	-	(12,682,502)
Net Position- Beginning, Restated	6,265,721	(6,651,766)
	<u>6,265,721</u>	<u>(6,651,766)</u>
Net Positon - Ending	<u><u>\$ 6,030,736</u></u>	<u><u>\$ (5,664,864)</u></u>

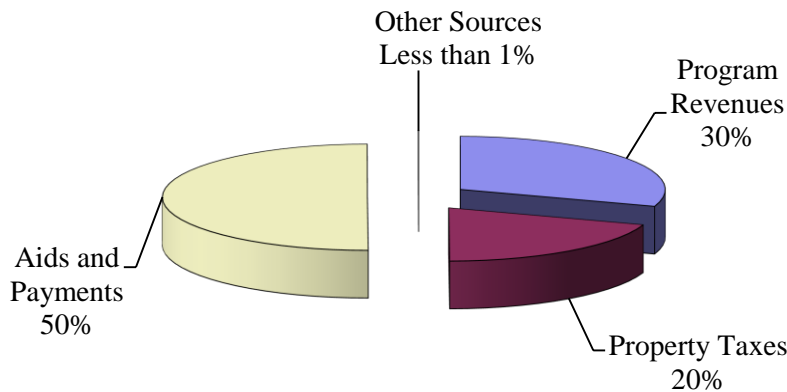
**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

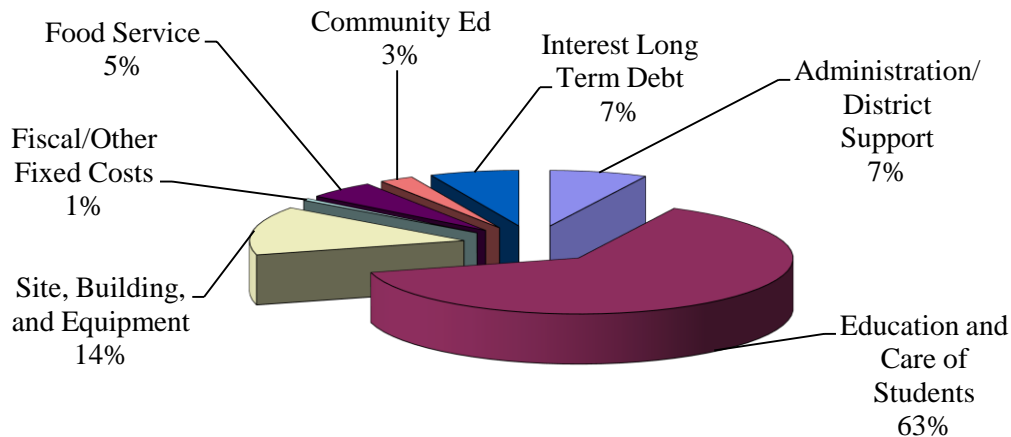
**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)**

The District's total revenue consisted of program revenues of \$ 7,568,045, property taxes of \$ 4,953,658, aid and payments from the state of \$ 12,553,310 and \$ 5,583 from investment income. Expenses totaling \$ 24,093,784 consisted mainly of regular, vocational and special education instruction costs of \$ 10,449,873. Other areas of cost included: support services (District, administrative, instructional and pupil) \$ 5,447,962, student activities \$ 1,172,930, site, buildings and equipment (including unallocated depreciation) \$ 3,409,512, fiscal and other fixed cost program \$ 129,983, food service \$ 1,244,714, community education and services \$ 620,629 and interest and fiscal charges on long-term debt \$ 1,618,181.

**2014-2015 Revenues - Table A-3**



**2014-2015 Expenses - Table A-4**



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

The net cost of governmental activities is their total costs less program revenues applicable to each category. Table A-5 presents these costs.

Table A-5

	Total Cost of Services			Net Cost of Services		
	2013-2014	2014-2015	Percent Change	2013-2014	2014-2015	Percent Change
Administration	\$ 1,361,242	\$ 1,396,490	3%	\$ 1,358,673	\$ 1,383,629	2%
District Support Services	416,819	379,529	-9%	416,819	379,529	-9%
Elementary and Secondary Regular Instruction	7,670,942	7,674,061	0%	6,241,666	6,215,202	0%
Vocational Education Instruction	89,154	121,040	36%	72,636	99,890	38%
Special Education Instruction	2,526,408	2,654,772	5%	751,252	690,925	-8%
Instructional Support Services	1,490,566	1,515,500	2%	1,178,043	1,164,578	-1%
Pupil Support Services	2,118,517	2,156,443	2%	1,049,186	1,080,150	3%
Sites and Buildings	2,589,198	2,305,578	-11%	2,303,178	1,901,145	-17%
Fiscal and Other Fixed-Cost Programs	132,275	129,983	-2%	132,275	129,983	-2%
Student Activities	1,005,054	1,172,930	17%	494,302	585,804	19%
Food Service	1,214,581	1,244,714	2%	(48,576)	(26,814)	-45%
Community Education and Services	621,233	620,629	0%	194,069	199,603	3%
Unallocated Depreciation	1,039,994	1,103,934	6%	1,039,994	1,103,934	6%
Interest and Fiscal Charges on Long Term Debt	1,577,464	1,618,181	3%	1,577,464	1,618,181	3%
Total Expense	<u>\$ 23,853,447</u>	<u>\$ 24,093,784</u>		<u>\$ 16,760,981</u>	<u>\$ 16,525,739</u>	

**Fund Balance**

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$ 3,175,291. This is down \$ 145,323 from the June 30, 2014 combined fund balance total, which was \$ 3,320,614. The difference is largely due to an increase of \$ 490,184 in the General Fund balance as a result of positive operations, offset by a \$ 620,238 decrease in nonmajor funds as the District completed the CSE construction project.

**Revenue and Expenditures**

Revenues of the District's governmental funds totaled \$ 25,079,209. In addition, the District reported capital leases proceeds of \$ 79,921. Total expenditures were \$ 25,304,453. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 on the following page.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

**Table A-6**

**Revenues and Expenditures – Governmental Funds**

	Revenue	Expenditures	Net Other Financing Sources	Fund Balance Increase (Decrease)
General	\$ 20,264,810	\$ 19,547,739	\$ (226,887)	\$ 490,184
Debt Service	2,504,528	2,519,797	-	(15,269)
Other Funds	2,309,871	3,236,917	306,808	(620,238)
Total	<u>\$ 25,079,209</u>	<u>\$ 25,304,453</u>	<u>\$ 79,921</u>	<u>\$ (145,323)</u>

**General Fund Budgetary Highlights**

During the year ended June 30, 2015, the District revised its operating budget in January. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollments, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons.

The District's final General Fund budget anticipated that expenditures would exceed revenues by just \$ 61,536. The actual result was \$ 490,184 revenues over expenditures and other financing uses. This large variance is due to a conservative revenue estimate for state special education funding and lower than anticipated costs for substitutes and the targeted services program, as well as unfilled staff positions.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District decreased capital assets by a net of \$ 546,003. Depreciation of \$ 1,581,292 was offset against new additions of \$ 1,059,108 and net disposals of \$23,819. Detail of capital assets can be found in Note 4 to the financial statements.

**Long-Term Debt**

At year-end, the District had \$ 35,713,777 of long-term debt. This consisted of bonded indebtedness of \$ 33,820,000, an unamortized bond premium of \$ 354,989, capital leases of \$ 1,192,513 and compensated absences of \$ 346,275. Detail regarding long-term debt can be found in Note 6 to the financial statements.



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

- The ROCORI District had been experiencing declining enrollment for more than a decade. The rate of decline has slowed and the district has more stable conditions with improved overall economic conditions, the condition of district buildings and facilities, and continued emphasis on academic development. The District has begun to witness this stabilization as enrollment for the past several years has been holding at about 2000 students, and even growing by approximately 2% in the past year. The District has projected, annually, greater losses of students but the enrollment each year has proven to be better than expected.
- The political environment at the state level has a significant effect on future finances. The State Legislature sets the amount of basic revenue Minnesota school districts are able to secure from foundation aid payments and through various levies. Because state revenues are the single most important source of District operating funds, developments at the state level have a significant influence on the financial condition of the District. Although the state has been dealing with projected deficits for a period of time, more recent legislative activity provides some promise for the ROCORI School District. Over the last two legislative sessions, several significant financial bills were enacted into law. The District has seen positive effects from local optional revenue and integration aid. The 2015 legislative session offered a shift from health and safety and deferred maintenance aid to long term facilities maintenance revenue, which is expected to provide ROCORI with funding resources that have not previously been available.
- The State Legislature has increased the foundation formula for several fiscal years. While the increases were helpful, they did not keep up with inflationary pressures and forced the district to continually make reductions to stay within a balanced budget. This has been a financial pattern for more than a decade. With the 1.5% increases in general funding for fiscal years 2014 and 2015, the ROCORI District has seen a stronger financial base and has been able to grow fund balance. The State Legislature again approved increases to the general funding formula, increasing by 2% each year for the 2016 and 2017 fiscal years. Additional funds may also be allocated at the next session. These legislative decisions should assist in continuing to change the financial patterns for the ROCORI District.
- In addition to changes to the basic formula, the State Legislature has created a new funding formula for special education expenditures. Historically expenditures had been funded on a current year basis, but beginning with fiscal year 2016 state special education aids will be based on prior fiscal year costs. While this change is not anticipated to decrease overall funding, it does cause a potential cash flow and fund balance issue as contract settlement increases and inflationary costs are recognized before the revenue increase is seen.
- For the past several years the District has seen decreased funding for its intervention services, specifically the Title programs that are federally funded. The District has applied for additional state special education dollars as a way to mitigate the effect of the federal budget sequestration. Much like a Title I program, the State's Alternative Delivery of Special Education Services (ADSIS) is a program designed to help those students who have not yet been identified as needing special education services and intervene before that designation would occur. The ADSIS program was approved for fiscal year 2016, but as it is a part of special education funding, the revenue generated from the program will not be received until fiscal year 2017.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

- The state's actions over the past years to deal with state budget shortfalls involved shifts in the metered payment schedule for a period of time. The shifts resulted in a negative cash flow situation requiring the district to borrow as much as \$ 3,500,000 to accommodate a cash flow shortage. As the state budget has improved and the ability to return to a more consistent metered payment, the district's need to borrow for cash flow purposes has also improved. Fiscal Year 2014 was the last year in which the district needed to secure aid anticipation certificates.
- An operating referendum of \$ 344 per pupil unit for six years was approved by the voters in November 2007 and was renewed in the fall of 2012. This has allowed the district to generate approximately \$ 800,000 per year. This levy has helped to maintain class size as well as provide licensed pupil support staff and equipment purchases. The goals outlined for referendum resources included strengthening math and reading instruction in order to improve student performance and better meet standards of adequate yearly progress. The resources continue to help meet the goals of maintaining class size, enhancing student performance, and strengthening math and reading performance with a focus on the primary grades.
- The District strategic roadmap provides a planning process to more clearly and directly focus the efforts and energy of the District. The roadmap continues to have financial implications regarding priorities in allocation and distribution of resources for short and long-term planning. The roadmap continues to direct resources toward key efforts in student learning, culture shift, professional learning communities, reputation management and funding and facilities.
- The District has engaged a Community Finance Committee. This committee has invited community representatives to offer feedback on District financial processes. The Finance Committee has proven to be very helpful in looking at issues of importance to the residents of the District, including the building project completed in 2011. The routine nature of much of school finance, after the major project, has shifted the committee into meeting on an "as needed" basis at the conclusion of FY2014.
- The District stabilized the General Fund expenditures for retiree insurance obligations through the implementation of a \$ 4,500,000 bond. This allows the district a tool to fund Other Post-Employment Benefits (OPEB) obligations. The funds have been placed into an irrevocable trust with the express purpose of helping meet the OPEB obligations.
- The District has contracted with Center for Efficient School Operations (CESO) for transportation consulting services for a number of years. This arrangement has resulted in changes in bus contractor pay structure, a shift from a two-tier transportation system to a single-tier system, movement to an electronic routing system, fuel escalator efficiencies, budget savings, and overall system efficiencies. With many of the significant changes implemented, the district adjusted the contract with CESO beginning in 2014 to more accurately reflect consultation services.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015**

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

- District voters approved a \$ 29.9 million bond construction project in 2009. The construction project provided a middle school addition at the existing ROCORI High School site, expand senior high school facilities at that site, include extensive remodeling of the existing high school site, include demolition of the oldest parts of the current middle school site, and remodel parts of the remaining middle school site as a District Education Facility. In the fall of 2011, the District changed to a K-5 elementary configuration, moved sixth grade students to the 6-12 site to allow a sixth through eighth grade middle school, and continued services of a 9-12 senior high setting at the 6-12 site. The new configuration of grades has allowed the District to see increased efficiencies in its operations. The changes have allowed some consolidation of services, permits some issues of reassignment of personnel and encourages shared resources in areas that otherwise can be costly to maintain separately (industrial technology, art and family and consumer science classrooms, for example). The final steps of facility improvement were completed in calendar year 2014 to close out the construction project and resources. A renovation of the heating system at Cold Spring Elementary (changing from a series of heat pumps to a boiler-based system) required some of the remaining construction funds. The other element was completing the renovation steps at the District Education Facility to provide classroom spaces for Community Education and Early Childhood programming.
- The District has examined and implemented means of increasing efficiency and deployment of resources to take advantage of the consolidated physical locations. Efforts have been made to streamline positions and increase efficiency in operations. Secretarial, custodial and other support positions have been consolidated, restructured or eliminated. Other efficiencies in operations (physical operations, utilities, energy savings and the like) are still being realized.
- Over the past several years, a number of positions have been established in the ROCORI School District. These positions were based on the District's referendum campaign promise to the community to bring a more specific focus in reading and math skills. The positions have been developed with the goal of helping teachers more directly meet the needs of students in the ROCORI District. The District wants to use data appropriately to identify and serve students. It is important to be able to use data and information to more directly meet student needs. The District continues to monitor, evaluate and adjust these positions and assignments in effort to most efficiently provide the services students and staff need.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Beth Bertram, Director of Business Services, at the District Office 534 N 5<sup>th</sup> Avenue, Cold Spring, Minnesota 56320.

## **BASIC FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 5,381,478
Current Property Taxes Receivable	2,591,338
Delinquent Property Taxes Receivable	44,701
Accounts Receivable	311,606
Due from Department of Education	1,855,875
Due from Federal Government through Department of Education	15,554
Due from Other Minnesota School Districts	219,419
Inventory	19,356
Prepaid Items	133,394
Net OPEB Asset	2,220,077
Capital Assets:	
Capital Assets not being Depreciated:	
Land	1,085,737
Capital Assets being Depreciated (Net of Depreciation):	
Land Improvements	407,397
Buildings	35,162,635
Equipment	900,259
Total Assets	<u>50,348,826</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources Related to Pensions	<u>1,897,357</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 52,246,183</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 76,979
Salaries and Benefits Payable	1,859,672
Interest Payable	654,275
Due to Other Minnesota School Districts	7,841
Due to Other Governmental Units	5
Unearned Revenue	57,478
Bond Principal Payable: (Net)	
Payable Within One Year	1,335,000
Payable After One Year	32,839,989
Capital Lease Payable:	
Payable Within One Year	170,964
Payable After One Year	1,021,549
Compensated Absences Payable:	
Payable Within One Year	167,569
Payable After One Year	178,706
Net Pension Liability	<u>10,715,721</u>
Total Liabilities	<u>49,085,748</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Year's Expenditures	5,235,757
Deferred Inflows of Resources Related to Pensions	<u>3,589,542</u>
Total Deferred Inflows of Resources	<u>8,825,299</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	5,868,526
Restricted	1,004,680
Unrestricted	<u>(12,538,070)</u>
Total Net Position	<u>(5,664,864)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 52,246,183</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORS SCHOOLS**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015**

	Functions/Programs	Program Revenues				Net (Expense) Revenues and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities</b>						
Administration		\$ 1,396,490	\$ 12,861	\$ -	\$ -	\$ (1,383,629)
District Support Services		379,529	-	-	-	(379,529)
Elementary and Secondary Regular Instruction		7,674,061	250,238	1,208,621	-	(6,215,202)
Vocational Education Instruction		121,040	-	21,150	-	(99,890)
Special Education Instruction		2,654,772	44,953	1,918,894	-	(690,925)
Instructional Support Services		1,515,500	15,167	335,755	-	(1,164,578)
Pupil Support Services		2,156,443	560	1,075,733	-	(1,080,150)
Sites and Buildings		2,305,578	78,588	-	325,845	(1,901,145)
Fiscal and Other Fixed Cost Programs		129,983	-	-	-	(129,983)
Student Activities		1,172,930	587,126	-	-	(585,804)
Food Service		1,244,714	739,740	531,788	-	26,814
Community Education and Services		620,629	282,038	138,988	-	(199,603)
Unallocated Depreciation		1,103,934	-	-	-	(1,103,934)
Interest and Fiscal Charges on Long-Term Debt		1,618,181	-	-	-	(1,618,181)
Total Governmental Activities		\$ 24,093,784	\$ 2,011,271	\$ 5,230,929	\$ 325,845	(16,525,739)
<b>General Revenues</b>						
Taxes:						
Property Taxes, Levied for General Purposes						
Property Taxes, Levied for Community Service						
Property Taxes, Levied for Debt Service						
State Aid-Formula Grants						
Investment Income						
Total General Revenues						
Change in Net Position						
Net Position - Beginning						
Change in Accounting Principle (Note 11)						
Net Position - Beginning, as Restated						
Net Position - Ending						
\$ (5,664,864)						

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015**

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 2,883,380	\$ 1,777,347	\$ 720,751	\$ 5,381,478
Current Property Taxes Receivable	1,129,534	1,195,746	266,058	2,591,338
Delinquent Property Taxes Receivable	18,586	21,303	4,812	44,701
Accounts Receivable	309,985	-	1,621	311,606
Due from Department of Education	1,830,170	1,999	23,706	1,855,875
Due from Federal Government through Department of Education	15,554	-	-	15,554
Due from Other Minnesota School Districts	206,419	-	13,000	219,419
Inventory	-	-	19,356	19,356
Prepaid Items	125,921	-	7,473	133,394
Total Assets	<u>\$ 6,519,549</u>	<u>\$ 2,996,395</u>	<u>\$ 1,056,777</u>	<u>\$ 10,572,721</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 74,268	\$ -	\$ 2,711	\$ 76,979
Salaries and Benefits Payable	1,758,188	-	101,484	1,859,672
Compensated Absences Payable	114,997	-	-	114,997
Due to Other Minnesota School Districts	-	-	7,841	7,841
Due to Other Governmental Units	5	-	-	5
Unearned Revenue	30,511	-	26,967	57,478
Total Liabilities	<u>1,977,969</u>	<u>-</u>	<u>139,003</u>	<u>2,116,972</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Delinquent Property Taxes	18,586	21,303	4,812	44,701
Property Taxes Levied for Subsequent Year's Expenditures	<u>2,190,508</u>	<u>2,490,591</u>	<u>554,658</u>	<u>5,235,757</u>
Total Deferred Inflows of Resources	<u>2,209,094</u>	<u>2,511,894</u>	<u>559,470</u>	<u>5,280,458</u>
<b>FUND BALANCES</b>				
Nonspendable	125,921	-	26,829	152,750
Restricted	716,399	484,501	342,374	1,543,274
Committed	208,857	-	-	208,857
Assigned	403,553	-	-	403,553
Unassigned	877,756	-	(10,899)	866,857
Total Fund Balances	<u>2,332,486</u>	<u>484,501</u>	<u>358,304</u>	<u>3,175,291</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,519,549</u>	<u>\$ 2,996,395</u>	<u>\$ 1,056,777</u>	<u>\$ 10,572,721</u>

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS  
June 30, 2015**

Total Fund Balances - Governmental Funds	\$ 3,175,291
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of Capital Assets	56,557,963
Less Accumulated Depreciation	(19,001,935)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond Principal Payable	(33,820,000)
Capital Lease Payable	(1,192,513)
Compensated Absences Payable	(231,278)
Net Pension Liability	(10,715,721)

Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.

Deferred Outflows of Resources Related to Pensions	1,897,357
Deferred Inflows of Resources Related to Pensions	(3,589,542)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

44,701

Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.

(654,275)

Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as an unamortized liability in the government-wide financial statements.

(354,989)

Net OPEB asset created through treatment of General Obligation (G.O.) Taxable OPEB Bonds as an employer contribution to defined benefit OPEB plan. This contribution is not recognized in governmental funds.

2,220,077

Total Net Position - Governmental Activities

\$ (5,664,864)



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015**

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Property Taxes	\$ 1,942,583	\$ 2,484,541	\$ 550,249	\$ 4,977,373
Other Local and County Revenues	820,834	-	292,701	1,113,535
Revenue from State Sources	16,950,877	19,987	213,745	17,184,609
Revenue from Federal Sources	431,105	-	461,645	892,750
Sales and Other Conversion of Assets	119,411	-	791,531	910,942
Total Revenues	<u>20,264,810</u>	<u>2,504,528</u>	<u>2,309,871</u>	<u>25,079,209</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Administration	1,413,386	-	-	1,413,386
District Support Services	417,485	-	-	417,485
Elementary and Secondary Regular Instruction	8,795,195	-	-	8,795,195
Vocational Education Instruction	122,045	-	-	122,045
Special Education Instruction	2,682,661	-	-	2,682,661
Instructional Support Services	1,373,926	-	-	1,373,926
Pupil Support Services	2,148,867	-	-	2,148,867
Sites and Buildings	1,777,351	-	-	1,777,351
Fiscal and Other Fixed Cost Programs	129,983	-	-	129,983
Food Service	-	-	1,240,873	1,240,873
Community Education and Services	-	-	628,081	628,081
<b>Capital Outlay</b>				
Administration	400	-	-	400
Elementary and Secondary Regular Instruction	148,301	-	-	148,301
Vocational Education Instruction	816	-	-	816
Instructional Support Services	97,297	-	-	97,297
Sites and Buildings	205,372	-	915,335	1,120,707
Food Service	-	-	51,191	51,191
<b>Debt Service</b>				
Principal	176,610	1,170,000	160,000	1,506,610
Interest and Fiscal Charges	58,044	1,349,797	241,437	1,649,278
Total Expenditures	<u>19,547,739</u>	<u>2,519,797</u>	<u>3,236,917</u>	<u>25,304,453</u>
Excess of Revenues Over (Under) Expenditures	717,071	(15,269)	(927,046)	(225,244)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Capital Leases	79,921	-	-	79,921
Transfers In	-	-	306,808	306,808
Transfers Out	(306,808)	-	-	(306,808)
Total Other Financing Sources (Uses)	<u>(226,887)</u>	<u>-</u>	<u>306,808</u>	<u>79,921</u>
Net Change in Fund Balances	490,184	(15,269)	(620,238)	(145,323)
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>	<u>1,842,302</u>	<u>499,770</u>	<u>978,542</u>	<u>3,320,614</u>
<b>End of Year</b>	<u>\$ 2,332,486</u>	<u>\$ 484,501</u>	<u>\$ 358,304</u>	<u>\$ 3,175,291</u>

The Notes to the Financial Statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015**

Net Change in Fund Balances - Total Governmental Funds	\$ (145,323)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital Outlays	1,059,108
Depreciation Expense	(1,581,292)
Disposal of Capital Assets	(23,819)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

56,824

Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in the differences between actual and expected contributions and earnings on plan investments as well as changes in proportion.

Pension Expense	249,494
State Aid related to Pension Expense	25,102

Proceeds of G.O. Taxable OPEB Bonds issued during 2009 were contributed to the OPEB plan to retire part of the unfunded obligation. Governmental funds report such outlays as expenditures. However, the outlay is reported as an asset on the Statement of Net Position. The impact on the Statement of Activities is the creation of a net OPEB asset which is a combination of the OPEB bond issue and the amortization of the net OPEB obligation for the current year.

(87,353)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.

1,506,610

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus, requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

9,637

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net assets. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Capital Lease Payable	(79,921)
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Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as a liability in the government-wide financial statements and amortized over the life of the bond.

21,460

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

(23,625)

Change in Net Position - Governmental Activities	<u>\$ 986,902</u>
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The Notes to the Financial Statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
<b>REVENUES</b>				
Local Property Taxes	\$ 1,870,293	\$ 1,862,293	\$ 1,942,583	\$ 80,290
Other Local and County Revenues	722,640	762,050	820,834	58,784
Revenue from State Sources	16,291,719	16,626,425	16,950,877	324,452
Revenue from Federal Sources	402,884	442,000	431,105	(10,895)
Sales and Other Conversion of Assets	48,800	91,500	119,411	27,911
Total Revenues	<u>19,336,336</u>	<u>19,784,268</u>	<u>20,264,810</u>	<u>480,542</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Administration	1,418,961	1,417,247	1,413,386	(3,861)
District Support Services	431,132	442,282	417,485	(24,797)
Elementary and Secondary Regular Instruction	9,275,122	9,352,378	8,795,195	(557,183)
Vocational Education Instruction	59,358	70,056	122,045	51,989
Special Education Instruction	2,665,972	2,669,661	2,682,661	13,000
Instructional Support Services	1,067,575	1,175,080	1,373,926	198,846
Pupil Support Services	2,031,026	2,174,285	2,148,867	(25,418)
Sites and Buildings	1,671,345	1,730,420	1,777,351	46,931
Fiscal and Other Fixed Cost Programs	212,500	207,500	129,983	(77,517)
<b>Capital Outlay</b>				
Administration	2,000	2,000	400	(1,600)
District Support Services	15,000	15,000	-	(15,000)
Elementary and Secondary Regular Instruction	76,200	76,200	148,301	72,101
Vocational Education Instruction	-	-	816	816
Instructional Support Services	103,000	103,000	97,297	(5,703)
Sites and Buildings	172,800	194,800	205,372	10,572
Debt Service:				
Principal	156,979	155,979	176,610	20,631
Interest and Fiscal Charges	84,416	59,916	58,044	(1,872)
Total Expenditures	<u>19,443,386</u>	<u>19,845,804</u>	<u>19,547,739</u>	<u>(298,065)</u>
Excess of Revenues Over (Under) Expenditures	(107,050)	(61,536)	717,071	778,607
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Capital Leases	-	-	79,921	79,921
Transfers Out	-	-	(306,808)	(306,808)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(226,887)</u>	<u>(226,887)</u>
Net Change in Fund Balances	<u>\$ (107,050)</u>	<u>\$ (61,536)</u>	490,184	<u>\$ 551,720</u>
<b>FUND BALANCES</b>				
<b>Beginning of Year</b>			<u>1,842,302</u>	
<b>End of Year</b>			<u>\$ 2,332,486</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**STATEMENT OF FIDUCIARY NET POSITION  
June 30, 2015**

	<u>OPEB Trust Fund</u>
<b>ASSETS</b>	
<b>Current</b>	
Investments:	
Brokered Money Markets	\$ 412,011
Negotiable Certificates of Deposit	1,212,678
Government Obligations	356,247
Interest Receivable	<u>9,470</u>
Total Assets	<u><u>\$ 1,990,406</u></u>
<b>LIABILITIES</b>	
Accounts Payable	<u>\$ 297,719</u>
<b>NET POSITION</b>	
Held in Trust for OPEB	<u><u>\$ 1,692,687</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
For the Year Ended June 30, 2015**

	<u>OPEB Trust Fund</u>
<b>ADDITIONS</b>	
<b>Investment Income</b>	
Interest Revenue	\$ 13,296
<b>DEDUCTIONS</b>	
Health Insurance Expense	<u>297,719</u>
Change in Net Position	(284,423)
<b>NET POSITION HELD IN TRUST FOR OPEB</b>	
<b>Beginning of Year</b>	<u>1,977,110</u>
<b>End of Year</b>	<u><u>\$ 1,692,687</u></u>

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**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

**A. Reporting Entity**

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under the School Board's control and are included within the General Fund activity. Separate audited financial statements have not been issued.

**B. Basic Financial Statement Information**

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, 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.

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**B. Basic Financial Statement Information (Continued)**

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OPEB Trust Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, this Fund is not incorporated into the government-wide statements.

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

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

**1. Revenue Recognition**

Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**2. Recording of Expenditures**

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned and unassigned.

**Description of Funds:**

**Major Funds:**

General Fund – This Fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, G.O. bond principal, interest and related costs.

**Nonmajor Funds:**

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures. Local, state and federal revenues are received in this Fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

Capital Projects Fund – This Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by debt issue.

Post Employment Benefits Debt Service Fund – This Fund is used to record levy proceeds and the payments of G.O. Taxable OPEB Bonds, principal, interest and related costs.

**Fiduciary Fund:**

OPEB Trust Fund – This Fund is used to account for financial resources held by the District in a trustee capacity to be used by the District to pay OPEB benefits to employees.



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Cash and Investments**

The District's total cash and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below and on the following pages.

**District Governmental Funds**

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

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

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

**Custodial Credit Risk – Deposits:** For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* 118A.03 for any amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, FCUA or other federal deposit coverage.

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

**Interest Rate Risk:** This is the risk related to managing exposure to fair value arising from increasing interest rates. The District's investment policy states their investments should be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires investments to be in instruments specified in *Minnesota Statutes* 118A.04 and 118A.05.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Cash and Investments (Continued)**

**District Governmental Funds (Continued)**

**Concentration of Credit Risk:** This relates to the limit on the amount the District may invest in any one issuer. The District's policy states the District should diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities.

**Custodial Credit Risk – Investments:** For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires all investment securities to be held in third party safekeeping by an institution designated as custodial agent.

**OPEB Trust Fund**

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2015, they were comprised of brokered money markets, government obligations and negotiable certificates of deposit.

*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 agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

**E. Property Tax Receivable**

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the liability section of the fund financial statements as deferred revenue because they are not available to finance the operations of the District in the current year.

**F. Property Taxes Levied for Subsequent Year's Expenditures**

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2014, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in 2015. The remaining portion of the levy will be recognized when measurable and available. Property taxes levied for subsequent year's expenditures are reported as deferred inflows of resources.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**G. Inventories**

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

**I. Property Taxes**

The District is located in Stearns County.

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.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

**J. Capital Assets**

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$ 2,500 and an estimated useful life in excess of three years. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**J. Capital Assets (Continued)**

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

**K. 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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in the government-wide statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of financial position and fund financial statements 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items which qualify for reporting in this category. The first 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 second 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 third item is deferred inflows relating to pension activity and is a result of the net difference between projected and actual earnings on plan investments.

**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 Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**M. Compensated Absences**

The District compensates certain employees upon termination of employment for unused vacation. Vacation days are to be used by September 1 of the next school year and are not cumulative for classified employees and principals. Administrative employees' and the Superintendent's vacation days are to be used by July 1 of the next school year and are not cumulative.

District regular employees are entitled to sick leave at various rates based on employee classification and related contracts. All employees receive sick leave based on the number of hours worked. The maximum number of hours that may be accumulated is based on individual contracts. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.M. Sick leave pay is shown as an expenditure in the year paid.

Beginning July 1, 2005, the District started making matching contributions to 403(b) accounts for all licensed staff. The contribution amounts vary depending on the individual's employment group. Any amount contributed by the District to an individual's 403(b) account will be deducted from the total compensated absence and severance amounts paid out. All licensed staff hired after July 1, 2005 will only be eligible for the 403(b) matching program and not the existing severance pay plans.

Compensated absences payable, as reported in the Statement of Net Position, consists of the severance payments available to eligible employees based on their unused sick leave. See Note 1.N.

**N. Severance**

Teacher contracts provide for the accumulation of severance pay at the rate of 5 days for each year of full-time teaching in the District up to a maximum of 50 days subject to a proration formula. In addition, teachers are eligible to receive as severance pay, upon retirement, the amount obtained by multiplying one-third of the unused number of sick leave days, not to exceed 50 days, times teachers' daily rate of pay. Severance shall be paid by contributing 100% of the amount to a health care savings plan.

Administrative contracts provide for the accumulation of severance pay at the rate of 5 days for each year of service accumulative to 20 days for administrators prior to age 56 or less than 10 years of service. Administrators who are at least 56 years of age and have been employed by the District for not less than 10 years shall, upon retirement, be eligible for severance pay calculated at the rate of 5 days for each year of service accumulative to 50 days. In addition, administrators will receive, upon retirement, the amount obtained by multiplying one-third of unused sick leave days, not to exceed 50 days, times their daily rate of pay. Severance shall be paid by contributing 100% of the amount to a health care savings plan. The remaining two-thirds of the unused sick leave days and years of service over 50 days are applied to a health insurance bank to pay for family group health coverage.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**O. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2015.

**P. Fund Equity**

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balances** – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- **Restricted Fund Balances** – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balances** – The District's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment is through a resolution.
- **Assigned Fund Balances** – The School Board delegates the Superintendent and the Director of Business Services the power to assign balances for specific purposes. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.
- **Unassigned Fund Balances** – These are amounts that have not been restricted, committed or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

The District's target General Fund balance is a minimum of 6% to 8% of the annual operating budget.

**Q. Net Position**

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**R. 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. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects and Debt Service Funds.
4. Budgets for the General, Special Revenue, Capital Projects and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

Encumbrances represent outstanding purchase orders and unfulfilled commitments that are issued to outside vendors and budgeted in the current year, but do not include amounts that are set up as liabilities, amounts for services to be performed by District employees and purchase orders applicable to the subsequent year's budget. As of June 30, 2015, no outstanding encumbrances existed.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**B. Excess of Expenditures Over Appropriations**

Budgetary control for governmental funds is established by each fund's total appropriations. Expenditures exceeded appropriations in the following Funds for the year ended June 30, 2015.

	<u>Expenditures</u>	<u>Appropriations</u>
Debt Service	\$ 2,519,797	\$ 2,517,512
Capital Projects	915,335	901,882

**C. Deficit Fund Balance**

The Community Service Special Revenue Fund had a negative fund balance of \$ 295,670 at June 30, 2015.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

**District Governmental Funds**

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

Custodial Credit Risk – Deposits: As of June 30, 2015, the District's bank balances were not exposed to custodial credit risk because they were fully insured through FDIC and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2015, the District's governmental funds had the following deposits:

Checking	\$ 253,846
Savings	<u>1,128,802</u>
Total	<u><u>\$ 1,382,648</u></u>



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**B. Investments**

**District Governmental Funds**

As of June 30, 2015, the District's governmental funds had the following investments:

MSDLAF	N/A	\$ 351,014
MSDLAF + Max Class	N/A	<u>3,647,816</u>
Total		<u><u>\$ 3,998,830</u></u>

Credit Risk: As of June 30, 2015, the District's governmental fund investment in MSDLAF was rated AAAM by S&P.

**OPEB Trust Fund**

As of June 30, 2015, the District's OPEB Trust Fund had the following investments:

Investment	Maturities		Fair Value
	<1 Year	1-3 Years	
MNTrust Money Markets	\$ 412,011	\$ -	\$ 412,011
Negotiable Certificates of Deposit	350,546	862,132	1,212,678
Government Obligations	<u>356,247</u>	<u>-</u>	<u>356,247</u>
Total Investments	<u><u>\$ 1,118,804</u></u>	<u><u>\$ 862,132</u></u>	<u><u>\$ 1,980,936</u></u>

Credit Risk: As of June 30, 2015, the District's OPEB Trust Fund investments in government obligations were rated Aa2 by Moody's, and the MNTrust Money Market Account was rated AAAM by S&P. The brokered money market and negotiable certificates of deposit were unrated.

Concentration of Credit Risk: As of June 30, 2015, more than 5% of the trusts investments were in brokered certificates of deposit such as Onwest Bank (12.27%), Enerbank USA (12.30%), State Bank of India (12.54%), Bmw Bank of North America (12.54%), Discover Bank (11.57%) and government securities such as Independent School District No. 283, St. Louis Park, Minnesota, Taxable OPEB Bonds (17.98%).

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

**C. Deposits and Investments**

The following is a summary of deposits and investments as of June 30, 2015:

District Governmental Funds:	
Deposits	\$ 1,382,648
Investments	3,998,830
OPEB Trust Fund:	
Investments	<u>1,980,936</u>
 Total Deposits and Investments	 <u><u>\$ 7,362,414</u></u>

Deposits and investments are presented in the June 30, 2015 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 5,381,478
 Statement of Fiduciary Net Position:	
Investments:	
Brokered Money Markets	412,011
Negotiable Certificates of Deposit	1,212,678
Government Obligations	<u>356,247</u>
 Total Deposits and Investments	 <u><u>\$ 7,362,414</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,085,737	\$ -	\$ -	\$ 1,085,737
Construction in Progress	<u>783,941</u>	<u>875,269</u>	<u>1,659,210</u>	<u>-</u>
Total Capital Assets not being Depreciated	<u>1,869,678</u>	<u>875,269</u>	<u>1,659,210</u>	<u>1,085,737</u>
Capital Assets being Depreciated:				
Land Improvements	1,595,305	-	8,300	1,587,005
Buildings	50,434,674	1,664,210	635,141	51,463,743
Equipment	<u>2,298,705</u>	<u>178,839</u>	<u>56,066</u>	<u>2,421,478</u>
Total Capital Assets being Depreciated	<u>54,328,684</u>	<u>1,843,049</u>	<u>699,507</u>	<u>55,472,226</u>
Less Accumulated Depreciation for:				
Land Improvements	1,161,530	26,378	8,300	1,179,608
Buildings	15,568,218	1,368,030	635,140	16,301,108
Equipment	<u>1,366,583</u>	<u>186,884</u>	<u>32,248</u>	<u>1,521,219</u>
Total Accumulated Depreciation	<u>18,096,331</u>	<u>1,581,292</u>	<u>675,688</u>	<u>19,001,935</u>
Total Capital Assets being Depreciated, Net	<u>36,232,353</u>	<u>261,757</u>	<u>23,819</u>	<u>36,470,291</u>
Governmental Activities, Capital Assets, Net	<u><u>\$ 38,102,031</u></u>	<u><u>\$ 1,137,026</u></u>	<u><u>\$ 1,683,029</u></u>	<u><u>\$ 37,556,028</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 4 – CAPITAL ASSETS**

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

Administration	\$ 2,381
Elementary and Secondary Regular Instruction	52,000
Special Education	1,348
Instructional Support Services	55,402
Sites and Buildings	353,414
Food Service	12,813
Unallocated	<u>1,103,934</u>
 Total Depreciation Expense	 <u><u>\$ 1,581,292</u></u>

**NOTE 5 – SHORT-TERM DEBT**

At June 30, 2014, the District had outstanding Aid Anticipation Certificates of Indebtedness, Series 2013A, for \$ 1,355,000. The Certificates were fully paid on September 29, 2014.

**NOTE 6 – LONG-TERM DEBT**

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

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One year</u>
Long-Term Liabilities:						
G.O. Bonds, Including						
G.O. Alternative Facilities Bonds, 2007A	07/05/07	3.90%-4.35%	\$ 3,340,000	02/01/27	\$ 2,395,000	\$ 155,000
G.O. Taxable OPEB Bonds, 2009A	01/08/09	5.00%-6.75%	4,500,000	02/01/29	3,680,000	170,000
G.O. School Building Bonds, 2009B	07/01/09	2.50%-5.00%	29,990,000	02/01/34	26,480,000	855,000
G.O. Alternative Facilities Bonds, 2014A	04/16/14	1.00%-2.25%	1,445,000	02/01/22	1,265,000	155,000
Unamortized Bond Premium					354,989	-
Capital Leases					1,192,513	170,964
Compensated Absences					<u>346,275</u>	<u>167,569</u>
 Total all Long-Term Liabilities					 <u><u>\$ 35,713,777</u></u>	 <u><u>\$ 1,673,533</u></u>

The long-term bond liabilities listed above were issued to fund OPEB, finance acquisition and construction of capital facilities. Other long-term liabilities, such as compensated absences, are typically liquidated through the General Fund.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 6 – LONG-TERM DEBT**

**B. Minimum Debt Payments for Bonds**

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2016	\$ 1,335,000	\$ 1,554,946	\$ 2,889,946
2017	1,385,000	1,513,346	2,898,346
2018	1,435,000	1,467,438	2,902,438
2019	1,490,000	1,414,811	2,904,811
2020	1,535,000	1,359,220	2,894,220
2021-2025	7,970,000	5,770,812	13,740,812
2026-2030	9,435,000	3,653,090	13,088,090
2031-2034	9,235,000	1,121,950	10,356,950
Total	<u>\$ 33,820,000</u>	<u>\$ 17,855,613</u>	<u>\$ 51,675,613</u>

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

	Beginning Balance	Additions	Reductions	Ending Balance
Long-Term Liabilities:				
G.O. Bonds	\$ 35,150,000	\$ -	\$ 1,330,000	\$ 33,820,000
Unamortized Bond Premium	376,449	-	21,460	354,989
Capital Leases	1,289,202	79,921	176,610	1,192,513
Compensated Absences	438,909	407,797	500,431	346,275
Total Long-Term Liabilities	<u>\$ 37,254,560</u>	<u>\$ 487,718</u>	<u>\$ 2,028,501</u>	<u>\$ 35,713,777</u>

On September 22, 2006, the District entered into a lease purchase agreement for energy capital improvements. The capital lease obligation totaled \$ 2,019,022. The capital lease agreement includes semiannual principal and interest payments of \$ 93,447 through 2022. At June 30, 2015, the book value of the energy improvements was \$ 840,337.

On December 5, 2007, the District entered into a lease purchase agreement for a telephone system. The capital lease obligation and corresponding equipment totaled \$ 145,000. The capital lease agreement includes semiannual principal and interest payments of \$ 10,948 through 2015. At June 30, 2015, the book value of the telephone system was \$ 22,314.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 6 – LONG-TERM DEBT**

**D. Capital Lease Obligations**

On July 21, 2014, the District entered into a lease purchase agreement for various technology equipment. The capital lease obligation and corresponding equipment totaled \$ 79,921. The capital lease agreement includes semiannual principal and interest payments of \$ 20,701 through 2018. The technology equipment was not capitalized as items are less than the District's capitalization threshold individually.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

<u>June 30,</u>	
2016	\$ 218,540
2017	207,594
2018	207,595
2019	186,893
2020	186,893
2021-2022	<u>373,786</u>
Total Minimum Lease Payments	1,381,301
Less Amount Representing Interest	<u>(188,788)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$ 1,192,513</u></u>

**NOTE 7 – FUND BALANCES/NET POSITION**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities or as required by other outside parties.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 7 – FUND BALANCES/NET POSITION**

**A. Fund Balances**

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Nonmajor Funds	Total
Nonspendable:				
Inventory	\$ -	\$ -	\$ 19,356	\$ 19,356
Prepaid Items	125,921	-	7,473	133,394
Total Nonspendable	<u>125,921</u>	<u>-</u>	<u>26,829</u>	<u>152,750</u>
Restricted for:				
Deferred Maintenance	145,360	-	-	145,360
Health and Safety	36,241	-	-	36,241
Operating Capital	466,570	-	-	466,570
Teacher Development and Evaluation	30,981	-	-	30,981
Gifted and Talented	23,353	-	-	23,353
Safe Schools	13,894	-	-	13,894
Debt Service	-	484,501	82,328	566,829
School Readiness	-	-	16,588	16,588
Adult Basic Education	-	-	5,449	5,449
Food Service	-	-	238,009	238,009
Total Restricted	<u>716,399</u>	<u>484,501</u>	<u>342,374</u>	<u>1,543,274</u>
Committed for:				
Separation/Retirement Benefits	208,857	-	-	208,857
Assigned for:				
Staff Development - Curriculum	22,132	-	-	22,132
Staff Development - District	41,378	-	-	41,378
Student Activities	209,290	-	-	209,290
Targeted Services	54,113	-	-	54,113
Repairs and Maintenance	32,826	-	-	32,826
3rd Party Revenue	43,814	-	-	43,814
Total Assigned	<u>403,553</u>	<u>-</u>	<u>-</u>	<u>403,553</u>
Unassigned for:				
General Purposes	877,756	-	-	877,756
Community Education*	-	-	(9,873)	(9,873)
Early Childhood and Family Education*	-	-	(1,026)	(1,026)
Total Unassigned	<u>877,756</u>	<u>-</u>	<u>(10,899)</u>	<u>866,857</u>
 Total Fund Balance	 <u>\$ 2,332,486</u>	 <u>\$ 484,501</u>	 <u>\$ 358,304</u>	 <u>\$ 3,175,291</u>

\* Negative restricted fund balances have been reclassified as unassigned.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 7 – FUND BALANCES/NET POSITION**

**A. Fund Balances (Continued)**

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Restricted/Reserved for Deferred Maintenance – Districts that qualified for deferred maintenance revenue (aid and levy) but have not spent the proceeds must restrict the balance in this code. An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy program under *Minnesota Statutes* 123B.59, subd. 1. para (a) is eligible to receive deferred maintenance revenue per *Minnesota Statutes* 123B.591.

Restricted/Reserved for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account

Restricted/Reserved for Safe Schools – Crime Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use.

Restricted/Reserved for Debt Service – This balance represents the balances of the Debt Service Fund and the Post Employment Benefits Debt Service Fund available for future debt principal and interest payments.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences and OPEB (as defined in GASB Statements Nos. 16 and 45).



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 7 – FUND BALANCES/NET POSITION**

**A. Fund Balances (Continued)**

Assigned Fund Balances – These balances represent amounts segregated from the unassigned fund balance for various purposes as determined by the Superintendent and the Director of Business Services in accordance with the District's Fund Balance Policy.

Unassigned for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Unassigned for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

**B. Net Position**

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the Food Service and Community Service Funds and the total positive position of the restricted fund balance portion of the General Fund.

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Summary of Significant Accounting Policies**

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Teachers' Retirement Association**

**A. Plan Description**

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

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

**B. Benefits Provided**

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

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

*Tier I Benefits*

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**B. Benefits Provided (Continued)**

With these provisions:

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

*Tier II Benefits*

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

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

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

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

**C. Contribution Rate**

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
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**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**C. Contribution Rate (Continued)**

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

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

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

**D. Actuarial Assumptions**

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

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**Key Methods and Assumptions Used in Valuation of Total Pension Liability**

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**Actuarial Information**

Measurement Date	June 30, 2014
Valuation Date	July 1, 2014
Experience Study	October 30, 2009
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	8.25%
Wage Inflation	3.00%
Projected Salary Increase	3.5-12%, based on years of service
Cost of Living Adjustment	2.0% until year 2034, 2.5% thereafter

**INDEPENDENT SCHOOL DISTRICT NO. 750  
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**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**D. Actuarial Assumptions (Continued)**

Key Methods and Assumptions Used in Valuation of Total Pension Liability

**Mortality Assumption**

Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back five years and female rates set back seven years
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back two years and female rates set back three years
Post-disability	RP 2000 disabled retiree mortality, without adjustment

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

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

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45 %	5.50 %
International Stocks	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Unallocated Cash	<u>2</u>	0.50
Total	<u><u>100 %</u></u>	

**INDEPENDENT SCHOOL DISTRICT NO. 750**  
**ROCORI SCHOOLS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**E. Discount Rate**

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

**F. Net Pension Liability**

On June 30, 2015, the District reported a liability of \$ 8,179,072 for its proportionate share of the net pension liability. The net pension liability was measure as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1775% at the end of the measurement period and 0.1833% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 8,179,072
State's proportionate share of the net pension liability associated with the district	575,427

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

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

For the year ended June 30, 2015, the District recognized pension expense of \$ 379,789. It also recognized \$ 25,102 as an increase to pension expense for the support provided by direct aid.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
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**NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**F. Net Pension Liability (Continued)**

On June 30, 2015, the District had deferred resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 697,896	\$ -
Net difference between projected and actual earnings on plan investments	-	2,571,418
Changes in proportion	-	275,259
Total	<u>\$ 697,896</u>	<u>\$ 2,846,677</u>

An amount of \$ 625,347 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

2016	\$ (554,621)
2017	(554,621)
2018	(554,621)
2019	(554,621)
2020	69,703

**G. Pension Liability Sensitivity**

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.25% as well as the liability measured using 1% lower and 1% higher.

District proportionate share of NPL		
1% decrease (7.25%)	Current (8.25%)	1% increase (9.25%)
\$ 13,517,205	\$ 8,179,072	\$ 3,728,915

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Teachers' Retirement Association (Continued)**

**G. Pension Liability Sensitivity (Continued)**

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

**H. Pension Plan Fiduciary Net Position**

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

**Public Employees' Retirement Association**

**A. Plan Description**

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

**General Employees Retirement Fund (GERF)**

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

All full-time and certain part-time employees of the District other than teachers are covered by the 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.

**B. Benefits Provided**

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. PERA benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees' Retirement Association**

**B. Benefits Provided (Continued)**

**GERF Benefits**

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

**C. Contributions**

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

**GERF Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2014, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$ 216,292. The District's contributions were equal to the required contributions for each year as set by state statute.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**D. Pension Costs**

**GERF Pension Costs**

At June 30, 2015, the District reported a liability of \$ 2,536,649 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2014, the District’s proportion was 0.0540 %.

For the year ended June 30, 2015, the District recognized pension expense of \$ 188,309 for its proportionate share of GERF’s pension expense.

At June 30, 2015, the District reported its proportionate share of GERF’s deferred outflows of resources and deferred inflows of resources, 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	\$ 38,930	\$ -
Changes in Actuarial Assumptions	261,427	-
Difference Between Projected and Actual Investments Earnings	-	685,400
Total	<u>\$ 300,357</u>	<u>\$ 685,400</u>

An amount of \$ 216,292 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2016	\$ (71,231)
2017	(71,231)
2018	(71,231)
2019	(171,350)

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees' Retirement Association (Continued)**

**E. Actuarial Assumptions**

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

**GERF**

<u>Assumptions</u>	<u>GERF</u>
Inflation	2.75 % Per Year
Active Member Payroll Growth	3.50 Per Year
Investment Rate of Return	7.90

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**E. Actuarial Assumptions (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	45%	5.50 %
Internal Stocks	15%	6.00
Bonds	18%	1.45
Alternative Assets	20%	6.40
Cash	2%	0.50
Total	<u>100%</u>	

**F. Discount Rates**

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERS Discount Rate	6.9%	7.9%	8.9%
District's Proportionate Share of the GERS Net Pension Liability	\$ 4,089,181	\$ 2,536,649	\$ 1,259,281

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

**Public Employees’ Retirement Association (Continued)**

**H. Pension Plan Fiduciary Net Position**

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN**

**A. Plan Description**

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Health Partners. It is the District’s policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age.

**B. Funding Policy**

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2015, the District contributed \$ 277,556 to the plan. As of July 1, 2014, there were approximately 47 retirees and dependents receiving health benefits from the District’s health plan. The plan has a total of 295 active participants and dependents.

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN**

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

ARC	\$ 304,888
Interest on Net OPEB Obligation	(80,760)
Amortization of Net OPEB Obligation with Interest	140,781
Annual OPEB Cost (Expense)	<u>364,909</u>
Employer Contributions	<u>(277,556)</u>
Decrease in Net OPEB Obligation	87,353
Net OPEB Obligation - Beginning of Year	<u>(2,307,430)</u>
Net OPEB Obligation - End of Year	<u><u>\$ (2,220,077)</u></u>

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

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/15	\$ 364,909	\$ 277,556	76.1%	\$ (2,220,077)
06/30/14	347,583	278,913	80.2%	(2,307,430)
06/30/13	341,313	260,815	76.4%	(2,376,100)

**D. Funded Status and Funding Progress**

As of July 1, 2014, the most recent actuarial valuation date, the District had \$ 1,977,110 of plan assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 4,418,679 and the actuarial value of assets was \$ 1,977,110, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 2,441,569. The covered payroll (annual payroll of active employees covered by the plan) was \$ 10,306,544, and the ratio of the UAAL to the covered payroll was 23.7%. In January 2009, the District issued G.O. Taxable OPEB Bonds, established an irrevocable trust and contributed \$ 4,401,700 of bond proceeds into the trust to fund the plan. As of June 30, 2015, the ending market value of these assets was \$ 1,980,936.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care 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.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN**

**D. Funded Status and Funding Progress (Continued)**

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the Notes to the 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, consistent with the long-term perspective of the calculations.

On July 1, 2014, the actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate. The District partially funded the ARC by issuing \$ 4.5 million OPEB Bonds on January 9, 2009. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.5% initially, reduced incrementally to an ultimate rate of 5% after 10 years. Both rates included a 2.5% inflation assumption. Salaries are projected to increase at 3%. The UAAL is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at July 1, 2014 was 30 years.

**F. Condensed Financial Statements**

The financial statements for the OPEB Plan are reported below because the OPEB Plan does not issue a separate report.

**STATEMENT OF PLAN NET POSITION - OPEB PLAN  
June 30, 2015**

**ASSETS**

Investments, at Fair Value	\$ 1,980,936
Interest Receivable	<u>9,470</u>
Total Assets	<u><u>\$ 1,990,406</u></u>

**LIABILITIES**

Accounts Payable	<u>\$ 297,719</u>
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**NET POSITION**

Held in Trust for OPEB	<u><u>\$ 1,692,687</u></u>
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**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN**

**F. Condensed Financial Statements (Continued)**

**STATEMENT OF CHANGES IN PLAN NET POSITION  
For the Year ended June 30, 2015**

**ADDITIONS**

Investments Income	\$ 13,296
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**DEDUCTIONS**

Health Insurance Expense	<u>297,719</u>
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Change in Net Position	(284,423)
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**NET POSITION HELD IN TRUST FOR OPEB**

<b>Beginning of the Year</b>	<u>1,977,110</u>
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<b>End of Year</b>	<u><u>\$ 1,692,687</u></u>
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**1. Notes to the Condensed Financial Statements**

**A. Plan Provisions**

The Plan is described in detail on the previous pages, including Plan provisions and the authority for Plan changes.

**2. Summary of Significant Accounting Policies**

**A. Basis of Accounting**

The financial statements shown on the previous page are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits are recognized when due and payable.

**B. Investments**

The details of the investments and the investment policy are described in Note 1.D. of the District's financial statements.

**C. 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 various estimates. Actual results could differ from those estimates.



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

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

**NOTE 10 – INTERFUND ACTIVITY**

**A. Interfund Transfers**

The following transfer was made during the year ended June 30, 2015:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
General Fund	Community Service Special Revenue Fund	\$ 306,808

The purpose of the above transfer was to cover deficit fund balances.

**NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$ 12,682,502 to add the beginning net pension liability.

**NOTE 12 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED**

Accounting Standards Board (GASB) has issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF FUNDING PROGRESS –  
OTHER POST EMPLOYMENT BENEFITS  
June 30, 2015**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/10	\$ 3,577,732	\$ 6,151,146	\$ 2,573,414	58.16%	\$ 10,083,867	25.52%
07/01/12	2,572,794	4,775,211	2,202,417	53.88%	9,995,068	22.04%
07/01/14	1,977,110	4,418,679	2,441,569	44.74%	10,306,544	23.69%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS –  
OTHER POST EMPLOYMENT BENEFITS**

Year Ended June 30,	Annual OPEB Cost	Total Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
2015	\$ 364,909	\$ 277,556	76.06%	\$ (2,220,077)
2014	347,583	278,913	80.24%	(2,307,430)
2013	341,313	260,815	76.42%	(2,376,100)

**INDEPENDENT SCHOOL DISTRICT NO. 750**

**SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE  
(IF APPLICABLE) OF NET PENSION LIABILITY  
LAST TEN YEARS GERF RETIREMENT FUNDS**

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0540%	\$ 2,536,649	\$ 2,833,103	89.5%	78.7%

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

**SCHEDULE OF DISTRICT'S AND NON-EMPLOYER PROPORTIONATE SHARE  
(IF APPLICABLE) OF NET PENSION LIABILITY  
LAST TEN YEARS TRA RETIREMENT FUNDS**

For Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1775%	\$ 8,179,072	\$ 575,427	\$ 8,754,499	\$ 8,101,852	101.0%	81.5%

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

**INDEPENDENT SCHOOL DISTRICT NO. 750****SCHEDULE OF DISTRICT CONTRIBUTIONS  
GERF RETIREMENT FUNDS  
LAST TEN YEARS**

<u>For Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 205,400	\$ 205,400	\$ -	\$ 2,833,103	7.25%

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

**SCHEDULE OF DISTRICT CONTRIBUTIONS  
TRA RETIREMENT FUNDS  
LAST TEN YEARS**

<u>For Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2015	\$ 567,130	\$ 567,130	\$ -	\$ 8,101,852	7.0%

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

## **SUPPLEMENTARY INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**COMBINING BALANCE SHEET -  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2015**

	Special Revenue Funds			Post	Total
	Food Service	Community Service	Total	Employment Benefits Debt Service	Nonmajor Funds
<b>ASSETS</b>					
Cash and Investments	\$ 319,686	\$ 108,524	\$ 428,210	\$ 292,541	\$ 720,751
Current Property Taxes Receivable	-	71,596	71,596	194,462	266,058
Delinquent Property Taxes Receivable	-	1,406	1,406	3,406	4,812
Accounts Receivable	608	1,013	1,621	-	1,621
Due from Department of Education	4,756	18,628	23,384	322	23,706
Due from Other Minnesota School Districts	-	13,000	13,000	-	13,000
Inventory	19,356	-	19,356	-	19,356
Prepaid Items	7,473	-	7,473	-	7,473
Total Assets	<u>\$ 351,879</u>	<u>\$ 214,167</u>	<u>\$ 566,046</u>	<u>\$ 490,731</u>	<u>\$ 1,056,777</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 19	\$ 2,692	\$ 2,711	\$ -	\$ 2,711
Salaries and Benefits Payable	55,986	45,498	101,484	-	101,484
Due to Other Minnesota School Districts	7,841	-	7,841	-	7,841
Unearned Revenue	23,195	3,772	26,967	-	26,967
Total Liabilities	<u>87,041</u>	<u>51,962</u>	<u>139,003</u>	<u>-</u>	<u>139,003</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Property Taxes	-	1,406	1,406	3,406	4,812
Property Taxes Levied for					
Subsequent Year's Expenditures	-	149,661	149,661	404,997	554,658
Total Deferred Inflows of Resources	<u>-</u>	<u>151,067</u>	<u>151,067</u>	<u>408,403</u>	<u>559,470</u>
<b>FUND BALANCES</b>					
Nonspendable	26,829	-	26,829	-	26,829
Restricted	238,009	22,037	260,046	82,328	342,374
Unassigned	-	(10,899)	(10,899)	-	(10,899)
Total Fund Balances	<u>264,838</u>	<u>11,138</u>	<u>275,976</u>	<u>82,328</u>	<u>358,304</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 351,879</u>	<u>\$ 214,167</u>	<u>\$ 566,046</u>	<u>\$ 490,731</u>	<u>\$ 1,056,777</u>

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015**

	Special Revenue Funds			Post Employment Benefits Debt Service	Capital Projects	Total Nonmajor Funds
	Food Service	Community Service	Total			
<b>REVENUES</b>						
Local Property Taxes	\$ -	\$ 150,474	\$ 150,474	\$ 399,775	\$ -	\$ 550,249
Other Local and County Revenues	10,537	282,038	292,575	-	126	292,701
Revenue from State Sources	70,143	140,386	210,529	3,216	-	213,745
Revenue from Federal Sources	461,645	-	461,645	-	-	461,645
Sales and Other Conversion of Assets	729,203	-	729,203	-	62,328	791,531
Total Revenues	<u>1,271,528</u>	<u>572,898</u>	<u>1,844,426</u>	<u>402,991</u>	<u>62,454</u>	<u>2,309,871</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
Food Service	1,240,873	-	1,240,873	-	-	1,240,873
Community Education and Services	-	628,081	628,081	-	-	628,081
<b>Capital Outlay</b>						
Sites and Buildings	-	-	-	-	915,335	915,335
Food Service	51,191	-	51,191	-	-	51,191
<b>Debt Service</b>						
Principal	-	-	-	160,000	-	160,000
Interest and Fiscal Charges	-	-	-	241,437	-	241,437
Total Expenditures	<u>1,292,064</u>	<u>628,081</u>	<u>1,920,145</u>	<u>401,437</u>	<u>915,335</u>	<u>3,236,917</u>
Excess of Revenues Over Expenditures	(20,536)	(55,183)	(75,719)	1,554	(852,881)	(927,046)
<b>OTHER FINANCING SOURCES</b>						
Transfers In	-	306,808	306,808	-	-	306,808
Net Change in Fund Balances	(20,536)	251,625	231,089	1,554	(852,881)	(620,238)
<b>FUND BALANCES</b>						
<b>Beginning of Year</b>	<u>285,374</u>	<u>(240,487)</u>	<u>44,887</u>	<u>80,774</u>	<u>852,881</u>	<u>978,542</u>
<b>End of Year</b>	<u>\$ 264,838</u>	<u>\$ 11,138</u>	<u>\$ 275,976</u>	<u>\$ 82,328</u>	<u>\$ -</u>	<u>\$ 358,304</u>



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
For the Year Ended June 30, 2015**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION FUND</b>			
Total Revenue	\$ 20,264,810	\$ 20,264,811	\$ (1)	Total Revenue	\$ 62,454	\$ 62,454	\$ -
Total Expenditures	19,547,739	19,547,740	(1)	Total Expenditures	915,335	915,336	(1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	125,921	125,920	1	460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	-	-	-	407 Capital Projects Levy	-	-	-
405 Deferred Maintenance	145,360	145,360	-	409 Alternative Facility Program	-	-	-
406 Health and Safety	36,241	36,241	-	413 Building Projects Funded by COP/LP	-	-	-
407 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
409 Alternative Facility Program	-	-	-	464 Restricted Fund Balance	-	-	-
408 Cooperative Programs	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maintenance	-	-	-	<b>07 DEBT SERVICE FUND</b>			
424 Operating Capital	466,570	466,571	(1)	Total Revenue	\$ 2,504,528	\$ 2,504,528	\$ -
426 \$ 25 Taconite	-	-	-	Total Expenditures	2,519,797	2,519,797	-
427 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
428 Learning and Development	-	-	-	460 Nonspendable Fund Balance	-	-	-
434 Area Learning Center	-	-	-	<i>Restricted/Reserved:</i>			
435 Contracted Alternative Programs	-	-	-	425 Bond Refunding	-	-	-
436 State Approved Alternative Program	-	-	-	451 QZAB and QSCB Payments	-	-	-
438 Gifted and Talented	23,353	23,353	-	<i>Restricted:</i>			
440 Teacher Development and Evaluation	30,981	30,981	-	464 Restricted Fund Balance	484,501	484,500	1
441 Basic Skills Programs	-	-	-	<i>Unassigned:</i>			
445 Career Technical Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
448 Achievement and Integration Revenue	-	-	-				
449 Safe School Crime	13,894	13,894	-	<b>08 TRUST FUND</b>			
450 Transition for Pre-kindergarten	-	-	-	Total Revenue	\$ -	\$ -	\$ -
451 QZAB and QSCB Payments	-	-	-	Total Expenditures	-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
453 Unfunded Severance and Retirement Levy	-	-	-	422 Unassigned Fund Balance (Net Position)	-	-	-
<i>Restricted:</i>				<b>20 INTERNAL SERVICE FUND</b>			
464 Restricted Fund Balance	-	-	-	Total Revenue	\$ -	\$ -	\$ -
<i>Committed:</i>				Total Expenditures	-	-	-
418 Committed for Separation	208,857	208,857	-	<i>Unassigned:</i>			
461 Committed	-	-	-	422 Unassigned Fund Balance (Net Position)	-	-	-
<i>Assigned:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
462 Assigned Fund Balance	403,553	403,553	-	Total Revenue	\$ -	\$ -	\$ -
<i>Unassigned:</i>				Total Expenditures	-	-	-
422 Unassigned Fund Balance (Net Position)	877,756	877,755	1	<i>Unassigned:</i>			
<b>02 FOOD SERVICES FUND</b>				422 Unassigned Fund Balance (Net Position)	-	-	-
Total Revenue	\$ 1,271,528	\$ 1,271,529	\$ (1)	<b>45 OPEB IRREVOCABLE TRUST</b>			
Total Expenditures	1,292,064	1,292,063	1	Total Revenue	\$ 13,296	\$ 13,296	\$ -
<i>Nonspendable:</i>				Total Expenditures	297,719	297,719	-
460 Nonspendable Fund Balance	26,829	26,829	-	<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				422 Unassigned Fund Balance (Net Position)	1,692,687	1,692,687	-
452 OPEB Liabilities not Held in Trust	-	-	-	<b>47 OPEB DEBT SERVICE</b>			
<i>Restricted:</i>				Total Revenue	\$ 402,991	\$ 402,991	\$ -
464 Restricted Fund Balance	238,009	238,011	(2)	Total Expenditures	401,437	401,438	(1)
<i>Unassigned:</i>				<i>Nonspendable:</i>			
463 Unassigned Fund Balance	-	-	-	460 Nonspendable Fund Balance	-	-	-
<b>04 COMMUNITY SERVICE FUND</b>				<i>Restricted:</i>			
Total Revenue	\$ 572,898	\$ 572,897	\$ 1	425 Bond Refundings	-	-	-
Total Expenditures	628,081	628,083	(2)	464 Restricted Fund Balance	82,328	82,328	-
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable Fund Balance	-	-	-	463 Unassigned Fund Balance	-	-	-
<i>Restricted/Reserved:</i>							
426 \$ 25 Taconite	-	-	-				
431 Community Education	-	-	-				
432 ECFE	(1,026)	(1,026)	-				
444 School Readiness	16,588	16,588	-				
447 Adult Basic Education	5,449	5,449	-				
452 OPEB Liabilities not Held in Trust	-	-	-				
<i>Restricted:</i>							
464 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	(9,873)	(9,875)	2				

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2015**

Federal Funding Source	Federal CFDA Number	Grant Name	Expenditures
<b>Through Minnesota Department of Education</b>			
Department of Agriculture	10.553	School Breakfast Program	\$ 64,647
Department of Agriculture	10.555	Commodities Programs	10,110
Department of Agriculture	10.555	Commodities Programs (Noncash Assistance)	72,210
Department of Agriculture	10.555	Child Nutrition Type A Lunch	314,192
Department of Agriculture	10.556	Special Milk	486
		Total Child Nutrition Cluster	<u>461,645</u>
Department of Education	84.010	Title I, Part A	160,712
Department of Education	84.365	Title III, Part A - English Language Acquisition	12,132
Department of Education	84.367	Title II, Part A - Improving Teacher Quality	61,358
<b>Through Wright Technical Center District No. 966</b>			
Department of Education	84.048A	Carl Perkins	11,006
<b>Through Benton Stearns Education District</b>			
Department of Education	84.027	Special Education	<u>185,000</u>
		Total Federal Expenditures	<u><u>\$ 891,853</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2015**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB *Circular A-133, Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE 2 – PASS-THROUGH GRANT NUMBERS**

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 3 – INVENTORY**

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.



**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***

**INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Independent School District No. 750  
ROCORI Schools  
Cold Spring, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 750, Cold Spring, Minnesota, as of and for the year ending 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 October 5, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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.

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Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133* that we consider to be significant deficiencies in internal control which are listed as audit findings 01-01 and 07-01.

### **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*.

### **District's Response to the Findings**

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with OMB *Circular A-133*. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

A handwritten signature in dark ink that reads 'BerganKDV, Ltd.'.

BerganKDV, Ltd.  
St. Cloud, Minnesota  
October 5, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB *CIRCULAR A-133***

**INDEPENDENT AUDITOR'S REPORT**

To the School Board  
Independent School District No. 750  
ROCORI Schools  
Cold Spring, Minnesota

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

We have audited Independent School District No. 750, Cold Spring, Minnesota with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of 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, in Accordance with OMB *Circular A-133*.

**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 legal determination of the compliance of Independent School District No. 750.

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

In our opinion, Independent School District No. 750 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## **Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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.

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.

A handwritten signature in black ink that reads 'BerganKDV, Ltd.'.

BerganKDV, Ltd.  
St. Cloud, Minnesota  
October 5, 2015

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
June 30, 2015**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes, Audit Findings 01-01 and 07-01
Noncompliance material to financial statements noted?	No

**Federal Awards**

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB <i>Circular A-133</i> ?	No

**Identification of Major Programs**

CFDA No.:	10.553, 10.555, 10.556
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low risk auditee?	Yes



**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
June 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 01-01**

*Criteria or Specific Requirement:*

Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

*Condition:*

During the year ended June 30, 2015, the District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the School Board, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

*Context:*

This finding impacts the internal control for all significant accounting functions.

*Effect:*

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

*Cause:*

There are a limited number of office employees.

*Recommendation:*

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
June 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 01-01 (Continued)**

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
Internal control is always a consideration when duties within the District Office are assigned. Steps are being taken to have more internal control in receipting deposits and issuing payments. The District Office will review the job duties of the office staff to improve the internal controls of the District.
3. Official Responsible for Ensuring CAP  
Scott Staska, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2016.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**Audit Finding 07-01**

*Criteria or Specific Requirement:*

Internal control should be established to provide for the preparation of the financial statements being audited.

*Condition:*

As a function of the audit process, auditors are required to gain an understanding of the District's internal control, including the financial reporting process.

The District does not have an internal control system designed to provide for the preparation of the financial statements and related note disclosures in accordance with accounting principles generally accepted in the United States of America. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

This condition increases the risk that errors could occur which would not be prevented, or detected and corrected in a timely manner. Even though all management decisions related to financial reporting are made by the District's management and approval of the financial statements lies with management, it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
June 30, 2015**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Audit Finding 07-01 (Continued)**

*Context:*

This finding impacts the District's ability to internally prepare the financial statements.

*Effect:*

This could result in a misstatement to the financial statements and incomplete financial disclosures in the financial statements that would not be prevented or detected and corrected in a timely manner as a result of the District's current internal controls.

*Cause:*

There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements by the District.

*Recommendation:*

Continue to request assistance from a third party to draft the financial statements and accompanying Notes to the Financial Statements and thoroughly review these financial statements after they have been prepared so the District can take responsibility for them.

*Management's Response:*

**CORRECTIVE ACTION PLAN (CAP):**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will continue to have the auditor prepare the financial statements; however, the District will establish an internal control policy to document the annual review of the financial statements, disclosures and schedules.
3. Official Responsible for Ensuring CAP  
Scott Staska, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP  
The planned completion date for the CAP is June 30, 2016.
5. Plan to Monitor Completion of CAP  
The School Board will be monitoring this CAP.

**INDEPENDENT SCHOOL DISTRICT NO. 750  
ROCORI SCHOOLS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH OMB *CIRCULAR A-133*  
June 30, 2015**

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings or questioned costs.

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## REPORT ON LEGAL COMPLIANCE

### INDEPENDENT AUDITOR'S REPORT

To the School Board  
Independent School District No. 750  
ROCORI Schools  
Cold Spring, 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. 750, Cold Spring, Minnesota, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, and have issued our report thereon dated October 5, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* promulgated by the State Auditor pursuant to *Minnesota Statutes* Sec. 6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts and miscellaneous provisions. Our audit considered 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*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

BerganKDV, Ltd.  
St. Cloud, Minnesota  
October 5, 2015

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