Financial Statements
June 30, 2018

Independent School District No. 716

Belle Plaine, Minnesota

Board of Education

Terry Kahle	Chair
Tracy O'Brien	Vice-Chair
Amanda Gregory	Clerk
Karl Keup	Treasurer
Dan Gardner	Director
Matt Lenz	Director

Independent Auditor's Report

Members of the School Board
Independent School District No. 716
Belle Plaine, 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 the Independent School District No. 716 (District), as of and for the year ended June 30, 2018, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Notes 1 and 9 to the financial statements, the District has adopted the provisions of 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, 2017. 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 supplemental benefits liability and supplemental benefits liability, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, and schedule of Employer's share of net pension liability and schedule of Employer's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 financial statements. The introductory section, combining fund schedules and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the financial statements.

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

The introductory 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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

Mankato, Minnesota
November 21, 2018

INDEPENDENT SCHOOL DISTRICT #716
BELLE PLAINE SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

This section of Independent School District No. 716, (the Districts)'s annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by the Governmental Accounting Standards Board's (GASB) Statement No 34 –*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes new reporting requirements that include new financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

FINANCIAL HIGHLIGHTS

- Net Deficit decreased $490,744 from the prior year.
- Overall general fund revenues were $17,567,372 while overall general fund expenditures totaled $16,328,910 for the year ended June 30, 2018.
- The General fund balance increased by $1,238,462, the Debt Service fund balance decreases by $39,425, the Food Service fund balance increased by $80,408, Community Service fund balance increased by $144,945 and the Building Construction fund increased by $991,454.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts – Independent Auditor's Report, required supplemental information, which includes the management's discussion and analysis (this section), and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- *Proprietary fund* statements used to account for the activities of the District's self-insured health and dental plans.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram shows how the various parts of this annual report are arranged and related to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Fund Financial Statements

	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except Fiduciary funds(s)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenses, and Changes in Fund Balances	• Statement of Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets, deferred inflows of resources, liabilities, and deferred outflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

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

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

Over time, increases or decreases in the District's Net Position are an indicator of whether its financial position is improving or deteriorating, respectively.

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

Fund Financial Statements

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

The District has two kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you 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 difference) between them.

Proprietary funds – The District's proprietary funds are used to report and account for the District's self-insured health and dental. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the proprietary funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members.

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

Net Position:

The District's combined Net Deficit was $2,869,576 on June 30, 2018, (see details in Table A-1). This represents a decrease in comparison to June 30, 2017.

Table A-1

Statement of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets	$ 15,430,707	$ 11,864,235
Capital assets	38,358,544	38,684,639
Total assets	53,789,251	50,548,874
Deferred outflows of resources	17,157,206	22,950,266
Liabilities		
Other liabilities	2,183,148	1,332,635
Long-term liabilities	61,181,094	68,247,236
Total liabilities	63,364,242	69,579,871
Deferred Inflows of resources	10,451,791	5,243,375
Net Deficit		
Net investment in capital assets	7,881,274	6,903,502
Restricted for specific purposes	6,615,180	4,319,093
Unrestricted	(17,366,030)	(12,546,701)
Total net deficit	$ (2,869,576)	$ (1,324,106)

Due to the implementation of GASB Statement No. 75 in the current year, figures may not be comparable to prior year for some areas of the financial statements.

Change in Net Position

Table A-2

Statement of Revenues, Expenses and Changes in Net Position
June 30, 2018 and 2017

	2018	2017
Revenues		
Program revenues		
Charges for service	$ 1,623,984	$ 1,635,185
Operating grants and contributions	2,558,344	2,274,174
General		
Property taxes	4,346,834	4,089,465
Fiscal disparities	644,243	618,532
Aids and payments from state and other	12,781,711	12,729,580
Interest earnings	18,892	10,484
Miscellaneous revenues	440,457	117,100
Total revenues	22,414,465	21,474,520
Expenses		
Administration	887,900	866,812
District support services	743,188	1,351,569
Regular instruction	12,569,129	13,570,096
Vocational instruction	369,901	471,243
Special education instruction	2,669,734	2,471,248
Community education and services	681,681	768,475
Instructional support services	843,146	719,353
Pupil support services	2,071,174	2,060,454
Sites and buildings	1,256,879	2,509,805
Fiscal and other fixed-cost programs	129,670	49,429
Interest and fiscal charges	682,807	1,125,730
Total expenses	22,905,209	25,964,214
Change in Net Position (Deficit)	(490,744)	(4,489,694)
Net Position (Deficit) - Beginning, as restated on July 1, 2017	(2,378,832)	3,165,588
Net Deficit - Ending	$ (2,869,576)	$ (1,324,106)

Due to the implementation of GASB Statement No. 75 in the current year, figures may not be comparable to prior year for some areas of the financial statements.

Changes in Net Position. The District's total revenues were $22,414,465 for the year ended June 30, 2018. (See Table A-2)

Unallocated state and federal aid along with local property taxes accounted for 79.29% of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 11.41% and the remainder from fees charged for services and miscellaneous sources 9.30%.

The total cost of all programs and services was $22,905,209 for the year ended June 30, 2018. The District's expenses are predominantly related to student education and student educational support (83.84%). The District's administrative activities accounted for 3.88% of the total costs. Total expenses surpassed total revenues, decreasing net position $490,744 from the prior fiscal year.

Governmental Activities:

- The cost of all governmental activities this year was $22,905,209.
- The users of the District's programs financed $1,623,984 of the cost of services through charges for services.
- District and state taxpayers financed $17,772,788 of the District's costs. This portion of governmental activities was financed with $4,346,834 in property taxes, $644,243 in fiscal disparities, and $12,781,711 unrestricted state aid based on the statewide educational aid formula.
- The balance of $3,017,693 was financed from operating and capital grants and contributions, interest, and miscellaneous earnings.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUNDS FINANCIAL STATEMENTS)

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2018 fiscal year, the District's governmental funds reported combined fund balances of $8,262,617. This is compared to $5,846,773 for the previous year. This includes restricted, committed, nonspendable, and unassigned fund balances.

Total revenue and expenditures for the District's governmental funds were $22,465,581 and $21,952,828, respectively. Additionally, other financing sources and uses for the District's governmental funds resulted in net sources of $1,903,091. As a result, the District completed the year with an excess of revenues over expenditures in the amount of $2,415,844.

General Fund:
The General Fund is used to account for all revenues and expenditures of the School District not accounted for elsewhere. This fund is used to account for: K-12 educational activities, District instructional and student support programs, expenditures for both District and School Administration, normal operations and maintenance, pupil transportation, capital expenditures, and all other legal expenditures not specifically designated to be accounted for in any other fund.

Revenues:
Revenues totaled $17,567,372, an increase of $712,821 over the prior fiscal year. The following schedule presents a summary of General Fund revenues.

	Year Ended June 30,		Amount of	Percent
	2018	2017	Increase (Decrease)	Increase (Decrease)
Local property taxes	$ 1,771,545	$ 1,608,714	$ 162,831	10.1%
Other local sources	1,172,057	904,497	267,560	29.6%
State sources	14,278,825	14,018,217	260,608	1.9%
Federal sources	344,945	323,123	21,822	6.8%
Total General Fund revenues	$ 17,567,372	$ 16,854,551	$ 712,821	4.2%

Expenditures:
Expenditures totaled $16,328,910, a decrease of $369,120 from the prior fiscal year. The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of	Percent
	2018	2017	Increase (Decrease)	Increase (Decrease)
Salaries and benefits	11,629,978	12,063,962	$ (433,984)	-3.6%
Purchased services	2,536,642	2,423,925	112,717	4.7%
Supplies and materials	1,218,412	750,540	467,872	62.3%
Capital expenditures	861,642	590,782	270,860	45.8%
Other expenditures	82,236	868,821	(786,585)	-90.5%
Total General Fund expenditures	$ 16,328,910	$ 16,698,030	$ (369,120)	-2.2%

Food Service Fund:
The Food Service Fund revenues for 2018 totaled $739,079 and expenditures were $658,671. The June 30, 2018, fund balance is $154,450, an increase of $80,408 from the prior fiscal year.

Community Service Fund:
The Community Service Fund revenue for 2018 totaled $825,363 and expenditures were $680,418. The June 30, 2018, fund balance is $206,368, an $144,945 increase from the prior fiscal year.

Debt Service Fund:
The Debt Service fund revenue and other financing sources for 2018 totaled $3,330,464 and expenditures were $3,369,889. The June 30, 2018, fund balance is $3,579,739, a decrease from the prior fiscal year of $39,425.

Building Construction
The Building Construction fund revenue and other financing sources for 2018 totaled $1,929,769 and expenditures and other financing uses were $938,315. The June 30, 2018, fund balance is $991,454, an increase from the prior year of $991,454.

Fund Balance:
The unassigned general fund balance is $1,855,894 and the various restricted and committed fund balances totaled $1,275,226 and $199,486, respectively. The unassigned fund balance increased by $611,089 from the prior year due to a variety of factors including an increase in State Aid, increase in Special Education Aid and a reduction in salary and benefit costs.

The single best measurement of the District's overall financial health in the General Fund is the Unassigned Fund Balance. The District closely monitors this fund balance through budget planning sessions.

Budgetary Highlights:
The District operating budget (revised in April of 2018) showed expenditures would exceed revenues in the General Fund by $283,000, the actual results for the year show revenues exceeded expenditures by $1,238,462, due to increased State Aid for general and special education, lower payroll and benefits costs and additional rebates for LED Lighting upgrades and wireless system upgrade.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:
By the end of 2018, the District had invested $60,877,525 in a broad range of capital assets, including school buildings, land, computer and equipment for various instructional programs (see Table A-7). Total depreciation expense for the year was $1,396,359. More detailed information about capital assets can be found in Note 3 to the financial statements.

Table A-7
Capital Assets

Capital Assets Governmental Activities
June 30, 2018 and 2017

	2018	2017
Land	$ 1,068,384	$ 1,068,384
Buildings	53,272,163	52,307,926
Improvements	343,712	365,532
Equipment	6,193,266	6,170,373
Accumulated Depreciation	(22,518,981)	(21,227,576)
Total capital assets	$ 38,358,544	$ 38,684,639

Long-Term Liabilities:
As of June 30, 2018, the District had bonds and capital lease payable of $30,477,269. Additionally, The District has a net pension liability of $29,557,529, total other post-employment benefit liability of $954,660 and other supplemental benefits payable of $191,635 at year end. More detailed information about long-term liabilities can be found in Note 3 to the financial statements.

Factors Bearing on the District's Future:
The District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The Legislative session passed numerous bills that will be beneficial to our district. These benefits include a 2% or $124 per pupil unit basic formula increase for FY 2019, $18 per pupil unit additional Safe Schools funding for FY 2019 and an additional $88 per pupil unit increase in Long-Term Facilities Maintenance revenue for FY 2019 and beyond. The District also expects enrollment to remain steady over the next several 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 questions about this report or would like additional information, contact the District Office, ISD #716, 130 South Willow Street, Belle Plaine, MN 56011.

Assets	
Cash	$ 8,070,350
Cash and investments with fiscal agent	2,980,003
Receivables	
Current property taxes	2,487,579
Delinquent property taxes	26,850
Accounts	56,180
Due from other Minnesota school districts	31,509
Due from Minnesota Department of Education	1,599,999
Due from Federal through Minnesota Department of Education	165,101
Due from other governmental units	13,136
Capital assets not being depreciated:	
Land	1,068,384
Capital assets, net of accumulated depreciation:	
Land improvements	97,411
Buildings	35,865,506
Equipment	1,327,243
Total assets	53,789,251
Deferred Outflows of Resources	
Other postemployment benefits	111,776
Other supplemental benefits	56,000
Pension plans	16,989,430
Total deferred outflows of resources	17,157,206
Liabilities	
Salaries payable	523,844
Accounts payable	245,080
Interest payable	401,481
Due to other Minnesota school districts	131,817
Due to other governmental units	30,803
Payroll deductions	653,659
Unearned revenue	16,700
Claims incurred but not reported	179,764
Noncurrent liabilities:	
Due within one year - bonds payable, related premium, and capital lease	6,346,218
Due in more than one year - bonds payable, related premium, and capital lease	24,131,052
Due in more than one year - total OPEB liability	954,660
Due in more than one year - supplemental benefits	191,635
Due in more than one year - net pension liability	29,557,529
Total liabilities	63,364,242
Deferred Inflows of Resources	
Pension plans	5,444,424
Unavailable revenue - property taxes	5,007,367
Total deferred inflows of resources	10,451,791
Net Position (Deficit)	
Net investment in capital assets	7,881,274
Restricted	6,615,180
Unrestricted	(17,366,030)
Net Deficit	$ (2,869,576)

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	$ 887,900	$ -	$ -	$ (887,900)
District support services	743,188	-	-	(743,188)
Regular instruction	12,569,129	555,910	373,876	(11,639,343)
Vocational instruction	369,901	505	-	(369,396)
Special education instruction	2,669,734	-	1,710,636	(959,098)
Community education and services	681,681	519,527	139,281	(22,873)
Instructional support services	843,146	-	-	(843,146)
Pupil support services	2,071,174	509,565	334,551	(1,227,058)
Sites and buildings	1,256,879	38,477	-	(1,218,402)
Fiscal and other fixed cost programs	129,670	-	-	(129,670)
Interest and fiscal charges	682,807	-	-	(682,807)
Total Governmental Activities	$ 22,905,209	$ 1,623,984	$ 2,558,344	(18,722,881)
General Revenues				
Property taxes and other county sources				4,346,834
Fiscal disparities				644,243
Aids and payments from the state				12,781,711
Interest earnings				18,892
Miscellaneous				440,457
Total general revenues				18,232,137
Changes in Net Deficit				(490,744)
Net Deficit - Beginning, as restated (Note 9)				(2,378,832)
Net Deficit - Ending				$ (2,869,576)

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash	$ 3,605,040	$ 2,507,873	$ 1,423,723	$ 7,536,636
Cash and investments with fiscal agent	-	2,980,003	-	2,980,003
Receivables				
Current property taxes	610,682	1,826,455	50,442	2,487,579
Delinquent property taxes	6,932	19,322	596	26,850
Accounts	10,794	-	45,386	56,180
Due from other Minnesota school districts	31,509	-	-	31,509
Due from Minnesota Department of Education	1,562,407	21,823	15,769	1,599,999
Due from Federal through Minnesota Department of Education	165,101	-	-	165,101
Due from other governmental units	-	-	13,136	13,136
Total assets	$ 5,992,465	$ 7,355,476	$ 1,549,052	$ 14,896,993
Liabilities				
Salaries payable	$ 478,757	$ -	$ 45,087	$ 523,844
Accounts payable	234,848	3,441	6,791	245,080
Due to other Minnesota school districts	131,817	-	-	131,817
Due to other governmental units	19,031	-	11,772	30,803
Payroll deductions	653,659	-	-	653,659
Unearned revenue	-	-	16,700	16,700
Total liabilities	1,518,112	3,441	80,350	1,601,903
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	6,395	18,157	554	25,106
Unavailable revenue - property taxes	1,137,352	3,754,139	115,876	5,007,367
Total deferred inflows of resources	1,143,747	3,772,296	116,430	5,032,473
Fund Balances				
Restricted	1,300,399	3,579,739	1,352,272	6,232,410
Committed	199,486	-	-	199,486
Unassigned	1,830,721	-	-	1,830,721
Total fund balances	3,330,606	3,579,739	1,352,272	8,262,617
Total liabilities, deferred inflows of resources, and fund balances	$ 5,992,465	$ 7,355,476	$ 1,549,052	$ 14,896,993

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2018

Total Fund Balances for Governmental Funds		$ 8,262,617
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		38,358,544
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unearned revenue in the funds.		25,106
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(401,481)
The internal service fund accounts for the district's health and dental self-insurance plan. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		353,950
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		111,776
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		11,545,005
Deferred outflows and inflows of resources related to supplemental benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		56,000
Long-term liabilities that pertain to governmental funds are not due and payable in the current period, and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year end are:		
Bonds Payable, including bond premium	$ 29,478,541	
Capital Lease Payable	998,728	
Multi-Employer Plans Net Pension Liability	29,557,529	
Single Employer Plan Net Pension Liability	191,635	
OPEB Liability	954,660	
		(61,181,093)
Total Net Position for Governmental Activities		$ (2,869,576)

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Revenues				
Local property tax levies	$ 1,771,545	$ 3,076,165	$ 111,177	$ 4,958,887
Other local and county sources	1,172,057	32,750	532,604	1,737,411
State sources	14,278,825	221,549	229,044	14,729,418
Federal sources	344,945	-	266,275	611,220
Local sales and insurance recovery	-	-	428,645	428,645
Total revenues	17,567,372	3,330,464	1,567,745	22,465,581
Expenditures				
Administration	936,327	-	-	936,327
District support services	893,770	-	-	893,770
Regular instruction	7,536,542	-	-	7,536,542
Vocational instruction	368,559	-	-	368,559
Special education instruction	2,662,761	-	-	2,662,761
Community education and services	-	-	680,418	680,418
Instructional support services	781,109	-	-	781,109
Pupil support services	1,402,080	-	658,671	2,060,751
Sites and buildings	1,700,971	-	914,940	2,615,911
Fiscal and other fixed cost programs	46,791	-	-	46,791
Debt service:				
Principal	-	2,350,000	-	2,350,000
Interest and fiscal charges	-	1,019,889	-	1,019,889
Total expenditures	16,328,910	3,369,889	2,254,029	21,952,828
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,238,462	(39,425)	(686,284)	512,753
Other Financing Sources (Uses)				
Bonds issued	-	-	1,870,000	1,870,000
Bond premium	-	-	56,466	56,466
Bond issuance costs	-	-	(23,375)	(23,375)
Total other financing sources	-	-	1,903,091	1,903,091
Net Change in Fund Balances	1,238,462	(39,425)	1,216,807	2,415,844
Fund Balances - Beginning	2,092,144	3,619,164	135,465	5,846,773
Fund Balances - Ending	$ 3,330,606	$ 3,579,739	$ 1,352,272	$ 8,262,617

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2018

Total Net Change in Fund Balances for Governmental Funds	$ 2,415,844
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period those amounts are:	
Capital outlay	1,096,978
Depreciation expense	(1,396,359)
In the statement of activities, only the net gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets less the accumulated depreciation.	(26,714)
In governmental funds, issuance of new debt is reported as an other financing source (in the amount of the proceeds received). However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position.	(1,870,000)
In governmental funds, OPEB obligations are measured by the amount of resources used. However, in the statement of activities, an increase in an OPEB obligation is based on the amount earned by the employees during the period. This amount is the net effect of these differences.	141,238
In governmental funds, pension liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in pension liability is based on the amount earned by the employees during the period. This amount is the net of these differences.	48,427
Governmental funds report the effect of premiums and discounts 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.	174,614
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.	(4,007,719)
The governmental funds report repayment of bond principal and capital lease principal as expenditures. In the statement of net position, however, repayment of principal reduces the liability.	2,749,192
Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.	23,122
The internal service fund accounts for the district's health and dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities.	162,326
Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as unavailable revenue - delinquent taxes in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied.	(1,693)
Change in Net Position of Governmental Activities	$ (490,744)

		Governmental Activities - Internal Service Fund
Current Assets		
Cash	$	533,714
Current Liabilities		
Claims incurred but not reported		179,764
Net Position		
Unrestricted	$	353,950

	Governmental Activities - Internal Service Fund
Operating Revenues	
Health and dental premiums	$ 2,051,061
Operating Expenses	
Health and dental claims	1,607,410
Administration fees	281,325
Total operating expenses	1,888,735
Operating Income	162,326
Net Position - Beginning	191,624
Net Position - Ending	$ 353,950

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 2,051,061
Payments for insurance claims and administration	(1,952,932)
Net cash from operating activities	98,129
Cash, July 1	435,585
Cash, June 30	$ 533,714
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 162,326
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	(64,197)
Net cash from operating activities	$ 98,129

Note 1 - Summary of Significant Accounting Policies

The Independent School District No. 716 (District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental revenues, and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unearned revenue on its governmental fund financial statements and government wide financial statements when resources are received by the District before the revenue has been earned. The District records unavailable revenue on its governmental fund financial statements when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the unavailable revenue is removed from the financial statements and revenue is recognized.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the 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.

The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, District instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund. The District's Student Activity Funds of $117,879 are under board control and are reported and audited in the general fund as committed funds.

- *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- *Food service fund* accounts for food service revenues and expenditures.

- *Community service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.

- *Building construction fund* accounts for the financial resources that are required for the acquisition of capital assets.

Additionally, the government reports the following fund types:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured health and dental plans.

D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance

1. Cash

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits, as well as short-term investments, with an original maturity date within three months of the date acquired by the District.

2. Cash and Investments with Fiscal Agent

Cash and investments with fiscal agent include State and Local Government Securities (SLGS) held by a trustee for the purposes of a bond refunding. As of June 30, 2018, the District's investments are carried at amortized cost.

3. Receivables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding 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 January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2017 which are not payable until 2018 less amounts received before June 30, 2018. Delinquent taxes receivable represent levies collectible during 2017 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2017, but not payable until 2018 and are not expendable by the District until the 2018-2019 school year, adjusted for the property tax shift amount.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Plumbing and Electrical	30
Building Improvements Interior, Portable Classrooms, and Fire System	25
Heating and Ventilation System, Long-term Admin Software, Furniture and Fixtures, Outdoor Equipment, Roofing, and Site Improvements	20
Custodial Equipment, Grounds Equipment, Kitchen Equipment, and Machinery and Tools	15
All Other Equipment, Short-term Admin Software, and Long-term Instructional Software	10
Vehicles and Buses	8
Carpet Replacement	7
Computer Hardware, Copiers, Short-term Instructional Software, and Library Books	5

5. 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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances 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.

Compensated Absences - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. A liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. All unused vacation leave at June 30, 2018, expired.

6. Other Postemployment Benefits

Under the provisions of the various employee and union contracts the District provides health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at July 1, 2017.

a. Implementation of GASB Statement No. 75

As of July 1, 2017, the District adopted GASB Statement No. No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The implementation of this standard 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 this standard on net position is disclosed in Note 9 and the additional disclosures required by this standard are included in Note 5.

7. Pensions

a. Single Employer Plan

Under the provisions of the various employee contracts the District provides a lump sum payment (maximum $42,000) to retirees if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis and plan members are not required to contribute. This amount was actuarially determined, in accordance with GASB 73, at July 1, 2017. The plan does not issue a stand-alone financial report.

b. Multi-Employer Plans

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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. 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.

8. Deferred Inflows/Outflows of Resources

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

9. Net Position and Fund Balances

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District will strive to maintain a minimum unassigned general fund balance of 10 percent of the annual budget. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.

F. 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 2018 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.

G. 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 2018.

H. Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The actual revenues, expenditures, and transfers for the year ended June 30, 2018, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk–Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2018, none of the District's bank balances were exposed to custodial credit risk.

2. Investments

As of June 30, 2018, the District has an investment in State and Local Government Securities (SLGS) with a carrying value of $2,980,003. SLGS are federal investments to assist in compliance with arbitrage agreements associated with the crossover refunding the District is completing. Maturities of SLGS are aligned to mature when interest is due on the crossover refunding bonds. Average maturity is 1.3 years.

Custodial Credit Risk-Investments. The investments are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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 quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; Level 3 inputs are significantly unobservable inputs. The Districts investments are recorded at recurring fair value based on Level 1 inputs.

Credit Risk. The District may invest funds as authorized by Minnesota Statutes Section 118A.04. The District has no investment policy that would further limit its investment choices. As of June 30, 2018, the District's SLGS are federal insured and are non-marketable.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are invested in SLGS (100%).

The following table presents the District's deposit and investment balances at June 30, 2018.

		Investment Maturities (in Years)	
Type	Fair Value	N/A	1 - 5
State and Local Government Securities	$ 2,980,003	$ 2,980,003	$ -
Deposits	8,604,064	8,604,064	-
	$ 11,584,067	$ 11,584,067	$ -

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

Cash and investments - Statement of Net Position	$ 11,050,353
Cash and investments - Statement of Net Position - Proprietary Fund	533,714
	$ 11,584,067

B. Receivables

Receivables as of the year ended June 30, 2018 for the District are reported on the Statement of Net Position and the Balance Sheet.

The Balance Sheet reports unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The Statement of Net Position and the Balance Sheet also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned revenue reported were as follows:

	Received but Unearned
Prepaid food service meals (food service fund)	$ 16,700

C. Capital Assets

Depreciation expense was charged to functions/programs of the primary government as follows:

District support services	$ 11,077
Regular instruction	1,265,619
Vocational instruction	1,342
Special education instruction	6,972
Community education and services	1,264
Instructional support services	62,037
Pupil support services	10,424
Sites and buildings	37,624
Total depreciation expense	$ 1,396,359

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	$ 1,068,384	$ -	$ -	$ 1,068,384
Capital Assets, being Depreciated:				
Land improvements	365,532	-	21,820	343,712
Buildings	52,307,926	968,906	4,669	53,272,163
Equipment	6,170,373	128,072	105,179	6,193,266
Total Capital Assets, being Depreciated	58,843,831	1,096,978	131,668	59,809,141
Less Accumulated Depreciation for:				
Land improvements	245,893	15,292	14,884	246,301
Buildings	16,442,758	968,568	4,669	17,406,657
Equipment	4,538,925	412,499	85,401	4,866,023
Total Accumulated Depreciation	21,227,576	1,396,359	104,954	22,518,981
Total Capital Assets, being Depreciated, net	37,616,255	(299,381)	26,714	37,290,160
Governmental Activities Capital Assets, net	$38,684,639	$ (299,381)	$ 26,714	$38,358,544

D. Capital Leases

The District entered into a lease agreement in December 2008 for the financing of energy cost savings projects. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in monthly installments of $8,257 over fifteen years through December 2024 at a 4.7 percent interest rate. The lease obligation is being retired by the general fund.

The District entered into a 10-year lease purchase agreement in August 2013, in the amount of $705,000 in order to purchase land to be used for future expansion. The book value of the land purchased was $662,434. The average coupon rate is 2.35% and the lease is payable in annual installments ranging from $80,238 to $84,550. The lease obligation is being retired by the general fund.

The District entered into a lease agreement in September 2014 as lessee for the financing of technology equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in annual installments of $266,613 over four years through September 2018 at a 1.57 percent interest rate. The lease obligation is being retired by the general fund.

Annual debt service requirements to maturity for the capital leases are as follows:

Years Ending June 30,	
2019	$ 184,616
2020	182,516
2021	185,416
2022	182,828
2023	185,241
2024-2027	223,445
Total Lease Payments	1,144,062
Less: Interest	(145,333)
Present Value of Minimum Lease Payments	$ 998,729

The assets acquired through the capital leases are as follows:

Asset:	
Energy Savings Upgrades	$ 5,917,671
Accumulated Depreciation	(1,006,003)
Total Assets Acquired through Capital Lease	$ 4,911,668
Technology Equipment	$ 1,040,000
Accumulated Depreciation	(728,000)
Total Assets Acquired through Capital Lease	$ 312,000

E. Long-Term Debt

General Obligation Bonds. The District issued general obligation bonds to provide funds for the improvement and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are paid from the debt service fund. General obligation bonds currently outstanding are as follows:

Bond Description	Final	Interest Rate	Principal Payments	Original	Outstanding
General Obligation Facilities Maintenance Bonds of 2017A	2/28	2.00% - 3.00%	$80,000 - $605,000	$ 1,870,000	$ 1,870,000
General Obligation Alternative Facilities Refunding Bonds of 2016A	2/30	2.00% - 3.00%	$200,000 - $365,000	2,970,000	2,970,000
General Obligation School Building Refunding Bonds of 2012A	2/26	3.00% - 4.00%	$2,090,000- $2,535,000	24,960,000	19,045,000
General Obligation Alternative Facilities Bonds of 2009A	2/30	2.00% - 4.50%	$175,000- $3,115,000	3,975,000	3,115,000
General Obligation Capital Facilities Bonds of 2009B	2/24	2.50% - 4.20%	$85,000 - $105,000	1,185,000	575,000
				$ 34,960,000	$ 27,575,000

During the year ended June 30, 2018, the District issued $1,870,000 of General Obligation Facilities Maintenance Bonds, Series 2017A. The Agreement requires semi-annual payments of interest and annual principal payments, at an interest rate from 2.00% to 3.00%. Payments commence in February 2018 through February 2028. The bonds were issued to finance LED lighting upgrades at District facilities.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2019	$ 5,970,000	$ 963,621
2020	3,175,000	609,405
2021	2,755,000	502,810
2022	2,705,000	398,260
2023	2,805,000	486,560
2024 - 2028	9,445,000	655,960
2029 - 2030	720,000	21,700
Total	$ 27,575,000	$ 3,638,316

Changes in Long-Term Liabilities. During the year ended June 30, 2018, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonds Payable					
General Obligation Bonds	$ 28,055,000	$ 1,870,000	$ 2,350,000	$ 27,575,000	$ 5,970,000
Bond Premium	2,078,155	56,466	231,080	1,903,541	231,080
Total bonds payable	30,133,155	1,926,466	2,581,080	29,478,541	6,201,080
Capital Leases Payable	1,397,920	-	399,192	998,728	145,138
Total	$ 31,531,075	$ 1,926,466	$ 2,980,272	$ 30,477,269	$ 6,346,218

Legal Debt Margin. Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2017 Payable 2018 was $784,520,800.

F. Fund Balances

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, 2018:

	General	Debt Service	Other Government Funds	Totals
Restricted				
Staff development	$ 55,328	$ -	$ -	$ 55,328
Operating capital	688,795	-	-	688,795
Achievement and integration	22,527	-	-	22,527
Safe schools - crime levy	25,173	-	-	25,173
Long-term facilities maintenance	402,728	-	-	402,728
Medical assistance	105,848	-	-	105,848
Debt service	-	609,739	-	609,739
Bond refunding	-	2,970,000	-	2,970,000
Building construction	-	-	991,454	991,454
Food service	-	-	154,450	154,450
ECFE	-	-	185,193	185,193
School readiness	-	-	12,967	12,967
Community education	-	-	5,000	5,000
Community service	-	-	3,208	3,208
Total restricted	1,300,399	3,579,739	1,352,272	6,232,410
Committed				
Severance	81,607	-	-	81,607
Student activities	117,879	-	-	117,879
Total committed	199,486	-	-	199,486
Unassigned	1,830,721	-	-	1,830,721
Total fund balance	$ 3,330,606	$ 3,579,739	$ 1,352,272	$ 8,262,617

The fund balance reporting standards under Uniform Financial Accounting and Reporting Standards (UFARS) vary slightly from the fund balance reporting standards under GASB Statement No. 54. Below is a reconciliation between the fund balances reported under GASB standards and UFARS:

	GASB Balance	Reconciling Transfer	UFARS Balance
Restricted			
Staff development	$ 55,328	$ -	$ 55,328
Health and safety	-	(37,842)	(37,842)
Operating capital	688,795	-	688,795
Achievement and integration	22,527	-	22,527
Safe schools - crime levy	25,173	-	25,173
Long-term facilities maintenance	402,728	-	402,728
Medical assistance	105,848	-	105,848
Debt service	609,739	-	609,739
Bond refunding	2,970,000	-	2,970,000
Long-term facilities maintenance - building construction	991,454	-	991,454
Food service	154,450	-	154,450
Community education	185,193	-	185,193
ECFE	12,967	-	12,967
School readiness	5,000	-	5,000
Community service	3,208	-	3,208
Total Restricted	6,232,410	(37,842)	6,194,568
Committed			
Severance	81,607	-	81,607
Student activities	117,879	-	117,879
	199,486	-	199,486
Unassigned	1,830,721	37,842	1,868,563
Total Fund Balances	$ 8,262,617	$ -	$ 8,262,617

Note 4 - Pension Plans

1. Single Employer Plan

A. Plan Description

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

Teachers – For retirees meeting the “Rule of 90” eligibility, hired before June 30, 1989 and listed in the Master Contract, Appendix III, the benefit is minimum base annual salary $42,000 minus accumulated District contributions to the Matching Annuity Plan. The limitation on the total benefit is $42,000 and matching contributions are equal to $1,300 per year up to $30,000. The benefit is payable in 3 annual installments to the 403(b) plan.

Retired Community Service Director – For retirees meeting the PERA Retirement eligibility age with 20 years of service, the benefit is $40,000 minus accumulated District contributions to the Matching Annuity Plan. This benefit is for the retired community service directory only. The limitation on the total benefit is $40,000 and matching contributions are equal to $2,000 per year. The benefit is payable in 2 annual installments to the 403(b) plan. As of the measurement date, there was only one annual installment remaining.

B. Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	4
	9

C. Contributions

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District's contributions subsequent to the measurement date	$ 56,000	$ -

For the year ended June 30, 2018, the District recognized pension expense of $7,573.

The $56,000 of deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

D. Supplemental Benefits Liability

The District's supplemental benefits liability was measured as of July 1, 2016.

E. Actuarial Assumptions

The supplemental benefits liability in the July 1, 2016 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	3.40 percent
20-Year Municipal Bond Yield	3.40 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 July 1, 2016 valuation were based on the results of an actuarial experience study as of July 1, 2016.

F. Discount Rate

The discount rate used to measure the supplemental benefits liability was 3.40 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.

G. Changes in the Supplemental Benefits Liability

Service cost	$ 2,214
Interest cost	6,366
Assumption changes	(1,007)
Supplemental benefits cost	7,573
Benefit payments	(66,000)
Change in supplemental benefits obligation	(58,427)
Supplemental benefits liability, beginning of year	250,062
Supplemental benefits liability, end of year	$ 191,635

H. Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate

The following presents the supplemental 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	2.40%	3.40%	4.40%
Supplemental Benefits Liability	$ 194,109	$ 191,635	$ 189,107

2. Multi-Employer 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 Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans are as follows:

1. Public Employees Retirement Association (PERA)

A. Plan Description

The District participates in the following cost- sharing multiple employer defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, 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 members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security. 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. Vested terminated employees who are entitled to benefits but are not yet receiving them 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 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 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 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.

Benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. The District was required to contribute 7.5% for Coordinated Plan members in calendar year 2017. The District's contributions to the GERF for the year ended June 30, 2018, were $137,922. 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

General Employee fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. 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, 2018, the District reported a liability of $1,870,493 for its proportionate share of the General Employees Fund'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 2017. 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 $23,529. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.0293% which was a decrease of 0.0012% from the prior year.

For the year ended June 30, 2018, the District recognized pension expense of $52,635 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $608 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, 2018, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 61,646	$ 126,393
Changes in actuarial assumptions	323,261	187,517
Difference between projected and actual investment earnings	-	127,240
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	132,112
District's contributions to GERF subsequent to the measurement date	137,922	-
Total	$ 522,829	$ 573,262

$137,922 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2019	$ (27,790)
2020	(94)
2021	(62,804)
2022	(97,667)
2023	-

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	$ 2,901,273	$ 1,870,493	$ 1,026,612

H. Pension Plan Fiduciary Net Position

Detailed information about each 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.

2. 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 1 Benefits

Tier I -	Step Rate Formula	Percentage
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years 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 ended June 30, 2016, June 30, 2017 and June 30, 2018 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	$ 367,791,000
Add employer contributions not related to future contribution efforts	810,000
Deduct TRA's contributions not included in allocation	(456,000)
Total employer contributions	368,145,000
Total non-employer contributions	35,588,000
Total contributions reported in Schedule of Employer *and Non-Employer Allocations*	$ 403,733,000

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, 2017, 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 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25%, thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25%, thereafter
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 geometric 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2017 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 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 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 2053 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 (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

F. Net Pension Liability

At June 30, 2018, the District reported a liability of $27,687,036 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1387% at the end of the measurement period and 0.1425% 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	$ 27,687,036
State’s proportionate share of the net pension liability associated with the District	$ 2,676,282

For the year ended June 30, 2018, the District recognized pension expense of $572,117. It also recognized $51,329 as an increase to pension expense for the support provided by direct aid.

On June 30, 2018, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 4,711	$ 194,443
Changes in actuarial assumptions	15,459,758	3,878,517
Difference between projected and actual investment earnings	323,238	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	144,340	798,202
District's contributions to TRA subsequent to the measurement date	534,554	-
Total	$ 16,466,601	$ 4,871,162

$534,554 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2019	$ 3,268,546
2020	3,268,546
2021	3,021,434
2022	2,467,865
2023	(965,506)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12% 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	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	$ 36,541,552	$ 27,687,036	$ 20,221,601

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 5 - Other Postemployment Benefits (OPEB)

A. 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. The implicit rate subsidy is only until Medicare eligibility. Contract groups receive other post-retirement benefits as follows:

- *Teachers* – For retirees reaching 55 years of age with 3 years of service who are Rule of 90 eligible, the District will pay $1,800 per year into a Health Retirement Annuity for 8 years.
- *Retired Superintendent* – For the current retiree only, the District will pay the Board Contribution the same as BPEA toward family medical, dental, and life insurance until age 65.
- *Retired Community Service Director and Retired Principals* – For the current eligible retirees only, the District will pay $2,000 per year for 8 years into a VEBA account.
- *All Others* – For retirees reaching 55 years of age with 3 years of service, there are no subsidized benefits.

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

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $525 for single and $1,053 for employee + 1 coverage. The implicit rate subsidy is only until Medicare eligibility. See plan descriptions above for subsidized benefits.

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	26
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	188
	214

D. Total OPEB Liability

The District's total OPEB liability of $954,660 was measured as of July 1, 2017 and was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount Rate	3.40 percent	
Healthcare cost trend rates	6.50 percent in 2017 grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	Pre-65 subsidy available:	90%
	Pre-65 subsidy not available:	
	BPESPA	15%
	All Others	50%
Percent of married retirees electing spouse coverage	Future retirees electing Pre-65 Spouse Coverage	
	Spouse subsidy available:	N/A
	Spouse subsidy not available:	10%

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

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

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year municipal Bond Yield.

F. Changes in the Total OPEB Liability

Balance at June 30, 2017	$ 984,123
Changes from the Prior Year:	
Service Cost	45,239
Interest Cost	33,180
Benefit Payments	(107,882)
Net Change	(29,463)
Balance at June 30, 2018	$ 954,660

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate

The following presents the total OPEB liability of the District, as well as what the District's total 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	2.40%	3.40%	4.40%
Total OPEB Liability	$ 1,014,757	$ 954,660	$ 897,925

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
Total OPEB Liability	$ 869,539	$ 954,660	$ 1,057,494

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

For the year ended June 30, 2018, the District recognized OPEB expense of $78,419. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions made after the measurement date	$ 111,776	$ -

$111,776 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Note 6 - 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2018, 2017, and 2016, were $127,664, $127,337, and $127,286, respectively. The related employee contributions were $205,837, $222,514 and $223,481 for the years ended June 30, 2018, 2017, and 2016, respectively.

Note 7 - Health and Dental Self-Insurance

The District is self-insured with respect to health and dental insurance costs. Terms of the health plan include a stop-loss prevention of $150,000 per person, which limits the District's liability. There is no stop-loss prevention on the dental plan as the maximum benefit is $1,250. The following is the activity for the year ended June 30, 2018:

Claims incurred but not reported at beginning of year	$ 241,066
Claims incurred	1,546,108
Claims paid	(1,607,410)
Claims incurred but not reported at end of year	$ 179,764

Note 8 - Other Information

A. Contingent Liabilities

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

B. Affiliated Organizations

The District and nine other school districts, in conjunction with the Southwest Metro Educational Co-op (SWMEC), entered into an agreement for the purpose of providing educational programming as well as special education, vocational education, and any other educational programs requested by one or more participating school districts. The SWMEC's board is defined in the agreement. A member may withdraw upon written notice given to the Board and to each participating school district in accordance with the agreement. In the event of dissolution, all real property remaining after payment of all debts will be divided among the 10 districts. Separate financial statements of the affiliated organization may be obtained from SWMEC.

The District had purchases from SWMEC of $293,490 for the year ended June 30, 2018, and an outstanding balance due to SWMEC of $63,588 at June 30, 2018.

C. Subsequent Event

The District entered into a capital lease agreement for technology equipment on April 2018. The equipment will be put in use during fiscal year 2019. The lease calls for annual principal and interest payments of $151,976 for four years. Payments commence in July 2018 through July 2021.

Note 9 - Adoption of New Standard

As of July 1, 2017 the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and requires governments calculate and report the cost and obligations associated with other postemployment benefits other than pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position for governmental activities was restated to retroactively remove the prior OPEB asset reported under GASB Statement No. 45 and adopt the provisions of GASB Statement No. 75 to report the beginning total OPEB liability as follows:

Net Deficit - June 30, 2017, as previously reported	$ (1,324,106)
Remove previously reported OPEB asset previously reported under GASB Statement No. 45	(70,603)
Add total OPEB liability under GASB Statement No. 75 at June 30, 2017	(984,123)
Net Deficit - July 1, 2017, as restated	$ (2,378,832)

Note 10 - Issued but Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will significantly affect the District is Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. This statement will be implemented at the District in the year ended June 30, 2019.

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. 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.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. 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, 2018

Independent School District No. 716

Belle Plaine, Minnesota

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal years *

	2018
Service cost	$ 45,239
Interest	33,180
Benefit payments	(107,882)
Net change in total OPEB liability	(29,463)
Total OPEB liability - beginning	984,123
Total OPEB liability - ending	$ 954,660
Covered-employee payroll	$ 8,567,462
Total OPEB liability as a percentage of covered-employee payroll	11.14%

*GASB Statement No. 75 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 Changes in the District's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

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

	2018	2017
Supplemental benefits liability, beginning of year	$ 250,062	$ 291,245
Service cost	2,214	2,375
Interest cost	6,366	7,776
Assumption changes	(1,007)	-
Benefit payments	(66,000)	(51,334)
Supplemental benefits liability, end of year	$ 191,635	$ 250,062

* 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 *

	2018	2017
Supplemental benefits liability	$ 191,635	$ 192,642
Covered-employee payroll	$ 263,089	$ 255,426
Supplemental benefits liability as a percentage of covered-employee payroll	72.84%	75.42%

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)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b) (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of it's Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	06/30/17	0.0293%	$ 1,870,493	$ 23,529	$ 1,894,022	$ 1,868,787	100.1%	68.9%
	06/30/16	0.0305%	2,476,449	$ 32,345	2,508,794	1,917,747	129.1%	168.9%
	06/30/15	0.0318%	1,648,041	N/A	1,648,041	1,851,013	89.0%	78.2%
	06/30/14	0.0330%	1,550,175	N/A	1,550,175	1,760,993	88.0%	78.8%
TRA	06/30/17	0.1387%	$ 27,687,036	$ 2,676,282	$ 30,363,318	$ 7,469,520	370.7%	44.9%
	06/30/16	0.1425%	33,989,650	3,411,603	37,401,253	7,420,920	458.0%	144.9%
	06/30/15	0.1390%	8,598,525	1,054,355	9,652,880	7,059,867	121.8%	76.8%
	06/30/14	0.1462%	6,736,791	473,970	7,210,761	6,731,272	100.1%	81.5%

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 Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	06/30/18	$ 137,922	$ 137,922	$ -	$ 1,838,960	7.5%
	06/30/17	140,159	140,159	-	1,868,787	7.5%
	06/30/16	143,831	143,831	-	1,917,747	7.5%
	06/30/15	138,826	138,826	-	1,851,013	7.5%
TRA	06/30/18	$ 534,554	$ 534,554	$ -	$ 7,127,387	7.5%
	06/30/17	560,214	560,214	-	7,469,520	7.5%
	06/30/16	556,569	556,569	-	7,420,920	7.5%
	06/30/15	529,490	529,490	-	7,059,867	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. 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

- 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 PERA'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.

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 3,603,502	$ 1,771,020	$ 1,771,545	$ 525
Other local and county sources	460,751	509,578	1,172,057	662,479
State sources	13,683,986	14,348,647	14,278,825	(69,822)
Federal sources	395,823	341,460	344,945	3,485
Total revenues	18,144,062	16,970,705	17,567,372	596,667
Expenditures				
Administration	885,300	903,612	936,327	(32,715)
District support services	542,246	1,070,388	893,770	176,618
Regular instruction	7,454,530	7,445,339	7,536,542	(91,203)
Vocational instruction	428,884	326,845	368,559	(41,714)
Special education instruction	2,685,107	2,739,542	2,662,761	76,781
Instructional support services	734,960	616,076	781,109	(165,033)
Pupil support services	1,365,689	1,403,232	1,402,080	1,152
Sites and buildings	2,986,168	2,094,679	1,700,971	393,708
Fiscal and other fixed cost programs	102,967	87,992	46,791	41,201
Total expenditures	17,185,851	16,687,705	16,328,910	358,795
Net Change in Fund Balances	$ 958,211	$ 283,000	1,238,462	$ 955,462
Fund Balances - Beginning			2,092,144	
Fund Balances - Ending			$ 3,330,606	

1. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The actual revenues, expenditures, and transfers for the year ended June 30, 2018, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessary, and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

Supplementary Information
June 30, 2018

Independent School District No. 716

Belle Plaine, Minnesota

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 20,250	$ (20,250)	$ -
Restricted for staff development	16,616	38,712	55,328
Restricted for health and safety	(37,842)	-	(37,842)
Restricted for operating capital	456,233	232,562	688,795
Restricted for achievement and integration	-	22,527	22,527
Restricted for safe school - crime levy	-	25,173	25,173
Restricted for long-term facilities maintenance	67,101	335,627	402,728
Restricted for medical assistance	45,652	60,196	105,848
Committed for severance	81,607	-	81,607
Committed for student activities	159,880	(42,001)	117,879
Unassigned	1,282,647	585,916	1,868,563
	$ 2,092,144	$ 1,238,462	$ 3,330,606

Independent School District No. 716
Belle Plaine, Minnesota
Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2018

	Special Revenue Funds			
	Food Service	Community Service	Building Construction	Total Nonmajor Funds
Assets				
Cash	$ 125,774	$ 306,495	$ 991,454	$ 1,423,723
Receivables				
Current property taxes	-	50,442	-	50,442
Delinquent property taxes	-	596	-	596
Accounts	45,386	-	-	45,386
Due from Minnesota Department of Education	-	15,769	-	15,769
Due from other governmental units	-	13,136	-	13,136
Total assets	$ 171,160	$ 386,438	$ 991,454	$ 1,549,052
Liabilities				
Salaries payable	$ -	$ 45,087	$ -	$ 45,087
Accounts payable	10	6,781	-	6,791
Due to other governmental units	-	11,772	-	11,772
Unearned revenue	16,700	-	-	16,700
Total liabilities	16,710	63,640	-	80,350
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	554	-	554
Unavailable revenue - property taxes	-	115,876	-	115,876
Total deferred inflows of resources	-	116,430	-	116,430
Fund Balances				
Restricted	154,450	206,368	991,454	1,352,272
Total liabilities, deferred inflows of resources, and fund balances	$ 171,160	$ 386,438	$ 991,454	$ 1,549,052

	Special Revenue Funds			
	Food Service	Community Service	Building Construction	Total Nonmajor Funds
Revenues				
Local property tax levies	$ -	$ 111,177	$ -	$ 111,177
Other local and county sources	396	528,905	3,303	532,604
State sources	43,763	185,281	-	229,044
Federal sources	266,275	-	-	266,275
Local sales and insurance recovery	428,645	-	-	428,645
Total revenues	739,079	825,363	3,303	1,567,745
Expenditures				
Community education and services	-	680,418	-	680,418
Pupil support services	658,671	-	-	658,671
Sites and buildings	-	-	914,940	914,940
Total expenditures	658,671	680,418	914,940	2,254,029
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,408	144,945	(911,637)	(686,284)
Other Financing Sources (Uses)				
Bonds issued	-	-	1,870,000	1,870,000
Bond premium	-	-	56,466	56,466
Bond issuance costs	-	-	(23,375)	(23,375)
Total other financing sources	-	-	1,903,091	1,903,091
Net Change in Fund Balances	80,408	144,945	991,454	1,216,807
Fund Balances - Beginning	74,042	61,423	-	135,465
Fund Balances - Ending	$ 154,450	$ 206,368	$ 991,454	$ 1,352,272

	Beginning Balance	Receipts	Disbursements	Ending Balance
Tigerian	$ 10,732	$ 1,349	$ 233	$ 11,848
Trapshoot	5,878	8,975	8,948	5,905
Art/Visual Art	3,743	940	1,003	3,680
Baseball	1,607	35,259	27,731	9,135
Boys BB	153	1,235	1,011	377
BP Sr. Hi Club	1,147	619	1,425	341
BP Weight Room	992	625	977	640
Class of 2017	778	(778)	-	-
Class 2018	3,779	7,546	8,772	2,553
Class 2019	-	21,036	17,893	3,143
Class of 2020	2,104	(2,104)	-	-
Concert Choir	56,309	133,546	183,901	5,954
Concessions	5,862	27,010	28,497	4,375
Cross Country	1,113	3,134	4,194	53
Fall Drama	433	2,049	2,004	478
FFA	19,782	57,896	65,223	12,455
Football	853	875	650	1,078
Girls BB	190	4,183	4,032	341
Golf	2,295	822	1,195	1,922
Industr. Tech	341	(341)	-	-
Natl. Honor S	164	525	77	612
One Act Play	2,298	990	1,077	2,211
Outdoor Club	5,222	4,190	4,203	5,209
Science Fair	274	-	-	274
Scott West Wrestling	302	250	209	343
SH Band	2,092	21,277	15,818	7,551
Softball	2,641	3,607	4,999	1,249
Speech	174	-	-	174
SR High Student Council	2,217	1,982	531	3,668
Tennis	2,204	14,375	10,585	5,994
Tiger Club	6,617	5,662	5,890	6,389
Tiger Fever	2,169	1,020	555	2,634
Track	290	10,506	5,526	5,270
JR High Student Council	14,181	9,499	14,456	9,224
Interest	163	77	-	240
Social Studies	29,945	-	29,969	(24)
Robotics	781	2,002	200	2,583
	$ 189,825	$ 379,838	$ 451,784	$ 117,879

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$17,567,372	$17,567,372	$0
Total Expenditures	$16,328,910	$16,328,908	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.03 Staff Development	$55,328	$55,328	$0
4.06 Health and Safety	($37,842)	($37,842)	$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	$688,795	$688,795	$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	$22,527	$22,527	$0
4.49 Safe School Crime - Crime Levy	$25,173	$25,173	$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
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$402,728	$402,728	$0
4.72 Medical Assistance	$105,848	$105,848	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$81,607	$81,607	$0
4.61 Committed Fund Balance	$117,879	$117,879	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,868,563	$1,868,565	($2)

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$739,079	$739,078	$1
Total Expenditures	$658,671	$658,671	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$154,450	$154,450	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$825,363	$825,363	$0
Total Expenditures	$680,418	$680,417	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$185,193	$185,193	$0
4.32 E.C.F.E	$12,967	$12,967	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$5,000	$5,000	$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	$3,208	$3,207	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$3,303	$3,303	$0
Total Expenditures	$914,940	$914,940	$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	$991,454	$991,454	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$3,330,464	$3,330,465	($1)
Total Expenditures	$3,369,889	$3,369,889	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$2,970,000	$2,970,000	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$609,739	$609,740	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 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

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$2,051,061	$2,051,060	$1
Total Expenditures	$1,888,735	$1,888,734	$1
4.22 Unassigned Fund Balance (Net Assets)	$353,950	$353,950	$0

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	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$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	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

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*

Members of the School Board
Independent School District No. 716
Belle Plaine, 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 the Independent School District No. 716 (District), Belle Plaine, Minnesota, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2018.

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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 have not been identified. However, as described in the accompanying summary of audit findings, 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 summary of findings to be material weaknesses: 2018-A and 2018-B.

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*.

Entity's Response to Findings

The District's response to the findings identified in our audit are described in their Corrective Action Plan and the accompanying summary of audit findings. 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.

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

Mankato, Minnesota
November 21, 2018

Independent Auditor's Report on Compliance over
Financial Reporting of the Student Activity Accounts

To the Members of the School Board
Independent School District No. 716
Belle Plaine, 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. 716 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2018.

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. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under the Manual for Activity Fund Accounting: 2018-C as described in the accompanying summary of audit findings.

Response to Finding

The District's response to the finding identified in our audit is described in the accompanying summary of audit findings. 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 School Board, and the Minnesota Department of Education and other state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Eide Bailly LLP

Mankato, Minnesota
November 21, 2018

Independent Auditor's Report on Minnesota Legal Compliance

Members of the School Board
Independent School District No. 716
Belle Plaine, 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 for governmental activities, the major fund, and the aggregate remaining fund information of the Independent School District No. 716 as of and for the year ended June 30, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 21, 2018.

The *Minnesota Legal Compliance Audit Guide for School Districts*, 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 Independent School District No. 716 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts.* However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance 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

Mankato, Minnesota
November 21, 2018

Section I – Financial Statement Findings

2018-A Segregation of Duties
Material Weakness

Criteria: A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The District has a lack of segregation of duties in certain areas due to limited staff. The District has limited segregation of duties in many accounting and financial reporting internal control areas. The areas involved are receipts and receivables, disbursements and payables, payroll, deposits, and reconciliations of these areas.

Cause: The District does not have the economic resources to hire additional qualified accounting staff in order to segregate duties.

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. School Board oversight will mitigate some of the effect.

Recommendation: While we recognize that your staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of Responsible Officials: Management agrees with this finding.

2018-B Preparation of Financial Statements
Material Weakness

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements, accompanying notes to the financial statements, and required supplementary budgetary comparison information.

Cause: The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.

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

Recommendation: This control deficiency is not unusual in a District of your size. It is the responsibility of the 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: Management agrees with this finding.

Section II – Student Activity Findings

2018-C Funds Remaining for a Graduated Class

Criteria: MAFA guidelines state that student activity funds remaining from the graduating class must be disposed of in the manner indicated on the activity purpose form no later than September 1 after graduation.

Condition: During the course of our engagement, we noted that funds relating to the graduated Class of 2018 still remained in that account after September 1.

Cause: The District does not have an internal control system designed to properly review student activity funds and ensure that funds relating to graduation classes are properly treated in accordance with the MAFA guidelines.

Effect: This control deficiency could result in the District's misuse of student activity funds.

Recommendation: We recommend the District put a procedure in place to properly review student activity balances at year end to ensure that balances relating to graduated classes are properly disposed of.

Views of Responsible Officials: Management agrees with this finding.

Section III – Minnesota Legal Compliance Findings

None noted