Financial Statements
June 30, 2017

Independent School District No. 152
Moorhead Area Public Schools

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Other Supplementary Information

Additional Reports

School Board

Name	Position	Term Expires
Bill Tomhave	Chairperson	2017
Scott Steffes	Vice Chairperson	2019
Cassidy Bjorklund	Treasurer	2017
Matt Valan	Clerk	2019
Melissa Burgard	Director	2017
Mark Altenburg	Director	2017
Cindy Fagerlie	Director	2019

Administration

Lynne Kovash	Superintendent
Brandon Lunak	Assistant Superintendent
Denice Sinner	District Accountant

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Independent Auditor's Report

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2017, 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 an opinion on these financial statements based on our audits. We conducted our audits 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position 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.

Emphasis of Matters

Implementation of GASB No. 73 and GASB No. 74 and No. 75
As discussed in Notes 1 and 15 to the financial statements, the District has adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets,* GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which has resulted in a restatement of the net position as of July 1, 2016. Our opinions are not modified with respect to these matters.

Prior Period Adjustment
As discussed in Note 15 to the financial statement, the District determined that the construction in progress and capital assets for three building projects were inaccurately reported as of June 30, 2016. This resulted in a restatement of beginning of year construction in progress, buildings, and net position as of July 1, 2016. Our opinions are 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, schedule of changes in the District's net OPEB liability and related ratios, schedule of District OPEB contributions, schedule of employer's share of net pension liability and schedule of employer's contributions, and schedule of changes in supplemental benefits liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The School Board and Administration list, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules, uniform accounting and reporting compliance table, schedule of changes of the student activity cash balances, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements taken as a whole. In addition, in our opinion, the schedule of changes in student activity cash balances presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2017.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Eide Bailly LLP

Fargo, North Dakota
December 8, 2017

This section of Independent School District No. 152 – Moorhead Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2016-2017 fiscal year include the following:

- *General Fund 01* – The overall revenues were approximately $79.4 million while the overall expenditures were approximately $81.4 million. These, along with other financing sources of $4.3 million, increased the fund balance by approximately $2.3 million.

- *Food Service Fund 02* – The revenues were approximately $3.2 million and the expenditures were approximately $2.8 million increasing the fund balance by approximately $372,000.

- *Community Service Fund 04* – The revenues were approximately $1.9 million while the expenditures were approximately $1.7 million increasing the fund balance by approximately $191,000.

- *Building Construction Fund 06* – The revenues were approximately $564,000 and the expenditures were approximately $43.3 million decreasing fund balance by approximately $42.7 million.

- *Debt Service Fund 07* – The revenues were approximately $7.3 million and expenditures of approximately $7.0 million increasing fund balance by approximately $360,000.

- *OPEB Debt Service Fund 47* – The revenues were approximately $1.5 million and expenditures of approximately $1.5 million decreasing the fund balance by approximately $41,000.

Overview of the Financial Statements

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position is 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 non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statement 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 service, 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 revenues (e.g., federal grants).

The District has three kinds of funds:

- *Governmental Funds* – All of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances 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.

- *Proprietary Fund* – The District has a self-insured health plan designed as an internal service fund. The fund is used to record the premiums received, and claims paid related to the participants employed by the District's governmental funds.

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's approximate combined net position was approximately $5,058,508 as of June 30, 2017.

Statement of Net Position
June 30, 2017 and 2016

	2017	2016 (restated)
Assets		
Current assets	$ 85,280,758	$ 124,868,651
Capital assets	135,167,864	86,548,978
Total assets	220,448,622	211,417,629
Deferred outflows of Resources	95,319,741	13,210,258
Liabilities		
Other liabilities	16,931,940	11,185,206
Long-term liabilities	274,835,118	163,597,124
Total liabilities	291,767,058	174,782,330
Deferred Inflows of Resources	18,942,797	25,360,603
Net Position		
Net investment in capital assets	23,404,273	(19,408,997)
Restricted for specific purposes	33,821,586	68,849,997
Unrestricted	(52,167,351)	(24,956,046)
Total net position	$ 5,058,508	$ 24,484,954

Statement of Revenues, Expenses and Changes in Net Position
June 30, 2017 and 2016

	2017	2016 (restated)
Revenues		
Program revenues		
Charges for service	$ 8,317,500	$ 7,664,781
Operating grants and contributions	5,983,029	5,358,441
General		
Property taxes	15,446,214	13,116,430
Aids and payments from state and other	69,659,397	61,416,279
Miscellaneous revenues	515,364	351,168
Total revenues	99,921,504	87,907,099
Expenses		
Administration	3,079,011	2,893,723
District support services	1,499,384	1,457,155
Regular instruction	42,024,458	34,198,177
Vocational instruction	667,976	674,022
Special education instruction	17,794,268	16,247,246
Community education and services	1,732,013	1,441,298
Instructional support services	4,110,019	3,813,883
Pupil support services	9,332,499	9,525,087
Sites and buildings	8,910,606	5,596,922
Fiscal and other fixed-cost programs	13,585,933	2,818,125
Health self-insurance	5,325,861	5,231,845
Total expenses	108,062,028	83,897,483
Change in Net Position	(8,140,524)	4,009,616
Net Position - Beginning, as restated in 2017	13,199,032	20,475,338
Net Position - Ending	$ 5,058,508	$ 24,484,954

Changes in Net Position – The District's total revenues were approximately $99.9 million for the year ended June 30, 2017. Property taxes and state formula aid accounted for 85% of total revenue for the year. Another 15% came from other program revenues.

The total cost of all programs and services was approximately $108.1 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4% of total costs.

The total expenses exceeded revenues, reducing the net position by approximately $8.1 million for fiscal year 2017. In 2017, there was a restatement described in Note 15.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2017	2016	(Decrease)	(Decrease)
Local property taxes	$ 7,653,211	$ 7,078,894	$ 574,317	8.1%
Other local sources	911,675	939,374	(27,699)	-2.9%
State sources	67,142,931	59,521,661	7,621,270	12.8%
Federal sources	3,638,691	3,326,878	311,813	9.4%
Miscellaneous	50,346	60,493	(10,147)	-16.8%
Total General Fund revenues	$ 79,396,854	$ 70,927,300	$ 8,469,554	11.9%

Total General Fund revenue increased by approximately $8,470,000 or 11.9% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. During the current year there was also an increase in state sources which was driven by a required entry under GASB statement No. 68 whereby the District had to record revenue from the State of Minnesota for special funding situations related to TRA and PERA in the amount of $1,995,590. The majority of the increase in revenue for 2017 was due primarily to an increase in enrollment and the increase in the local property taxes due to the issuance of school building bonds in 2016.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2017	2016	(Decrease)	(Decrease)
Salaries and benefits	$ 58,543,180	$ 52,544,803	$ 5,998,377	11.4%
Purchased services	9,316,074	9,404,474	(88,400)	-0.9%
Supplies and materials	2,443,002	2,136,656	306,346	14.3%
Capital expenditures	10,721,706	6,312,783	4,408,923	69.8%
Other expenditures	392,893	357,001	35,892	10.1%
Total General Fund expenditures	$ 81,416,855	$ 70,755,717	$ 10,661,138	15.1%

Total General Fund expenditures increased by $10,661,000 or 15.1% from the previous year. The overall increase in the current fiscal year resulted from the increase in personnel and the purchase of the operation center building. The required entry under GSAB statement No. 68 also effected the salary and benefits grouping by $1,995,590 for expenses related to PERA and TRA.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were approximately $5 million *more than* budget. The revenue in excess of budget resulted primarily from increased enrollment and the local property tax increases for bonds issued in fiscal year 2016. Also, the GASB 68 entry for TRA and PERA increased revenues by approximately $2 million.

- Actual expenditures were approximately $4.5 *more than* budget due to the timing of construction costs. Also, the GASB 68 entry for TRA and PERA increased expenditures by approximately $2 million.

Building Construction Fund

The Building Construction Fund revenues were approximately $564,000 and expenditures were approximately $43.3 million. Fund balance decreased by approximately $42.7 million as expenditures exceeded revenues. The decrease is a result of paying for the construction that was completed.

Debt Service Fund

The Debt Service Fund revenues were approximately $7.3 million and expenditures were approximately $7.0 million, thereby increasing fund balance by approximately $360,000 as revenues exceeded expenditures. The increase is a result of being able to levying for 5% more than the bond payments.

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of approximately $372,000. The increase is a result of more student meals served. The Community Service Fund incurred an increase in the fund balance of approximately 191,000. The increase is a result of the increase in the census. The OPEB Debt Service fund incurred current year expenditures in excess of revenues of approximately $41,000, decreasing fund balance. The decrease is a result of using the funds to pay the debt.

Capital Assets and Debt Administration

Capital Assets

By the end of 2017, the District had invested approximately $172 million in a broad range of capital assets, including school buildings, athletic facilities, school vehicles, and computer and audio-visual equipment. Total depreciation expense for the year was $2,431,737. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2017 and 2016

	2017	2016
Land	$ 1,499,572	$ 1,499,572
Construction in progress	50,362,709	6,848,309
Buildings	112,326,894	104,986,893
Improvements	4,206,221	4,200,241
Vehicles	2,024,928	2,024,928
Equipment	1,725,980	1,666,165
Accumulated Depreciation	(36,978,440)	(34,677,130)
Total capital assets	$ 135,167,864	$ 86,548,978

Long-Term Debt

At year end the District had $118,182,879 of long term debt consisting of bonded indebtedness of $106,225,297 capital lease payable of $11,568,591, and vacation payable of $388,991. Note 8 presents the detail of the District's long-term debt.

The District has $152,222,623 in net pension liability at June 30, 2017. See Note 10 for further information.

The District has $3,553,842 in net OPEB liability and $875,774 in pension-related benefits liability at June 30, 2017. See Note 6 and 7 for further information.

Factors Bearing on the District's Future

Minnesota school districts are paid based on pupil units served. Increases in enrollment this year over last year has given us increased revenue for operations. We are anticipating the school district's enrollment to increase over the next couple of years.

Contacting the District's Financial Management

This financial 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 Brandon Lunak, Assistant Superintendent, at the District offices at 2410 14th Street South, Moorhead, MN 56560.

Assets	
Cash and investments	$ 29,204,215
Restricted cash and cash equivalents	35,156,821
Receivables	
Current property taxes	9,578,107
Delinquent property taxes	143,713
Accounts	14,848
Due from other governmental units	11,094,642
Prepaid items	63,074
Inventory	25,338
	85,280,758
Capital assets	
Non-depreciable	
Land	1,499,572
Construction in progress	50,362,709
Depreciable	
Buildings	112,326,894
Improvements	4,206,221
Vehicles	2,024,928
Equipment	1,725,980
Less accumulated depreciation	(36,978,440)
Total capital assets, net of depreciation	135,167,864
Total assets	220,448,622
Deferred Outflows of Resources	
Pension plans	95,319,741
Liabilities	
Accounts payable	7,982,550
Salaries payable	5,788,273
Accrued interest payable	1,506,236
Unearned revenue	992,318
Claims incurred but not reported	662,563
Long-term liabilities	
Due within one year - bonds, capital leases, and vacation pay	6,806,279
Due in more than one year - bonds, capital leases, and vacation pay	111,376,600
Due in more than one year - pension-related retirement benefits	875,774
Due in more than one year - other postemployment benefits	3,553,842
Due in more than one year - net pension liability	152,222,623
Total liabilities	291,767,058
Deferred Inflows of Resources	
Unavailable revenue-property taxes	17,257,708
Other postemployment benefits plan	247,206
Pension plans	1,437,883
Total deferred inflows of resources	18,942,797
Net Position	
Net investment in capital assets	23,404,273
Restricted for specific purposes	33,821,586
Unrestricted	(52,167,351)
Total net position	$ 5,058,508

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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Administration	$ 3,079,011	$ -	$ -	$ (3,079,011)
District support services	1,499,384	-	-	(1,499,384)
Regular instruction	42,024,458	153,296	1,584,892	(40,286,270)
Vocational instruction	667,976	-	-	(667,976)
Special education instruction	17,794,268	557,243	1,469,376	(15,767,649)
Community education and services	1,732,013	384,026	85,260	(1,262,727)
Instructional support services	4,110,019	-	-	(4,110,019)
Pupil support services	9,332,499	1,188,461	2,279,860	(5,864,178)
Sites and buildings	8,910,606	11,855	-	(8,898,751)
Fiscal and other fixed-cost programs	13,585,933	-	-	(13,585,933)
Health self-insurance	5,325,861	6,022,619	563,641	1,260,399
Total governmental activities	$ 108,062,028	$ 8,317,500	$ 5,983,029	(93,761,499)
General Revenues				
Property taxes, levied for general purposes				9,115,238
Property taxes, levied for community education and services				384,883
Property taxes, levied for debt service				5,946,093
Aids and payments from the state				69,525,054
County apportionment				134,343
Loss on disposal of property and equipment				6,208
Miscellaneous revenues				509,156
Total general revenues				85,620,975
Changes in Net Position				(8,140,524)
Net Position - beginning, as restated (Note 15)				13,199,032
Net Position - Ending				$ 5,058,508

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 19,503,135	$ -	$ 4,573,981	$ 3,142,626	$ 27,219,742
Restricted cash and cash equivalents	-	35,156,821	-	-	35,156,821
Receivables					
Current property taxes	4,490,073	-	3,960,494	1,127,540	9,578,107
Delinquent property taxes	67,758	-	60,537	15,418	143,713
Accounts	14,848	-	-	-	14,848
Due from other governmental units	10,671,550	-	154,885	268,207	11,094,642
Prepaid items	60,603	-	-	2,471	63,074
Inventories	-	-	-	25,338	25,338
Total assets	$ 34,807,967	$ 35,156,821	$ 8,749,897	$ 4,581,600	$ 83,296,285
Liabilities					
Accounts payable	$ 1,401,664	$ 6,560,875	$ -	$ 20,011	$ 7,982,550
Salaries payable	5,639,667	-	-	148,606	5,788,273
Unearned revenue	141,852	-	-	80,545	222,397
Total liabilities	7,183,183	6,560,875	-	249,162	13,993,220
Deferred Inflows of Resources					
Unavailable revenue-property taxes	8,444,360	-	6,973,532	1,983,529	17,401,421
Fund Balance					
Nonspendable	60,603	-	-	27,809	88,412
Restricted	1,128,175	28,595,946	1,776,365	2,321,100	33,821,586
Committed	1,200,000	-	-	-	1,200,000
Assigned	3,500,000	-	-	-	3,500,000
Unassigned	13,291,646	-	-	-	13,291,646
Total fund balance	19,180,424	28,595,946	1,776,365	2,348,909	51,901,644
Total liabilities, deferred inflows of resources, and fund balance	$ 34,807,967	$ 35,156,821	$ 8,749,897	$ 4,581,600	$ 83,296,285

Total Fund Balances - Governmental Funds	$ 51,901,644
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	135,167,864
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,506,236)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	143,713
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(388,991)
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	93,634,652
Internal service funds are used by the District to charge the costs of the self-insured health insurance plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	551,989
Long-term liabilities, including bonds payable, net pension liability, and capital lease payable, pension-related retirement benefits, other post-employement benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(274,446,127)
Total Net Position - Governmental Activities	$ 5,058,508

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 7,653,211	$ -	$ 5,946,093	$ 1,521,499	$ 15,120,803
Other local and county sources	911,675	-	-	520,669	1,432,344
State sources	67,142,931	-	1,384,318	1,268,487	69,795,736
Federal sources	3,638,691	-	-	1,847,826	5,486,517
Sales and other conversion of assets	-	-	-	1,188,394	1,188,394
Miscellaneous	50,346	563,641	-	214,343	828,330
Total revenues	79,396,854	563,641	7,330,411	6,561,218	93,852,124
Expenditures					
Administration	3,070,992	-	-	-	3,070,992
District support services	1,501,070	-	-	-	1,501,070
Regular instruction	32,624,069	-	-	-	32,624,069
Vocational instruction	667,976	-	-	-	667,976
Special education instruction	17,827,344	-	-	-	17,827,344
Community education and service	-	-	-	1,718,849	1,718,849
Instructional support services	4,016,282	-	-	-	4,016,282
Pupil support services	6,372,994	-	-	2,828,801	9,201,795
Sites and buildings	15,138,108	-	-	-	15,138,108
Fiscal and other fixed cost programs	198,020	43,262,665	6,970,752	1,491,950	51,923,387
Total expenditures	81,416,855	43,262,665	6,970,752	6,039,600	137,689,872
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,020,001)	(42,699,024)	359,659	521,618	(43,837,748)
Other Financing Sources					
Capital lease proceeds	4,354,142	-	-	-	4,354,142
Net Change in Fund Balance	2,334,141	(42,699,024)	359,659	521,618	(39,483,606)
Fund Balance, Beginning of Year	16,846,283	71,294,970	1,416,706	1,827,291	91,385,250
Fund Balance, End of Year	$ 19,180,424	$ 28,595,946	$ 1,776,365	$ 2,348,909	$ 51,901,644

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	$ (39,483,606)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and net disposals in the current period.	48,618,886
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	11,143
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(31,459)
In the statement of activities OPEB and Supplemental Benefit assets are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(39,432)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(19,686,658)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,773,844
Internal service funds are used by the District to charge the costs of the self-insured health insurance pool. The net revenue of the internal service fund is reported in governmental activities.	696,758
Change in Net Position of Governmental Activities	$ (8,140,524)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 7,935,098	$ 8,067,835	$ 7,653,211	$ (414,624)
Other local and county sources	879,268	934,270	911,675	(22,595)
State sources	61,359,216	61,996,918	67,142,931	5,146,013
Federal sources	3,291,909	3,365,172	3,638,691	273,519
Miscellaneous	-	-	50,346	50,346
Total revenues	73,465,491	74,364,195	79,396,854	5,032,659
Expenditures				
Administration	3,158,576	3,155,956	3,070,992	84,964
District support services	1,618,499	1,621,300	1,501,070	120,230
Regular instruction	32,687,194	31,776,353	32,624,069	(847,716)
Vocational instruction	654,851	654,851	667,976	(13,125)
Special education instruction	16,217,740	17,144,860	17,827,344	(682,484)
Instructional support services	3,802,541	3,917,815	4,016,282	(98,467)
Pupil support services	6,174,249	6,434,940	6,372,994	61,946
Sites and buildings	9,458,551	12,043,966	15,138,108	(3,094,142)
Fiscal and other fixed cost programs	180,430	180,430	198,020	(17,590)
Total expenditures	73,952,631	76,930,471	81,416,855	(4,486,384)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(487,140)	(2,566,276)	(2,020,001)	546,275
Other Financing Sources				
Capital lease proceeds	-	-	4,354,142	4,354,142
Net Change in Fund Balance	$ (487,140)	$ (2,566,276)	2,334,141	$ 4,900,417
Fund Balance, Beginning of Year			16,846,283	
Fund Balance, End of Year			$ 19,180,424	

Statement of Net Position
Proprietary Fund
June 30, 2017

	Governmental Activities - Internal Service Fund
Assets	
Cash and investments	$ 1,984,473
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	662,563
Unearned revenue	769,921
Total liabilities	1,432,484
Net position	
Unrestricted	$ 551,989

Statement of Changes in Net Position
Proprietary Fund
Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Revenues	
Health revenue	$ 6,022,619
Expenses	
Health claims	5,092,928
Admin fees	232,933
Total expenses	5,325,861
Change in Net Position	696,758
Net Position, Beginning of Year	(144,769)
Net Position, End of Year	$ 551,989

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 6,022,619
Payments for insurance claims and administration	(5,154,840)
Net cash from operating activities	867,779
Cash and Investments, July 1	1,116,694
Cash and Investments, June 30	$ 1,984,473
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 696,758
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	72,098
Unearned revenue	98,923
Net cash from operating activities	$ 867,779

Fiduciary Fund
Statement of Net Position
June 30, 2017

	Agency	Trust Funds
Assets		
Cash and investments	$ 379,880	$ 4,844,973
Liabilities and Net Position		
Liabilities		
Due to other organizations	379,880	-
Net position		
Unrestricted	$ -	$ 4,844,973

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

	Trust Funds
Additions	
Interest	$ 548,843
Scholarships	5
Total additions	548,848
Deductions	
OPEB health insurance	723,496
Net Change in Net Position	(174,648)
Net Position, Beginning of Year	5,019,621
Net Position, End of Year	$ 4,844,973

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 152, Moorhead Area Public Schools, Moorhead, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. *Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

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

Major Governmental Funds

- *General Fund* – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects.

- *Building Construction Fund* – The building construction fund is used to account for construction projects within the District.

- *Debt Service Fund* – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Nonmajor Governmental Funds

- *Food Service Fund* – The food service fund is used to account for food service revenues and expenditures.

- *Community Service Fund* – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

- *OPEB Debt Service Fund* – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

Proprietary Fund

- *Internal Service Fund* – The Internal Service Fund is used to account for the activities of the District's self-insured health plan.

Fiduciary Funds

- *Scholarship Trust Fund* – The scholarship fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the donor imposed restrictions.

- *OPEB Trust Fund* – The Other Post-Employment Benefit (OPEB) trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

- *Agency Fund* – The agency fund is used to account for the extracurricular student activities, not under board control. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

With respect to proprietary activities, the District has adopted GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the District that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to participants for health insurance plans. Operating expenses for proprietary funds include the cost of health insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF) and are stated at market.

Restricted Cash and Cash Equivalents

In the General Fund, the capital lease proceeds are used to fund expenses related to ongoing construction projects in the Building Construction Fund. These funds will be held as restricted cash until they are used for the completion of the construction projects.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

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

Inventories

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

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2016 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

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 general remits taxes to the District at periodic intervals as they are collected. A portion of the 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.

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

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

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. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the straight-line method.

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

Vacation Payable

The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2017, this amount did not exceed a normal year’s accumulation.

Unearned Revenue

The District receives donations from several organizations and the amount that is not spent in the fiscal year is reported as unearned revenue. The donations will be spent in the subsequent fiscal year for miscellaneous projects throughout the District.

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 the 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.

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 Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 10.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item are changes in the net other post-employment benefits liability and net position liability not included in OPEB and pension expense reported in the government-wide statement of net position.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measure the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Implementation of GASB Statement No. 73, GASB Statement No. 74, and GASB Statement No. 75

As of June 30, 2017, the District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are not within the Scope of GASB 68,* GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of these standards improves the usefulness of information about and improves accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). The effect of the implementation of these standards on net position is disclosed in Note 15 and the additional disclosures required by these standards are included in Note 6 and 7.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2017.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. A School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and Assistant Superintendent. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.

- Unassigned fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

The School Board will endeavor to maintain a minimum unassigned General Fund balance of at least 25% of the district's General Fund operating budget. When the unassigned General Fund balance is projected to decrease below 17% of the General Fund budget, the district shall initiate one or more measures listed in the fund balance policy to ensure that the year-end General Fund unassigned balance for the budget year in question does not fall below 17%.

Note 2 - Stewardship, Compliance, and Accountability

Excess of Expenditures over Budget

Budget control for the funds is established by its total appropriations.

The General Fund had expenditures exceeding appropriations of $4,486,384 for the year ended June 30, 2017. These over expenditures were funded by revenues exceeding budget and existing fund balance. During 2017, all school districts were required to record the additional pension expense related to the support received from the State of Minnesota for TRA and PERA special funding situations per GASB Statement No. 68. During 2017, the District's additional pension expense totaled $1,995,590. Therefore, the District's General Fund actual expenditures did exceed budgeted expenditures by $2,490,794 prior to this additional expense being recorded.

Note 3 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

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

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2017, the District's pledged collateral did not meet the requirements noted above, and the District was under collateralized.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk – Investments

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk – Investments

The District does not have a formal policy that limits investment maturities.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quote prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2017:

- Equities of $3,290,483 and fixed income investments of $5,351 are valued using quoted market prices (Level 2 inputs)

The following table presents the District's deposit and investment balances at June 30, 2017:

Type	Fair Value	Investment Maturities (in Years) N/A	Investment Maturities (in Years) < 1
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	$ 60,136,606	$ 60,136,606	$ -
Deposits	6,153,449	6,153,449	-
Investments			
Fixed income	5,351	-	5,351
Equities	3,290,483	3,290,483	-
	$ 69,585,889	$ 69,580,538	$ 5,351

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

Cash and Investments - Statement of Net Position	$ 29,204,215
Restricted Cash and Cash Equivalents - Statement of Net Position	35,156,821
Cash and Investments - Statement of Fiduciary Net Position	5,224,853
	$ 69,585,889

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

Note 4 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2017, include:

Fund	Federal	State	Other	Total
Major funds				
General	$ 1,708,050	$ 8,895,305	$ 68,195	$ 10,671,550
Debt service	-	154,885	-	154,885
Non-major funds	27,360	240,847	-	268,207
	$ 1,735,410	$ 9,291,037	$ 68,195	$ 11,094,642

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2017 is a follows:

	Balance July 1, 2016 (Restated)	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	$ 1,499,572	$ -	$ -	$ 1,499,572
Construction in progress	6,848,309	43,514,400	-	50,362,709
Total capital assets, not being depreciated	8,347,881	43,514,400	-	51,862,281
Capital assets being depreciated:				
Buildings	104,986,893	7,340,001	-	112,326,894
Improvements	4,200,241	5,980	-	4,206,221
Vehicles	2,024,928	126,325	(126,325)	2,024,928
Equipment	1,666,165	121,369	(61,554)	1,725,980
Total capital assets being depreciated	112,878,227	7,593,675	(187,879)	120,284,023
Less accumulated depreciation for:				
Buildings	31,731,893	1,907,061	-	33,638,954
Improvements	1,210,664	210,162	-	1,420,826
Vehicles	1,263,463	144,856	(126,325)	1,281,994
Equipment	471,110	169,658	(4,102)	636,666
Total accumulated depreciation	34,677,130	2,431,737	(130,427)	36,978,440
Net capital assets, depreciated	78,201,097	5,161,938	(57,452)	83,305,583
Total capital assets, net	$ 86,548,978	$ 48,676,338	$ (57,452)	$ 135,167,864

Depreciation expense for the year ended June 30, 2017 was charged to the following functions/programs:

District and school administration	$ 3,339
Regular instruction	1,843
Community education	13,166
Instructional support	93,737
Pupil support services	130,704
Sites and buildings	2,188,948
Total depreciation expense	$ 2,431,737

Construction in progress is for the remodeling of Robert Asp Elementary, Ellen Hopkins Elementary, S.G. Reinertsen Elementary (SGR), Probstfield Center for Education (PCE), an addition to Horizon Middle School, and the building of a new elementary school that are being completed. These projects are anticipated to be completed over the course of fiscal years 2018 and 2019.

Note 6 - Other Post-Employment Benefits

A. Plan Description

Plan Description – All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

- *Superintendent* – For retirees reaching age 55 with 3 years of service, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier.

- *Administrators* – For retirees reaching age 55, the District will pay the full premium of a $100,000 life insurance policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62 and 40% at age 63.

- *Principals* – For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2013, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2015, the District will pay $9,300 per year with the excess toward HSA/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay the full life insurance premium of a $100,000 policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

- *Teachers* – For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2011, the District will pay the full premium for the $10 copay medical insurance plan ($500 Deductible plan if returned after June 30, 2011) until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2012, the District will pay the full premium for the $500 deductible medical insurance plan until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired on or after July 1, 2012, the District will pay $653 per month with the excess toward HSA/VEBA deductibles, if applicable, until Medicare eligibility. For retirees reaching age 55 with 3 years of service, the District will pay the full premium for a $25,000 life insurance policy until age 65.

- *Supervisors* – For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire before July 1, 2013, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire on or after July 1, 2013, the District will pay $9,300 per month with the excess toward HSA/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay 100% of the premium of a $100,000 life insurance policy until the age of 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

The retiree health plan does not issue a publicly available financial report.

B. Benefits Provided

The plan provides medical, dental, and life insurance benefits provided to terminated or retired employees and their dependents and beneficiaries. Benefits are provided through a third-party insurer, and the cost of the benefits covered by the plan are described above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	72
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	819
	891

D. Contributions

For the year ended June 30, 2017, the District's contribution rate was 9.60 percent of covered employee payroll. Employees are not required to contribute to the plan.

E. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

F. Actuarial Assumptions

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Investment rate of return	4.90 percent, net of OPEB plan investment expense,
Healthcare cost trend rates	6.75 percent for 2016 grading to 5.00% over 7 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study as of June 30, 2017.

The long-term expected rate of return on OPEB 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 OPEB 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic equity	33%	6.50%
Fixed income	50%	3.20%
International equity	17%	6.80%
	100%	

G. Discount Rate

The discount rate used to measure the total OPEB liability was 3.10 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

H. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiducaiary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	$ 8,492,157	$ 5,009,306	$ 3,482,851
Changes from the Prior Year:			
Service Cost	358,297	-	358,297
Interest Cost	263,235	-	263,235
Employer Contributions	-	-	-
Projected Investment Return	-	245,456	(245,456)
Differences between Expected and Actual Experience	-	309,008	(309,008)
Benefit Payments	(723,495)	(723,495)	-
Administrative Expenses	-	(3,923)	3,923
Total Net Changes	(101,963)	(172,954)	70,991
Balances at June 30, 2017	$ 8,390,194	$ 4,836,352	$ 3,553,842

The measurement date of the net OPEB liability was June 30, 2017; the date of the actuarial valuation on which the total OPEB liability is based was July 1, 2016. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of changes in the District's net OPEB liability and related ratios, presented as required supplementary information following the notes to the financial statements, presents multiple 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 will be displayed.

I. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.10%	3.10%	4.10%
Net OPEB Liability	$ 3,971,028	$ 3,553,842	$ 3,141,580

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Net OPEB Liability	$ 2,913,163	$ 3,553,842	$ 4,288,730
Medical trend rate	5.75% decreasing to 4% over 7 years	6.75% decreasing to 5% over 7 years	7.75% decreasing to 6% over 7 years
Dental trend rate	N/A	N/A	N/A

J. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued OPEB financial report.

K. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of $318,197. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	$ -	$ 247,206

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30,	Pension Expense Amount
2018	$ (61,802)
2019	(61,802)
2020	(61,802)
2021	(61,800)
2022	-

Note 7 - Pension-Related Retirement Benefits

A. Plan Description

Plan Description – The District provides a defined contribution severance benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. All of the severance benefits are based on contractual agreements with employee groups. Contract groups receive other severance benefits as follows:

<u>Supervisors</u> – For retirees reaching age 55 with 10 years of service hired before July 1, 1996, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	75%
With 13-14 years of service	60%
With 12 years of service	50%
With 11 years of service	40%
With 10 years of service	30%
With 9 years of service	20%

The benefit is payable in one lump sum to a 403(b).

Secretarial & Clerical Employees and Custodians – For retirees reaching age 55 with 10 years of service and hired before July 1, 2000, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Paraprofessionals and TCI Employees – For retirees reaching age 55 with 10 years of service and hired before July 1, 2002, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Teachers – For retirees reaching age 55 with 8 years of service and hired before September 1, 1999, the District will pay a percentage of the calculation 100 days less the number of sick leave days used in the last 2 years of employment at the following rates:

With 26+ years of service	121%
With 21-25 years of service	114%
With 16-20 years of service	107%
With 15 years of service	100%
With 14 years of service	93%
With 13 years of service	86%
With 12 years of service	79%
With 11 years of service	72%
With 10 years of service	65%
With 9 years of service	58%
With 8 years of service	50%

The benefit is payable in one lump sum to a 403(b).

B. Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	48
	48

D. Contributions

For the year ended June 30, 2017, the District's contribution rate was 0 percent of covered employee payroll. Employees are not required to contribute to the plan.

E. Pension-Related Benefits Liability

The District's pension-related retirement benefits liability was measured as of June 30, 2017.

F. Actuarial Assumptions

The pension-related benefits liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount Rate	2.90 percent
20-Year Municipal Bond Yield	2.90 percent

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study as of July 1, 2016.

G. Discount Rate

The discount rate used to measure the pension-related benefits liability was 2.90 percent. Since the plan is not funded (has no assets), the discount rate was developed by estimating the long term investment yield on the employer funds that will be used to pay benefits as they come due.

H. Changes in the Pension-Related Benefits Liability

Service cost	$ 34,826
Interest cost	29,552
Pension-related benefits cost	64,378
Benefit payments	(343,143)
Change in pension-related benefits obligation	(278,765)
Pension-related benefits liability, beginning of year, as restated	1,154,539
Pension-related benefits liability, end of year	$ 875,774

I. Sensitivity of the Pension-Related Benefits Liability to Changes in Discount Rate

The following presents the pension-related benefits liability of the District, as well as what the District's supplemental benefits liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.90%	2.90%	3.90%
Pension-Related Benefits Liability	$ 895,884	$ 875,774	$ 854,801

Note 8 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Due Within One Year
Bonds payable	$ 104,865,000	$ -	$ 4,670,000	$ 100,195,000	$ 4,910,000
Unamortized premium on bond issuance	6,949,737	-	919,440	6,030,297	919,440
Capital lease	7,818,207	4,354,142	603,758	11,568,591	626,747
Vacation payable	357,532	476,846	445,387	388,991	350,092
	$ 119,990,476	$ 4,830,988	$ 6,638,585	$ 118,182,879	$ 6,806,279

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. There are four separate capital leases. The first is for financing an addition to the S.G. Reinertsen Elementary School that was completed previously. The lease calls for semiannual principal and interest payments commencing in November 2011 through November 2026.

There are two leases are for additions to the Robert Asp Elementary School, the Probstfield Elementary School, and SGR Elementary School. The District received cash from this debt issuance, which is held in cash with fiscal agent on the financial statements. As of June 30, 2017, all proceeds received from debt issuance were spent. Funding not yet utilized for construction expenses will be recognized as revenue and new debt when the expenditures are incurred. The projects related to these capital leases are in progress as of June 30, 2017, and are anticipated to be completed during fiscal year 2018. The lease for Asp and PCE additions calls for semiannual principal and interest payments commencing in April 2014 through February 2029. The lease for the second addition to SGR Elementary School calls for semiannual principal and interest payments commencing in May 2015 through February 2030.

The fourth capital lease is for the financing of the Vista building which was completed and capitalized as of June 30, 2017, in the amount of $4,226,751. The lease calls for semiannual principal and interest payments commencing in February 2017 through February 2042.

Total cost of the completed capital leased assets as of June 30, 2017 was $11,248,022 and had $222,353 in accumulated depreciation. The capital lease payments are made from the general fund.

Vacation payable consists of vested vacation as discussed in Note 1. These expenses are paid out of the general fund.

Following is a summary of bonds payable as of June 30, 2017:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds, Series 2016A	2/36	3.00% - 4.00%	$ 74,560,000	74,560,000
General Obligation School Building Refunding Bonds, Series 2014A	4/22	3.00% - 5.00%	30,785,000	$ 20,375,000
General Obligation School Taxable OPEB Bonds, Series 2009A	2/21	4.00% - 5.00%	10,300,000	5,260,000
				$ 100,195,000

Bonds payable – These are for the acquisition and betterment of school sites and facilities, as well as facility improvements. Payments are made out of the debt service and building construction funds.

Bond principal and interest payments for the School Building Refunding Bonds of 2014 are made by the debt service fund. Bond principal and interest payments for the School Taxable OPEB Bonds of 2009 are made by the OPEB debt service fund. Bond principal and interest payments for the School Building Bonds of 2016 are made by the debt service fund.

Remaining principal and interest payments on long-term debt are as follows:

	Bonds Payable		Capital Lease Payable		Total	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 4,910,000	$ 3,665,900	$ 626,747	$ 346,193	$ 5,536,747	$ 4,012,093
2019	5,155,000	3,420,400	646,264	326,676	5,801,264	3,747,076
2020	5,410,000	3,162,650	666,409	306,531	6,076,409	3,469,181
2021	5,690,000	2,892,150	687,202	285,738	6,377,202	3,177,888
2022	4,470,000	2,607,650	708,665	264,275	5,178,665	2,871,925
2023 - 2027	22,850,000	10,517,950	3,863,141	974,380	26,713,141	11,492,330
2028 - 2032	26,905,000	6,463,850	2,374,537	422,894	29,279,537	6,886,744
2033 - 2037	24,805,000	1,887,900	926,164	230,368	25,731,164	2,118,268
2038 - 2042	-	-	1,069,462	87,069	1,069,462	87,069
	$ 100,195,000	$ 34,618,450	$ 11,568,591	$ 3,244,124	$ 111,763,591	$ 37,862,574

Note 9 - Fund Balance

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

The following is a summary of fund balances as of June 30, 2017:

	General	Building Construction	Debt Service	Other Government Funds	Totals
Nonspendable					
Inventory	$ -	$ -	$ -	$ 25,338	$ 25,338
Prepaids	60,603	-	-	2,471	63,074
Total nonspendable	60,603	-	-	27,809	88,412
Restricted					
Operating capital	173,555	-	-	-	173,555
Safe school - crime levy	189,649	-	-	-	189,649
Satff development	60,775	-	-	-	60,775
LT facilities maintenance	704,196	-	-	-	704,196
Building construction	-	28,595,946	-	-	28,595,946
Debt service	-	-	1,776,365	-	1,776,365
OPEB debt service	-	-	-	346,505	346,505
Food service	-	-	-	1,048,324	1,048,324
Community education	-	-	-	258,217	258,217
Early childhood and family education	-	-	-	269,346	269,346
School readiness	-	-	-	274,875	274,875
Community service	-	-	-	123,833	123,833
Total restricted	1,128,175	28,595,946	1,776,365	2,321,100	33,821,586
Committed					
Severance obligation	1,200,000	-	-	-	1,200,000
Assigned					
Health insurance and affordable care act	500,000	-	-	-	500,000
Capital projects	3,000,000	-	-	-	3,000,000
Total assigned	3,500,000	-	-	-	3,500,000
Unassigned	13,291,646	-	-	-	13,291,646
Total fund balance	$ 19,180,424	$ 28,595,946	$ 1,776,365	$ 2,348,909	$ 51,901,644

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* Below is reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	$ 25,338	$ -	$ 25,338
Prepaids	63,074	-	63,074
Total nonspendable	88,412	-	88,412
Restricted			
Health and safety	-	(416,369)	(416,369)
Operating capital	173,555	-	173,555
Safe school - crime levy	189,649	-	189,649
Satff development	60,775	-	60,775
LT facilities maintenance	704,196	-	704,196
Building construction	28,595,946	-	28,595,946
Debt service	1,776,365	-	1,776,365
OPEB debt service	346,505	-	346,505
Food service	1,048,324	-	1,048,324
Community education	258,217	-	258,217
Early childhood and family education	269,346	-	269,346
School readiness	274,875	-	274,875
Community service	123,833	-	123,833
Total restricted	33,821,586	(416,369)	33,405,217
Committed			
Severance obligation	1,200,000	-	1,200,000
Assigned			
Health insurance and affordable care act	500,000	-	500,000
Capital projects	3,000,000	-	3,000,000
Total assigned	3,500,000	-	3,500,000
Unassigned	13,291,646	416,369	13,708,015
Total fund balance	$ 51,901,644	$ -	$ 51,901,644

Note 10 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

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

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.

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.

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

GERF 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.

C. Contribution Rate

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5% of pay, respectively of their annual covered salary in calendar year 2016. The District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2016. The District's contributions to the GERF for the year ended June 30, 2017, were $854,196. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for GERF was completed in 2015, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

E. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current active plan members. 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. Pension Costs

At June 30, 2017, the District reported a liability of $13,616,408 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $177,846. The net pension liability was measured as of June 30, 2016 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was 0.1677%, which was an increase of 0.0008% from June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of $1,897,647 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $53,029 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2017, 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	$ 40,299	$ 1,106,131
Changes in actuarial assumptions	2,936,730	-
Difference between projected and actual investment earnings	1,520,178	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	31,095	252,522
District's contributions to GERF subsequent to the measurement date	854,196	-
Total	$ 5,382,498	$ 1,358,653

$854,196 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2018	$ 831,734
2019	520,806
2020	1,325,267
2021	491,842
2022	-

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 19,339,335	$ 13,616,408	$ 8,902,274

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Teachers Retirement Association (TRA)

A. Plan Descriptions

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 Minnesota State 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

Tier 1:	Step Rate Formula	Percentage
Basic	First ten years	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

With these provisions:

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

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent 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 ending June 30, 2015, June 30, 2016, and June 30, 2017 were:

	Employees	Employers
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

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	$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	(442,978)
Total employer contributions	354,544,518
Total non-employer contributions	35,587,410
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 390,131,928

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, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	4.66, from the Single Equivalent Interest Rate calculation
Price inflation	2.75%
Wage growth rate	3.50%
Projected salary increase	3.50 - 9.50%
Cost of living adjustment	2.00%

Mortality assumptions

Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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 arithmetic real rates of return for each major asset class are summarized in the following table:

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 years as required by GASB 68.

E. Discount Rate

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 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 depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

F. Net Pension Liability

At June 30, 2017, the District reported a liability of $138,606,215 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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. The District's proportionate share was 0.5811% at the end of the measurement period and 0.5651% 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	$ 138,606,215
State's proportionate share of the net pension liability associated with the district	$ 13,911,854

There was a change in actuarial assumptions that affected the measurement of the total pension liability since the prior measurement date. Power-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2017, the District recognized pension expense of $20,703,884. It also recognized $1,942,561 as an increase to pension expense for the support provided by direct aid.

At June 30, 2017, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,357,707	$ 3,864
Changes in actuarial assumptions	79,038,540	-
Difference between projected and actual investment earnings	5,996,201	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,114,029	75,366
District's contributions to TRA subsequent to the measurement date	2,430,766	-
Total	$ 89,937,243	$ 79,230

$2,430,766 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2018	$ 17,357,487
2019	17,357,497
2020	19,340,128
2021	17,836,081
2022	15,536,054

G. Net Pension Liability

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	$ 178,559,449	$ 138,606,215	$ 106,065,609

The District'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 TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

Note 11 - Flexible Benefit Plan

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

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

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

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 12 - Employee Benefit Plan 403(B)

All teachers having completed their fifth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees' deferral up to the following annual maximums:

Years of Service	Maximum Match
6 - 10	$1,000
11+	$1,500

The maximum career matching contribution by the District will not exceed $20,000 per teacher.

Note 13 - Commitments and Contingencies

Federal Revenue

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

Contingencies

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

Commitment

The District entered into commitments during the year ended June 30, 2017 for the building of a new elementary school, additions to Horizon Middle School, remodeling projects at S.G. Reinertsen and Probstfield Center for Education, and an addition to the Robert Asp Elementary School as well as an addition to the Probstfield Elementary School. The total amount of these contracts committed to is $77,823,958 with the work completed on these projects as of year ended June 30, 2017 totaling $50,362,709, leaving construction commitments at year end totaling $27,461,249.

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was $327,226.

The following is a summary of operating lease payments for the next year:

Years Ending June 30,	Payment
2018	$ 285,151

Note 14 - Health Self-Insurance

The District is self-insured with respect to health insurance costs. The District implemented the self-insurance medical plan on January 1, 2014. Terms of the plan include a stop-loss prevention of $150,000, which limits the District's liability. The following is the activity for the year ended June 30, 2017:

Claims incurred but not reported at beginning of year	590,465
Claims incurred	5,088,736
Claims paid	(5,016,638)
Claims incurred but not reported at end of year	$ 662,563

Note 15 - Restatement of Beginning Net Position and Prior Period Adjustment

As of July 1, 2016, the District adopted GASB Statement No. 73*, Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB 68,* GASB Statement No. 74*, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* and GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of these standards requires governments calculate and report the cost and obligations associated with these benefit plans in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning liability.

In 2017, the District determined the construction in progress was overstated, capital assets categorized as buildings were understated, and net position was overstated due to an oversite of three building projects that were completed as of June 30, 2016. The net position was overstated because amounts were capitalized in buildings and the District failed to remove them from construction in progress when the assets were placed in service. Beginning construction in progress, capital assets – buildings, and net position were restated to report the correct classification of assets and net position.

Net Position - June 30, 2016, as previously reported	$ 31,210,186
Restatement due to implementation of GASB Statement No. 73	(1,854,213)
Restatement due to implementation of GASB Statement No. 74/75	(9,431,709)
Restatement due to inaccurate reporting of construction in progress and capital assets	(6,725,232)
Net Position - July 1, 2016, as restated	$ 13,199,032

Note 16 - Issued But Non-Effective Accounting Pronouncements

The first statement issued but not yet implemented that will significantly affect the District is statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14.* This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement enhance the comparability of financial statements among governments. This statement will be implemented at the District in the year ended June 30, 2018.

The second statement issued but not yet implemented that will significantly affect the District is statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the District in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect the District is statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. This statement will be implemented at the District in the year ended June 30, 2018.

The final statement issued but not yet implemented that will significantly affect the District is statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.

Required Supplementary Information
June 30, 2017

Independent School District No. 152
Moorhead Area Public Schools

Schedule of Total OPEB Liability and Related Ratios, Last 10 Fiscal Years *

	2017
Service cost	$ 358,297
Interest	263,235
Benefit payments	(723,495)
Net change in total OPEB liability	(101,963)
Total OPEB liability - beginning	8,492,157
Total OPEB liability - ending (a)	$ 8,390,194
Plan fiduciary net position	
Projected investment return	$ 245,456
Differences between expected and actual experience	309,008
Benefit payments	(723,495)
Administrative expense	(3,923)
Net change in plan fiduciary net position	(172,954)
Total fiduciary net position - beginning	5,009,306
Total fiduciary net position - ending (b)	$ 4,836,352
District's net OPEB liability - ending (a) - (b)	$ 3,553,842
Plan fiduciary net position as a percentage of the total OPEB liability	57.64%
Covered-employee payroll	$37,021,968
District's net OPEB liability as a percentage of covered-employee payroll	9.60%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note to the Schedule of Changes in the District's Net OPEB Liability and Related Ratios

The District implemented the standard as of June 30, 2017, and as such there has been one valuation performed. The valuation date was July 1, 2016, and the measurement date was June 30, 2017. There have been no changes to plan provisions, assumptions, or methods since the prior report except for the following:

Changes of assumptions since prior measurement date:

- The discount rate was changed from 5.50% to 3.10%.
- The health care trends were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP 2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

Change in actuarial funding method from the prior measurement date:

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 74/75.

Schedule of District OPEB Contributions, Last 10 Fiscal Years *

	2017
Actuarially determined contribution	$ -
Contributions in relation to the actuarially determined contribution	-
Contribution deficiency (excess)	$ -
Covered-employee payroll	$37,021,968
Contributions as a percentage of covered-employee payroll	0.00%

*GASB Statements No. 74/75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note to the Schedule of District Contributions

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, 2017.
Actuarial cost method	Entry Age, level percentage of pay
Amortization method	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.
Amortization period	20 years
Asset valuation method	Closed five-year period
Inflation	2.50 percent
Healthcare cost trend rates	6.75 percent in 2016 grading to 5.00 percent over 7 years
Salary increases	3.00 percent
Investment rate of return	4.90 percent (net of investment expenses)
Retirement age	In the June 30, 2017 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale

Schedule of Changes in Supplemental Benefits Liability, Last 10 Fiscal Years *

	2017
Pension-related benefits liability, beginning of year	$ 1,154,539
Service cost	34,826
Interest cost	29,552
Assumption changes	-
Plan changes	-
Employer contributions	-
Projected investment return	-
Differences between expected and actual experience	-
Benefit payments	(343,143)
Administrative expenses	-
Other changes	-
Pension-related benefits liability, end of year	$ 875,774

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Supplemental Benefits Liability, Last 10 Fiscal Years *

	2017
Pension-related benefits liability	$ 875,774
Covered-employee payroll	$ 2,539,218
Pension-related benefits liability as a percentage of covered-employee payroll	34.49%

There are no assets accumulated in an irrevocable trust to pay plan benefits.

* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (e)**	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)**	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2016	0.1677%	$ 13,616,408	N/A	$ 13,616,408	$ 10,447,075	130.3%	68.9%
PERA	6/30/2015	0.1669%	$ 8,649,624	N/A	$ 8,649,624	$ 9,880,221	87.5%	78.2%
PERA	6/30/2014	0.1776%	$ 8,342,758	N/A	$ 8,342,758	$ 9,367,394	89.1%	78.8%
TRA	6/30/2016	0.5811%	$ 138,606,215	$ 13,911,854	$ 152,518,069	$ 30,784,935	450.2%	44.9%
TRA	6/30/2015	0.5651%	$ 34,957,024	$ 4,287,712	$ 39,244,736	$ 29,133,620	120.0%	76.8%
TRA	6/30/2014	0.5887%	$ 27,126,872	$ 1,908,296	$ 29,035,168	$ 27,272,769	99.5%	81.5%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d) **	Contributions as a Percentage of Covered-Employee Payroll (b/d) **
PERA	6/30/2017	$ 854,196	$ 854,196	$ -	$ 11,492,596	7.4%
PERA	6/30/2016	$ 782,398	$ 782,398	$ -	$ 10,447,075	7.5%
PERA	6/30/2015	$ 727,148	$ 727,148	$ -	$ 9,880,221	7.4%
TRA	6/30/2017	$ 2,430,765	$ 2,430,765	$ -	$ 32,686,882	7.4%
TRA	6/30/2016	$ 2,286,341	$ 2,286,341	$ -	$ 30,784,935	7.4%
TRA	6/30/2015	$ 2,168,081	$ 2,168,081	$ -	$ 29,133,620	7.4%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Since the last actuarial valuation as of June 30, 2015, the following have been changed:

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the TRA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- Covered payroll has been retrospectively restated for all years presented to conform to the definition of covered payroll as clarified in GASB Statement No. 82, *Pension Issues*.

**Covered payroll as restated to conform to GASB Statement No. 82.

Combining and Individual Fund Schedules
June 30, 2017

Independent School District No. 152
Moorhead Area Public Schools

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	$ 85,913	$ (25,310)	$ 60,603
Restricted for deferred maintenance	677,693	(677,693)	-
Restricted for health and safety	(692,088)	275,719	(416,369)
Restricted for operating capital	200,000	(26,445)	173,555
Restricted for safe schools	195,202	(5,553)	189,649
Restricted for staff development	-	60,775	60,775
Restricted for long-term facilities maintenance	-	704,196	704,196
Committed for severance obligation	1,200,000	-	1,200,000
Assigned for health insurance and affordable care act	500,000	-	500,000
Assigned for capital projects	3,000,000	-	3,000,000
Unassigned	11,679,563	2,028,452	13,708,015
	$ 16,846,283	$ 2,334,141	$ 19,180,424

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Assets				
Cash and investments	$ 1,175,454	$ 1,118,812	$ 848,360	$ 3,142,626
Receivables				
Current property taxes	-	266,496	861,044	1,127,540
Delinquent property taxes	-	2,889	12,529	15,418
Due from other governmental units	-	128,161	140,046	268,207
Prepaid expenditures	221	2,250	-	2,471
Inventories	25,338	-	-	25,338
Total assets	$ 1,201,013	$ 1,518,608	$ 1,861,979	$ 4,581,600
Liabilities				
Accounts payable	$ 2,598	$ 17,413	$ -	$ 20,011
Salaries payable	64,213	84,393	-	148,606
Unearned revenue	60,319	20,226	-	80,545
Total liabilities	127,130	122,032	-	249,162
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	468,055	1,515,474	1,983,529
Fund Balance				
Nonspendable	25,559	2,250	-	27,809
Restricted	1,048,324	926,271	346,505	2,321,100
Total fund balance	1,073,883	928,521	346,505	2,348,909
Total liabilities, deferred inflows of resources, and fund balance	$ 1,201,013	$ 1,518,608	$ 1,861,979	$ 4,581,600

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Revenues				
Local property tax levies	$ -	$ 284,883	$ 1,236,616	$ 1,521,499
Other local and county sources	21,329	499,340	-	520,669
State sources	170,682	1,097,805	-	1,268,487
Federal sources	1,820,465	27,361	-	1,847,826
Sales and other conversion of assets	1,188,394	-	-	1,188,394
Miscellaneous	-	-	214,343	214,343
Total revenues	3,200,870	1,909,389	1,450,959	6,561,218
Expenditures				
Community education and service	-	1,718,849	-	1,718,849
Pupil support services	2,828,801	-	-	2,828,801
Fiscal and other fixed cost programs	-	-	1,491,950	1,491,950
Total expenditures	2,828,801	1,718,849	1,491,950	6,039,600
Net Change in Fund Balance	372,069	190,540	(40,991)	521,618
Fund Balance, Beginning of Year	701,814	737,981	387,496	1,827,291
Fund Balance, End of Year	$ 1,073,883	$ 928,521	$ 346,505	$ 2,348,909

Other Supplementary Information
June 30, 2017

Independent School District No. 152
Moorhead Area Public Schools

Activity	Balance 7/1/16	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/17
6th Grade Activities (A)	$ 286	$ 1,317	$ 1,603	$ -
6th Grade Activities (B)	556	773	1,329	-
6th Grade Activities (C)	361	735	1,064	32
7th Grade Activities (A)	143	873	857	159
7th Grade Activities (B)	786	1,175	1,173	788
7th Grade Activities (C)	386	675	523	538
8th Grade Activities (A)	817	125	478	464
8th Grade Activities (B)	-	796	502	294
8th Grade Activities (C)	-	6,569	1,655	4,914
Adapted Bowling	-	125	67	58
APL Project	8,561	5,203	4,863	8,901
APL Project - Sr. High	431	1,425	1,707	149
Apollo Strings	151,778	207,877	308,953	50,702
Auditorium Technology	2,837	-	2,837	-
Band - Jr. High	7,761	16,075	13,742	10,094
Band - Sr. High	48,458	98,151	118,588	28,021
Baseball Club	5,210	35,058	36,988	3,280
Basketball - Boys	1,988	45,400	35,177	12,211
Basketball - Girls	6,889	40,812	33,971	13,730
Caps & Gowns	1,116	1,032	2,148	-
Choir - Sr. High	2,043	12,038	11,336	2,745
Chokio	413	16,219	16,632	-
Clay Targets	-	12,223	10,946	1,277
Cross Country	3,581	9,340	11,816	1,105
CTIC Activity Fund	-	140	-	140
Danceline	1,859	9,847	10,189	1,517
Destination Imagination	574	25	4	595
DI Globals	1,045	180	812	413
DW Students in Need	-	15,272	15,222	50
DW Special Events	-	3,000	3,000	-
Fine Arts - Sr. High	331	3	334	-
First Lego League	-	284	284	-
Football Club	25,605	54,781	77,134	3,252
Golf - Boys Sr. High	3,909	9,731	9,398	4,242
Golf - Girls Sr. High	18	500	79	439
Gymnastics Club	5,084	4,729	3,609	6,204
Hall of Honor	-	3,285	3,298	(13)
Hockey - Boys	999	47,083	39,645	8,437
Honor Choir - Jr. High	13,125	27,609	22,899	17,835
Hopkins Safety Patrol	2,383	-	13	2,370
Hopkins Ptac	172	3,987	3,859	300
Hopkins Ptac 188	29	1,476	1,466	39

Activity	Balance 7/1/16	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/17
Horizon Art Club	43	-	-	43
Horizon Grade 6 Dean	314	75	122	267
Horizon Grade 7 Dean	297	75	106	266
Horizon Grade 8 Dean	93	99	192	-
Horizon KIVA Service Learning	-	2,498	2,498	-
Horizon Project Success	1	-	-	1
Horizon Science Olympiad	-	78	78	-
Horizon Visiting Auth	17	550	560	7
Horizon West Yearbook	-	90	-	90
Interest	-	2,109	2,109	-
Intramurals	2,422	243	-	2,665
Journalism	7,298	4,596	2,871	9,023
Knowledge Bowl	2,972	2,881	58	5,795
Media - Jr. High	220	167	2	385
MHS Store	421	-	2	419
MHS Literacy Committee	264	-	4	260
MHS Pride	1,543	350	1,305	588
MHS Robotics	1,225	5,484	6,709	-
Nordic Skiing	-	2,874	171	2,703
Orchestra - Jr. High	127	33,808	26,762	7,173
Orchestra - Horizon Donations	-	16,470	7,978	8,492
PBIS - Horizon	2,906	5,530	8,436	-
PCE PTAC	-	557	489	68
Physical Education Uniforms	680	6,278	6,958	-
Plays - Sr. High	3,823	61,580	64,361	1,042
Plays - Sr. High Spring	541	5,958	5,446	1,053
Positive Incentives - Jr. High	1	-	-	1
Power Club	83	5,255	3,930	1,408
Robert Asp Ptac	153	1,341	1,494	-
Robert Asp Safety Patrol	2,244	-	520	1,724
Robert Asp Yearbook	-	5,057	13	5,044
RRALC Pay	199	-	1	198
RRALC Store	4,408	487	23	4,872
SADD	1,381	1,000	484	1,897
Skills USA	2,776	4,750	890	6,636
Service Enhancement Club	2,499	1,200	526	3,173
Service Learning	3,320	4,311	28	7,603
SGR PTAC 189	1,188	3,221	3,461	948
SGR Safety Patrol	2,631	-	14	2,617
Soccer - Boys	1,533	3,097	3,642	988
Soccer - Girls	1,209	3,315	3,565	959
Softball	1,807	2,084	3,049	842
Spanish Club	4,605	-	4,457	148
Spanish Club - Jr. High	488	-	2	486
Speech	-	40,803	27,822	12,981

Activity	Balance 7/1/16	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/17
Stadium Celebration	201	-	201	-
STEP - Jr. High	429	-	2	427
Student Council - Jr. High	12,109	4,831	13,338	3,602
Student Council - Sr. High	15,633	7,525	8,029	15,129
Swimming - Boys	1,417	7,333	8,750	-
Swimming - Girls	-	27,460	25,180	2,280
Theatre Arts - Jr. High	37,381	46,665	38,761	45,285
Theatre Trips	10,501	45,069	55,570	-
Track - Boys	206	125	10	321
Track - Girls	1,732	550	18	2,264
Volleyball	1,662	17,030	18,692	-
Wrestling Club	11,363	11,772	19,810	3,325
Yearbook - PCE	3,489	2,275	5,275	489
Yearbook - Jr. High	24,055	16,414	11,858	28,611
	$ 475,444	$ 1,111,268	$ 1,206,832	$ 379,880

Fiscal Compliance Report - 6/30/2017

Help Logoff

District: MOORHEAD (152-1)

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01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$79,396,854	$79,396,857	($3)
Total Expenditures	$81,416,855	$81,416,859	($4)
Non Spendable:			
4.60 Non Spendable Fund Balance	$60,603	$60,603	$0
Restricted / Reserved:			
4.03 Staff Development	$60,775	$60,775	$0
4.06 Health and Safety	($416,369)	($416,369)	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$173,555	$173,555	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$189,649	$189,649	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.67 LTFM	$704,196	$704,196	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$1,200,000	$1,200,000	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$3,500,000	$3,500,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	$13,708,015	$13,708,014	$1

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$3,200,870	$3,200,869	$1
Total Expenditures	$2,828,801	$2,828,800	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$25,559	$25,559	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,048,324	$1,048,324	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$1,909,389	$1,909,389	$0
Total Expenditures	$1,718,849	$1,718,849	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$2,250	$2,250	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$258,217	$258,217	$0
4.32 E.C.F.E	$269,346	$269,346	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$274,875	$274,875	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$123,833	$123,831	$2
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$563,641	$563,641	$0
Total Expenditures	$43,262,665	$43,262,665	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$28,595,946	$28,595,946	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$7,330,411	$7,330,411	$0
Total Expenditures	$6,970,752	$6,970,751	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,776,365	$1,776,365	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$5	$5	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$10,320	$10,320	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$6,022,619	$6,022,619	$0
Total Expenditures	$5,325,861	$5,325,861	$0
4.22 Unassigned Fund Balance (Net Assets)	$551,989	$551,988	$1

25 OPEB REVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$548,843	$548,843	$0
Total Expenditures	$723,496	$723,496	$0
4.22 Unassigned Fund Balance (Net Assets)	$4,834,653	$4,834,653	$0

47 OPEB DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$1,450,959	$1,450,959	$0
Total Expenditures	$1,491,950	$1,491,950	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$346,505	$346,505	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Non-Cash Assistance (Commodities):					
Food Distribution	10.553	0152-01-000	$ 43,240		
Cash Assistance:					
School Breakfast Program	10.553	0152-01-000 FIN 705	302,283		
National School Lunch Program	10.555	0152-01-000 FIN 701	257,312		
National School Lunch Program - Snack Program	10.555	0152-01-000 FIN 702	5,333		
National School Lunch Program - Free/Reduced	10.555	0152-01-000 FIN 701	968,852		
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	71,948		
Total Child Nutrition Cluster				$ 1,648,968	
Total Department of Agriculture					$ 1,648,968
Department of Education					
Direct					
Indian Education - Grants to Local Educational Agencies	84.060	N/A		52,460	
Passed through Minnesota Department of Education					
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438		27,361	
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	1,050,671		
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	43,013		
Total Title I Cluster				1,093,684	
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,441,256		
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	28,120		
Total Special Education Cluster				1,469,376	
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422		162,183	
English Language Acquisition State Grants	84.365	0152-01-000 FIN 417		37,258	
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414		204,171	
Migrant Education - State Grant Program	84.011	0152-01-000 FIN 863		56,108	
Total Department of Education					3,102,601
Department of Health and Human Resources					
Passed through Minnesota Department of Education					
Medical Assistance Program	93.778	0152-01-000 FIN 372			584,423
Total expenditures of federal awards					$ 5,335,992

Note A – 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 the Uniform Guidance. The District received federal awards indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Governmental fund types account for the District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The District's summary of significant accounting policies is presented in Note 1 in the District's basis financial statements.

The District has not elected to use the 10% de minimis cost rate.

Note C – Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2017, the district had food commodities totaling $25,338 in inventory.

Additional Reports
June 30, 2017

Independent School District No. 152
Moorhead Area Public Schools

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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. 152, Moorhead Area Public Schools (The District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2017.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs items, 2017-A, 2017-B, 2017-C, and 2017-D to be material weaknesses.

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.

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*.

Response to Findings
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan, which is in a separate document. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
December 8, 2017

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, Minnesota

Report on Compliance for Each Major Federal Program
We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major Federal program for the year ended June 30, 2017.

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Report on Internal Control over Compliance
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

The District's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan, which is in a separate document. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
December 8, 2017

EideBailly

CPAs & BUSINESS ADVISORS

Report on Compliance over
Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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 and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 8, 2017.

Compliance
As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity 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. Finding 2017-E in the attached Schedule of Findings and Questioned Costs was noted to be in noncompliance through testing of these requirements.

Response to Finding
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, the Minnesota Department of Education, and other state agencies and is not intended to be and should not be used by anyone other than those specified parties.

Eide Bailly LLP

Fargo, North Dakota
December 8, 2017

EideBailly

CPAs & BUSINESS ADVISORS

Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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 as of Independent School District No. 152 Moorhead Area Public Schools as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2017.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts. Our audit 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*, except as described in the Schedule of Findings and Questioned Costs as item 2017-F. 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 District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan, which is in a separate document. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Eide Bailly LLP

Fargo, North Dakota
December 8, 2017

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Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Title 1	84.010
Child Nutrition Cluster	10.553, 10.555, 10.559

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

Material Weakness

2017-A Preparation of Financial Statements

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Effect – The disclosures in the financial statements could be incomplete.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation – 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.

Views of Responsible Officials – There is no disagreement with the audit finding.

Material Weakness

2017-B Significant Journal Entries

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be performed at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

Material Weakness

2017-C Segregation of Duties

Condition – The District does not adequately separate duties when posting journal entries.

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause – Journal entries are prepared and posted by the same individual with no review of these entries.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Material Weakness

2017-D Prior Period Adjustment

Condition – A good system of internal accounting control contemplates an adequate system for calculating and reviewing manual journal entries related to implicit rate subsidy payments.

Criteria – During the course of our engagement, an adjustment to beginning of the year net position, construction in progress, and capital assets categorized as buildings due to the District inaccurately reporting three building projects.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Recommendation – A thorough review and reconciliation of accounts and calculated entries in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

Material Weakness in Internal Control over Compliance

2017-001 Eligibility

Federal program information:

Federal Agency	CFDA Number	Program Title	Contract Number	Award Year
Department of Agriculture	10.553 10.555 10.559	Child Nutrition Cluster	0152-01-000 FIN 473 0152-01-000 FIN 701 0152-01-000 FIN 702 0152-01-000 FIN 705 0152-01-000 FIN 709	2017

Criteria – Uniform Single Audit guidance requires recipients of federal funds to have appropriate internal controls to ensure all free and reduced applications meet the income eligibility guidelines provided by the USDA.

Condition – During the course of the year ended June 30, 2017, the District did not have a process in place to provide evidence of a review function for the online applications and electronic calculations submitted for free and reduced meals.

Cause – The District's controls are not adequate to ensure that all applications are reviewed to confirm that they are eligible based upon approved income guidelines.

Effect – Lacking controls could lead to noncompliance with the requirements of this programs could require the return of grant funds to the grantor agency.

Questioned Costs – None

Context/Sampling – A nonstatistical sample of 40 participants out of 2,900 participants were selected for eligibility testing.

Repeat Finding from Prior Years – No

Recommendation – We recommend the District design and implement internal controls and provide evidence of that review to ensure all free and reduced applications are accurately calculated to ensure the income entered is within the USDA income eligibility guideline for the effective year.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section IV – Student Activities

2017-E Negative Student Activity Account Balance

Condition – During the course of our engagement, we discovered a student activity account that had a negative balance at year-end.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of requiring that no individual activity accounts operate with a negative balance at the end of the fiscal year without a signed written plan prior to year-end. Page 19 of the MAFA guidelines describes the requirements for activity balances.

Effect – The finding could result in student activity funding being misused.

Cause – The District did not follow procedures to prevent individual accounts from having negative balances at the end of the fiscal year.

Recommendation – A thorough policy requiring the review of individual activity accounts ensuring that no account have a negative balance at the end of the year should be adopted and followed. A written plan which provides assurance the student activity fund has future funding should be prepared and signed prior to year-end.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section V – Minnesota Legal Compliance Findings

2017-F Inadequate Pledged Collateral

Condition – Minnesota statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate security bonds. The District's pledged collateral did not meet this requirement at June 30, 2017 for US Bank. The District's deposits were under collateralized at US Bank by approximately $191,400 at June 30, 2017.

Criteria – A good system of internal accounting control contemplates an adequate system for monitoring the requirements of pledged collateral.

Effect – The District was not in compliance with Minnesota statutes. Additionally, noncompliance increases the custodial risk of the District.

Cause – The District does not have an internal control system designed to properly monitor the requirements of pledged collateral.

Recommendation – The District needs to periodically review its pledged collateral to ensure compliance.

Views of Responsible Officials – There is no disagreement with the audit finding.