INDEPENDENT SCHOOL DISTRICT NO. 139
RUSH CITY, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2017

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INDEPENDENT SCHOOL DISTRICT NO. 139

Table of Contents

Table of Contents (continued)

INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 139

School Board and Administration
Year Ended June 30, 2017

SCHOOL BOARD

Board of Education	Term Expires	Position
Stefanie Folkema	December 31, 2019	Chairperson
Teri Umbreit	December 31, 2017	Vice Chairperson
Scott Tryon	December 31, 2019	Clerk
Scott Anderson	December 31, 2017	Treasurer
Matt Meissner	December 31, 2019	Director
Matt Perreault	December 31, 2017	Director

ADMINISTRATION

Teresa Dupre	Superintendent
Laureen Frost	Business Manager

FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 139
Rush City, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 139 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

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

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

(continued)

Prior Year Comparative Information

We have previously audited the District's 2016 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated October 19, 2016. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
October 5, 2017

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This section of Independent School District No. 139's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2017. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2017 by $837,907 (net position). The District's total net position decreased by $1,553,967 during the fiscal year ended June 30, 2017.

- Government-wide revenues totaled $11,417,688 and were $1,553,967 less than expenses of $12,971,655.

- The General Fund's total fund balance (under the governmental fund presentation) increased $273,816 from the prior year, compared to a $30,938 increase planned in the budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;

- Management's discussion and analysis;

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

- Required supplementary information; and

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with statutory requirements and accounting principles generally accepted in the United States of America.

The District maintains the following kinds of funds:

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

Table 1
Summary Statement of Net Position
as of June 30, 2017 and 2016

	2017	2016
Assets		
Current and other assets	$ 7,828,124	$ 6,697,182
Capital assets, net of depreciation	16,910,983	17,188,581
Total assets	$ 24,739,107	$ 23,885,763
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	$ 11,234,431	$ 982,426
Liabilities		
Current and other liabilities	$ 1,311,529	$ 1,062,025
Long-term liabilities, including due within one year	31,516,011	18,698,162
Total liabilities	$ 32,827,540	$ 19,760,187
Deferred inflows of resources		
Property taxes levied for subsequent year	$ 2,014,583	$ 2,073,738
Pension plan deferments – PERA and TRA	293,508	642,390
Total deferred inflows of resources	$ 2,308,091	$ 2,716,128
Net position		
Net investment in capital assets	$ 5,572,858	$ 5,250,185
Restricted	1,089,500	1,066,261
Unrestricted	(5,824,451)	(3,924,572)
Total net position	$ 837,907	$ 2,391,874

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

Total net position decreased by $1,553,967 from current year operating results, primarily decreasing unrestricted net position. An increase in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in unrestricted net position and the increases in deferred outflows of resources and long-term liabilities.

Table 2 presents a summarized version of the District's Statement of Activities:

Table 2
Summary Statement of Activities
Years Ended June 30, 2017 and 2016

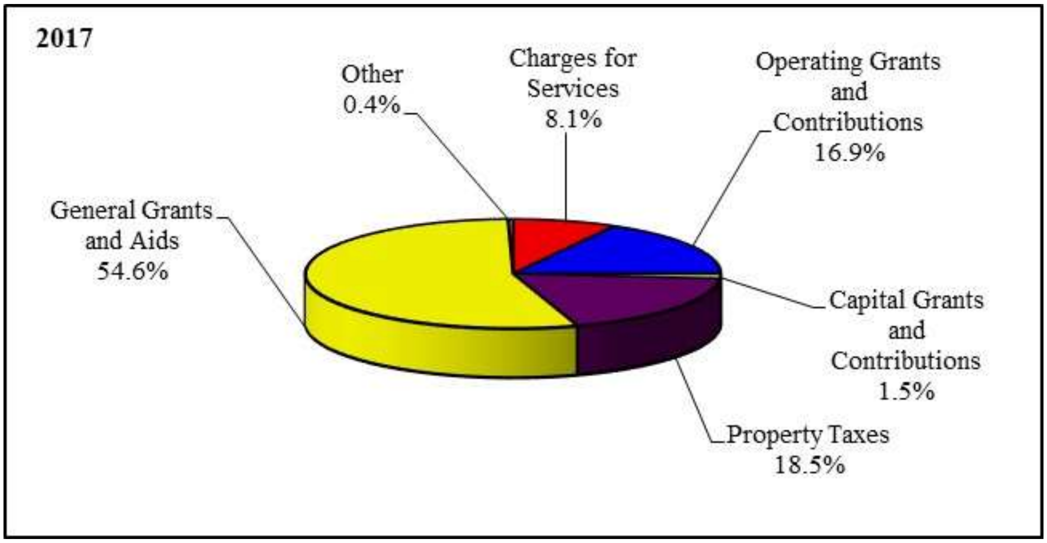
	2017	2016
Revenues		
Program revenues		
Charges for services	$ 920,166	$ 903,768
Operating grants and contributions	1,929,347	1,728,638
Capital grants and contributions	167,221	165,350
General revenues		
Property taxes	2,106,939	2,089,851
General grants and aids	6,243,090	5,758,308
Other	50,925	103,715
Total revenues	11,417,688	10,749,630
Expenses		
Administration	855,001	633,814
District support services	322,388	325,391
Elementary and secondary regular instruction	5,088,522	3,632,384
Vocational education instruction	206,405	158,194
Special education instruction	2,070,164	1,464,446
Instructional support services	796,651	514,507
Pupil support services	725,916	596,412
Sites and buildings	861,605	854,936
Fiscal and other fixed cost programs	51,110	49,058
Food service	437,623	409,395
Community service	575,353	402,798
Depreciation not included in other functions	667,893	678,296
Interest and fiscal charges	313,024	628,718
Total expenses	12,971,655	10,348,349
Change in net position	(1,553,967)	401,281
Net position – beginning	2,391,874	1,990,593
Net position – ending	$ 837,907	$ 2,391,874

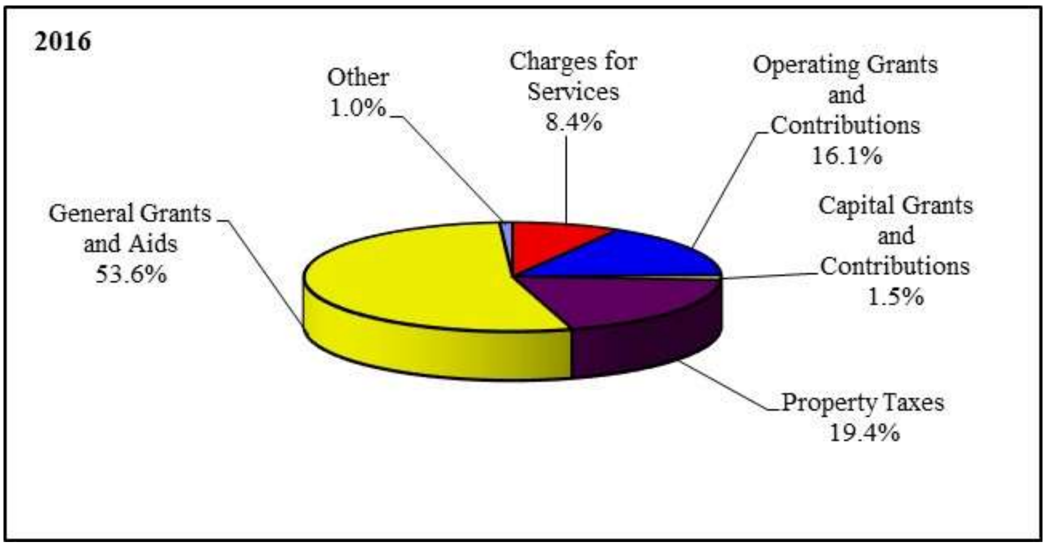
This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District.

Revenues increased with the implementation of the alternative compensation payment program and with funding improvements in general and special education funding formulas. The significant increase in expenses reflects natural inflationary increases along with the change in the PERA and the TRA multi-employer defined benefit pension plans mentioned earlier.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2017 and 2016



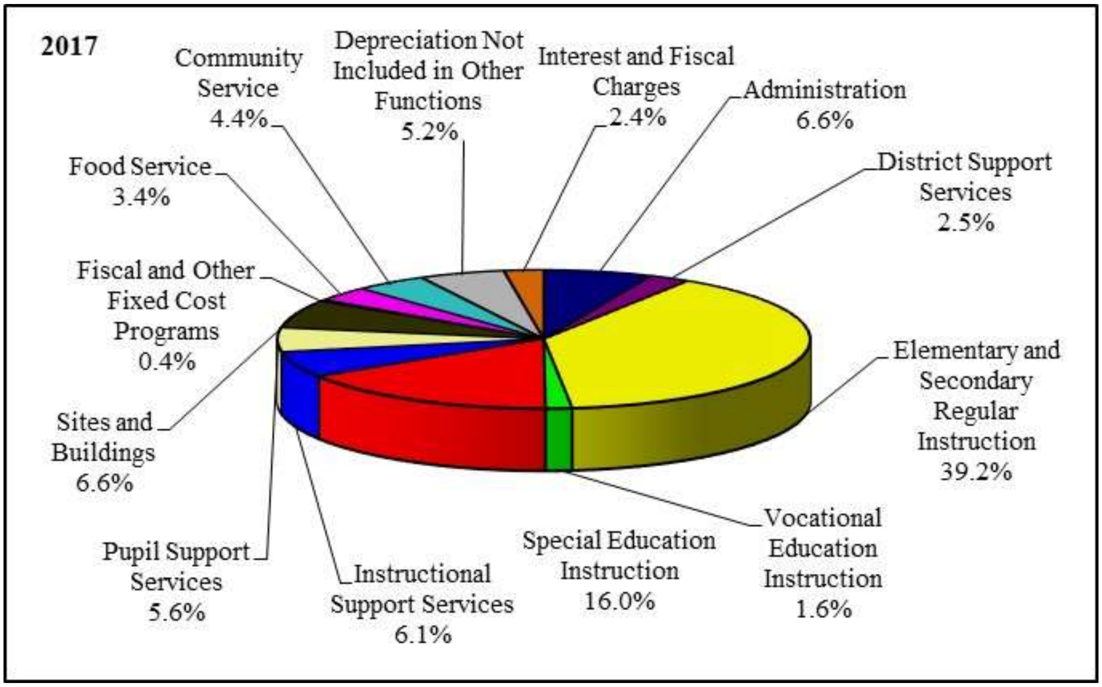


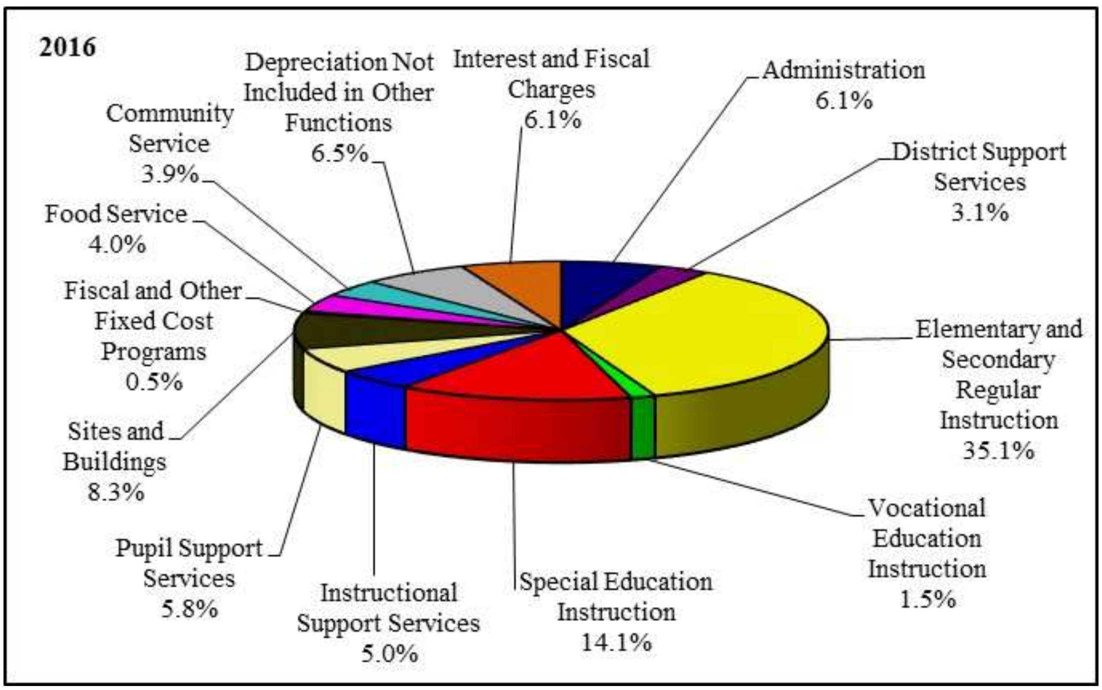
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

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

Figure B shows further analysis of these expense functions:

Figure B – Expenses for Fiscal Years 2017 and 2016





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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported combined fund balances of $2,944,976, an increase of $1,014,558 from the previous year. This increase was primarily in the General Fund and the Capital Projects – Building Construction Fund as discussed below.

The General Fund total fund balance increased from $945,234 at June 30, 2016 to $1,219,050 at June 30, 2017; an increase of $273,816. The District had anticipated an increase of $30,938 as planned in the final adopted budget. The current year increase was primarily in unassigned fund balance, which increased by $155,975, and assigned fund balance, which was $113,774 more than the end of the prior year.

The Capital Projects – Building Construction Fund equity is entirely restricted for the long-term facilities maintenance program of the District. The overall fund balance increased by $764,938 in the current year, with current year bond proceeds exceeding the construction spending completed by year-end. The remaining fund balance of $764,938 at June 30, 2017 is available for meeting future needs of the long-term facilities maintenance program.

The Debt Service Fund equity is entirely restricted to pay bonded obligations of the District. The overall fund balance of the Debt Service Fund decreased by $9,810 in the current year. The remaining fund balance of $290,837 at June 30, 2017 is available for meeting future debt service obligations.

The Permanent Fund, used to account for the District's Aquatic Center contributions, experienced a slight fund balance decrease of $1,235. Expenditures were more than investment earnings in the current year. Expenditures represent the prior year's investment earnings that are made available in October of each year, while revenue reflects the current year's investment earnings. The Permanent Fund ended the year with a total fund balance of $511,137.

The Food Service Special Revenue Fund reported $1,067 more in revenues than expenditures, increasing the fund balance to $104,180. The Community Service Special Revenue Fund reported a decrease in fund balance of $14,218 after receiving a $16,880 transfer from the General Fund, ending the year with a total fund balance of $54,834.

General Fund Budgetary Points of Interest

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District amended that budget for known changes in circumstances such as updated enrollment levels, legislative funding, funding changes from grants or other local sources, staffing changes, insurance premium changes, special education estimate changes, and employee contract settlements. The original budget anticipated an increase in year-end fund balance of $49,994, while the final amended budget anticipated an increase of $30,938 in year-end fund balance.

The General Fund actual operating results were favorable compared to budget projections, with equity ending the year $242,878 more than the ending projected amounts. Total revenues and other financing sources were $71,902 more than the budgeted amount of $9,123,309. Favorable variances in property taxes ($13,627) and state sources ($65,624) contributed to actual revenues surpassing amounts anticipated in the final budget. General Fund programs experienced favorable expenditure variances with most programs ending the year under the total amounts approved in the final budget. Total General Fund expenditures and other financing uses were $170,976 below the budgeted amount of $9,092,371.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

The following table shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2017 and 2016.

Table 3
Capital Assets

	2017	2016	Change
Land	$ 235,734	$ 235,734	$ –
Construction in progress	365,372	10,700	354,672
Land improvements	1,361,295	1,361,295	–
Buildings	26,396,459	26,396,459	–
Furniture and equipment	4,293,692	4,248,967	44,725
Less accumulated depreciation	(15,741,569)	(15,064,574)	(676,995)
Total	$ 16,910,983	$ 17,188,581	$ (277,598)
Depreciation expense	$ 855,578	$ 891,668	$ (36,090)

By the end of 2017, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 3).

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2017, consistent with the activity of the Capital Projects – Building Construction Fund discussed on the previous page.

The District defines capital assets as those with an initial, individual cost of $2,500 or more, which benefit more than one fiscal year.

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

Long-Term Liabilities

Table 4 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 4
Outstanding Long-Term Liabilities

	2017	2016	Change
General obligation bonds payable	$ 11,320,000	$ 11,130,000	$ 190,000
Unamortized premium/discount	783,063	808,396	(25,333)
Capital leases payable	1,421,508	1,541,947	(120,439)
Net pension liability – PERA	1,878,262	1,254,248	624,014
Net pension liability – TRA	16,113,178	3,925,404	12,187,774
Separation benefits payable	–	38,167	(38,167)
Total	$ 31,516,011	$ 18,698,162	$ 12,817,849

The change in general obligation bonds payable, unamortized premium/discount, and capital leases payable reflects the scheduled debt payments made in the current year. The District also issued bonds in the current year to finance certain projects of the long-term facilities maintenance program. The differences in the PERA and the TRA net pension liabilities reflects the change in the District's proportionate share of these state-wide pension obligations.

The state limits the amount of general obligation debt the District can issue to 15 percent of the market value of all taxable property within the District's corporate limits (see Table 5):

Table 5
Limitations on Debt

District's market value	$ 381,477,700
Limit rate	15.0%
Legal debt limit	$ 57,221,655

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of a number of existing circumstances that could significantly affect its financial health in the future:

- Economic indicators have improved for Minnesota and revenue for state initiatives has increased recently. The state has repaid funding shifts that had a negative impact on cash flow for schools and returned to the practice of paying 90 percent of the current year allocation. While this does not increase revenue, it improves cash flow for the District. While state educational funding has increased in recent years, it remains behind inflationary increases to services, equipment, and supplies purchased by schools.

- Unfunded special education mandates continue to increase costs to the District's General Fund.

- After two years of modest decreases to enrollment, enrollment increased 12 students during 2015–2016 and 9 additional students for the 2016–2017 school year. At the time of this report, enrollment for 2017–2018 is increased by an additional 10 students, or 1.2 percent, over the 2016–2017 school year. Enrollment directly impacts revenue.

- The School Board approved a five-year resolution for a $300 operating referendum per pupil with the Pay 2014 Levy, which will continue in 2017–2018. For the Pay 2015 Levy, the School Board had authority to approve an additional $424 local other revenue (LOR). The School Board chose to levy $300; this revenue was first recognized in budget year 2015–2016. For the Pay 2016 Levy, the School Board approved to levy the full amount allowed of $424 per pupil. This additional $124 was recognized in budget year 2016–2017; therefore, total LOR recognized in 2016–2017 was $424 per pupil. The full amount allowed of $424 per pupil has been set in the proposed Pay 2017 Levy for the 2017–2018 school year.

- The School Board has filed a resolution to bring voters to the polls November 2017 to vote on an operating referendum of $600 per pupil for eight years. If this passes, the revenue will commence with the 2018–2019 school year.

- The District's General Fund balance increased $273,816 at the June 30, 2017 year-end. The School Board approved a budget for the 2017–2018 school year that fell below its fund balance policy, knowing with good probability the 2016–2017 fund balance would come in favorable and also that enrollments would be reviewed at a later date and before the current 2017–2018 school year, in which after review, two staff positions were not replaced, bringing the 2017–2018 budget well within the School Board's fund balance policy.

With the exception of the voter-approved operating referendum, the District is dependent on the state of Minnesota for a majority of its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $121, or 2 percent, per pupil to the basic general education funding formula for fiscal year 2018 and an additional $124, or 2 percent, per pupil to the formula for fiscal year 2019.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, 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 these statements or need additional financial information, contact the Business Manager and/or the Superintendent, Independent School District No. 139, 51001 Fairfield Avenue, P.O. Box 566, Rush City, Minnesota 55069.

<u>BASIC FINANCIAL STATEMENTS</u>

INDEPENDENT SCHOOL DISTRICT NO. 139

Statement of Net Position
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
Assets		
Cash and temporary investments	$ 4,206,849	$ 2,829,265
Receivables		
Current taxes	1,198,877	1,242,882
Delinquent taxes	116,842	120,792
Accounts and interest	4,013	7,447
Due from other governmental units	2,138,571	2,331,290
Inventory	7,107	4,608
Prepaid items	749	–
Net OPEB asset	155,116	160,898
Capital assets		
Not depreciated	601,106	246,434
Depreciated, net of accumulated depreciation	16,309,877	16,942,147
Total capital assets, net of accumulated depreciation	16,910,983	17,188,581
Total assets	24,739,107	23,885,763
Deferred outflows of resources		
Pension plan deferments – PERA and TRA	11,234,431	982,426
Total assets and deferred outflows of resources	$ 35,973,538	$ 24,868,189
Liabilities		
Salaries payable	$ –	$ 2,500
Accounts and contracts payable	1,160,912	851,610
Accrued interest payable	136,430	192,636
Due to other governmental units	12,455	12,519
Unearned revenue	1,732	2,760
Long-term liabilities		
Due within one year	1,059,043	1,043,607
Due in more than one year	30,456,968	17,654,555
Total long-term liabilities	31,516,011	18,698,162
Total liabilities	32,827,540	19,760,187
Deferred inflows of resources		
Property taxes levied for subsequent year	2,014,583	2,073,738
Pension plan deferments – PERA and TRA	293,508	642,390
Total deferred inflows of resources	2,308,091	2,716,128
Net position		
Net investment in capital assets	5,572,858	5,250,185
Restricted for		
Capital asset acquisition	3,609	12,070
Food service	104,180	103,113
Community service	58,251	72,658
OPEB benefits and other purposes	183,381	177,384
Debt service	228,942	188,664
Permanent Fund		
Expendable	137	1,372
Nonexpendable	511,000	511,000
Unrestricted	(5,824,451)	(3,924,572)
Total net position	837,907	2,391,874
Total liabilities, deferred inflows of resources, and net position	$ 35,973,538	$ 24,868,189

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 139

Statement of Activities
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017					2016
		Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities						
Administration	$ 855,001	$ –	$ –	$ –	$ (855,001)	$ (633,814)
District support services	322,388	217,003	–	–	(105,385)	(77,899)
Elementary and secondary regular instruction	5,088,522	178,925	743,870	–	(4,165,727)	(2,755,763)
Vocational education instruction	206,405	–	5,066	–	(201,339)	(149,694)
Special education instruction	2,070,164	–	695,913	–	(1,374,251)	(885,923)
Instructional support services	796,651	39,445	–	–	(757,206)	(474,232)
Pupil support services	725,916	3,643	–	–	(722,273)	(585,143)
Sites and buildings	861,605	–	136,611	167,221	(557,773)	(555,148)
Fiscal and other fixed cost programs	51,110	–	–	–	(51,110)	(49,058)
Food service	437,623	195,945	235,454	–	(6,224)	(6,715)
Community service	575,353	285,205	112,433	–	(177,715)	(70,190)
Depreciation not included in other functions	667,893	–	–	–	(667,893)	(678,296)
Interest and fiscal charges	313,024	–	–	–	(313,024)	(628,718)
Total governmental activities	$ 12,971,655	$ 920,166	$ 1,929,347	$ 167,221	(9,954,921)	(7,550,593)
General revenues						
Taxes						
Property taxes, levied for general purposes					842,376	775,887
Property taxes, levied for community service					60,011	60,728
Property taxes, levied for debt service					1,204,552	1,253,236
General grants and aids					6,243,090	5,758,308
Other general revenues					28,609	88,795
Investment earnings					22,316	14,920
Total general revenues					8,400,954	7,951,874
Change in net position					(1,553,967)	401,281
Net position – beginning					2,391,874	1,990,593
Net position – ending					$ 837,907	$ 2,391,874

INDEPENDENT SCHOOL DISTRICT NO. 139

Balance Sheet
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 1,596,893	$ 1,106,785	$ 781,834
Receivables			
Current taxes	451,274	–	712,409
Delinquent taxes	38,890	–	74,535
Accounts and interest	3,217	–	–
Due from other governmental units	2,127,927	–	3,914
Inventory	–	–	–
Prepaid items	749	–	–
Total assets	$ 4,218,950	$ 1,106,785	$ 1,572,692
Liabilities			
Salaries payable	$ –	$ –	$ –
Accounts and contracts payable	779,285	341,847	–
Due to other governmental units	12,455	–	–
Unearned revenue	–	–	–
Total liabilities	791,740	341,847	–
Deferred inflows of resources			
Unavailable revenue – long-term receivable	1,421,508	–	–
Unavailable revenue – delinquent taxes receivable	38,890	–	74,535
Property taxes levied for subsequent year	747,762	–	1,207,320
Total deferred inflows of resources	2,208,160	–	1,281,855
Fund balances			
Nonspendable	749	–	–
Restricted	31,874	764,938	290,837
Assigned	118,274	–	–
Unassigned	1,068,153	–	–
Total fund balances	1,219,050	764,938	290,837
Total liabilities, deferred inflows of resources, and fund balances	$ 4,218,950	$ 1,106,785	$ 1,572,692

See notes to basic financial statements

Permanent Fund	Nonmajor Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
$ 511,137	$ 210,200	$ 4,206,849	$ 2,829,265
–	35,194	1,198,877	1,242,882
–	3,417	116,842	120,792
–	796	4,013	7,447
–	6,730	2,138,571	2,331,290
–	7,107	7,107	4,608
–	–	749	–
$ 511,137	$ 263,444	$ 7,673,008	$ 6,536,284
$ –	$ –	$ –	$ 2,500
–	39,780	1,160,912	851,610
–	–	12,455	12,519
–	1,732	1,732	2,760
–	41,512	1,175,099	869,389
–	–	1,421,508	1,541,947
–	3,417	116,842	120,792
–	59,501	2,014,583	2,073,738
–	62,918	3,552,933	3,736,477
511,000	7,107	518,856	515,608
137	151,907	1,239,693	498,132
–	–	118,274	4,500
–	–	1,068,153	912,178
511,137	159,014	2,944,976	1,930,418
$ 511,137	$ 263,444	$ 7,673,008	$ 6,536,284

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INDEPENDENT SCHOOL DISTRICT NO. 139

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2017
(With Partial Comparative Information as of June 30, 2016)

	2017	2016
Total fund balances – governmental funds	$ 2,944,976	$ 1,930,418
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	32,652,552	32,253,155
Accumulated depreciation	(15,741,569)	(15,064,574)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable. Debt issuance premiums and discounts are excluded from net position until amortized, but are included in fund balances upon issuance as other financing sources and uses.		
General obligation bonds payable	(11,320,000)	(11,130,000)
Unamortized premium/discount	(783,063)	(808,396)
Capital leases payable	(1,421,508)	(1,541,947)
Net pension liability – PERA	(1,878,262)	(1,254,248)
Net pension liability – TRA	(16,113,178)	(3,925,404)
Separation benefits payable	–	(38,167)
Net OPEB obligations reported in the Statement of Net Position do not require the use of current financial resources and are not reported as assets (liabilities) in governmental funds until actually due.	155,116	160,898
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(136,430)	(192,636)
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	11,234,431	982,426
Deferred inflows – PERA and TRA pension plans	(293,508)	(642,390)
Deferred inflows – long-term receivable	1,421,508	1,541,947
Deferred inflows – delinquent taxes receivable	116,842	120,792
Total net position – governmental activities	$ 837,907	$ 2,391,874

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 840,019	$ –	$ 1,210,670
Investment earnings	10,576	3,950	2,866
Other	596,561	–	–
State sources	7,616,271	–	39,141
Federal sources	131,034	–	–
Total revenue	9,194,461	3,950	1,252,677
Expenditures			
Current			
Administration	658,284	–	–
District support services	313,492	–	–
Elementary and secondary regular instruction	3,716,190	–	–
Vocational education instruction	135,247	–	–
Special education instruction	1,633,143	–	–
Instructional support services	652,398	–	–
Pupil support services	668,646	–	–
Sites and buildings	910,655	–	–
Fiscal and other fixed cost programs	51,110	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	341,847	–
Debt service			
Principal	120,439	–	885,000
Interest and fiscal charges	44,911	–	415,779
Total expenditures	8,904,515	341,847	1,300,779
Excess (deficiency) of revenue over expenditures	289,946	(337,897)	(48,102)
Other financing sources (uses)			
Debt issued	–	1,075,000	–
Refunding debt issued	–	–	–
Premium on debt issued	–	27,835	38,292
Payment on refunded bonds	–	–	–
Sale of capital assets	750	–	–
Transfers in	–	–	–
Transfers (out)	(16,880)	–	–
Total other financing sources (uses)	(16,130)	1,102,835	38,292
Net change in fund balances	273,816	764,938	(9,810)
Fund balances			
Beginning of year	945,234	–	300,647
End of year	$ 1,219,050	$ 764,938	$ 290,837

See notes to basic financial statements

Permanent Fund	Nonmajor Funds	Total Governmental Funds 2017	Total Governmental Funds 2016
$ –	$ 60,200	$ 2,110,889	$ 2,080,979
3,651	1,273	22,316	14,920
–	481,150	1,077,711	1,088,195
–	140,372	7,795,784	7,342,561
–	207,515	338,549	309,735
3,651	890,510	11,345,249	10,836,390
–	–	658,284	647,977
–	–	313,492	321,499
–	–	3,716,190	3,752,545
–	–	135,247	160,679
–	–	1,633,143	1,512,657
–	–	652,398	533,110
–	–	668,646	536,847
–	–	910,655	887,680
–	–	51,110	49,058
–	425,492	425,492	402,942
4,886	489,569	494,455	412,091
–	5,480	347,327	4,943
–	–	1,005,439	1,021,939
–	–	460,690	615,811
4,886	920,541	11,472,568	10,859,778
(1,235)	(30,031)	(127,319)	(23,388)
–	–	1,075,000	–
–	–	–	9,175,000
–	–	66,127	829,235
–	–	–	(9,890,000)
–	–	750	24,856
–	16,880	16,880	24,616
–	–	(16,880)	(24,616)
–	16,880	1,141,877	139,091
(1,235)	(13,151)	1,014,558	115,703
512,372	172,165	1,930,418	1,814,715
$ 511,137	$ 159,014	$ 2,944,976	$ 1,930,418

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INDEPENDENT SCHOOL DISTRICT NO. 139

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Total net change in fund balances – governmental funds	$ 1,014,558	$ 115,703
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	587,227	83,085
Depreciation expense	(855,578)	(891,668)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(9,247)	(3,547)
The change in net other post-employment benefit obligation/asset does not require the use of current financial resources and is not reported in the governmental funds until actually due.	(5,782)	1,945
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(1,075,000)	(9,175,000)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	885,000	10,795,000
Capital leases payable	120,439	116,939
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	56,206	(4,424)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	25,333	(837,718)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability – PERA	(624,014)	7,651
Net pension liability – TRA	(12,187,774)	(647,305)
Separation benefits payable	38,167	17,333
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows – PERA and TRA pension plans	10,252,005	202,181
Deferred inflows – PERA and TRA pension plans	348,882	729,175
Deferred inflows – long-term receivable	(120,439)	(116,941)
Deferred inflows – delinquent taxes receivable	(3,950)	8,872
Change in net position – governmental activities	$ (1,553,967)	$ 401,281

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INDEPENDENT SCHOOL DISTRICT NO. 139

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2017
(With Partial Comparative Information for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts			Over (Under)	
	Original	Final	Actual	Final Budget	Actual
Revenue					
Local sources					
Property taxes	$ 796,889	$ 826,392	$ 840,019	$ 13,627	$ 770,000
Investment earnings	5,000	8,000	10,576	2,576	7,269
Other	603,629	616,350	596,561	(19,789)	657,901
State sources	7,316,475	7,550,647	7,616,271	65,624	7,122,432
Federal sources	118,641	119,920	131,034	11,114	126,708
Total revenue	8,840,634	9,121,309	9,194,461	73,152	8,684,310
Expenditures					
Current					
Administration	672,415	676,177	658,284	(17,893)	647,977
District support services	343,031	344,434	313,492	(30,942)	321,499
Elementary and secondary regular instruction	3,761,538	3,725,473	3,716,190	(9,283)	3,752,545
Vocational education instruction	133,340	133,340	135,247	1,907	160,679
Special education instruction	1,628,973	1,705,958	1,633,143	(72,815)	1,512,657
Instructional support services	495,500	691,296	652,398	(38,898)	533,110
Pupil support services	641,612	695,462	668,646	(26,816)	536,847
Sites and buildings	866,681	877,681	910,655	32,974	887,680
Fiscal and other fixed cost programs	49,600	49,600	51,110	1,510	49,058
Debt service					
Principal	120,439	120,439	120,439	–	116,939
Interest and fiscal charges	44,911	44,911	44,911	–	48,411
Total expenditures	8,758,040	9,064,771	8,904,515	(160,256)	8,567,402
Excess (deficiency) of revenue over expenditures	82,594	56,538	289,946	233,408	116,908
Other financing sources (uses)					
Sale of capital assets	5,000	2,000	750	(1,250)	24,856
Transfers (out)	(37,600)	(27,600)	(16,880)	10,720	(24,616)
Total other financing sources (uses)	(32,600)	(25,600)	(16,130)	9,470	240
Net change in fund balances	$ 49,994	$ 30,938	273,816	$ 242,878	117,148
Fund balances					
Beginning of year			945,234		828,086
End of year			$ 1,219,050		$ 945,234

See notes to basic financial statements

Statement of Fiduciary Net Position
as of June 30, 2017

	Scholarship Private-Purpose Trust Fund	Agency Funds
Assets		
Cash and temporary investments	$ 151,264	$ 230,262
Liabilities		
Accounts payable	–	$ 230,262
Net position		
Held in trust for scholarships	$ 151,264	

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

	Scholarship Private-Purpose Trust Fund
Additions	
Contributions	$ 11,467
Investment earnings	1,022
Total additions	12,489
Deductions	
Scholarships	20,249
Change in net position	(7,760)
Net position	
Beginning of year	159,024
End of year	$ 151,264

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 139 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities; therefore, separate audited financial statements have been issued.

C. Government-Wide Financial Statement Presentation

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

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

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

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

D. Fund Financial Statement Presentation

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

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

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

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

The District has a Scholarship Private-Purpose Trust Fund and two agency funds, which are presented in the fiduciary fund financial statements. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The Scholarship Private-Purpose Trust Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes. Agency funds do not have a measurement focus, but also use the accrual basis of accounting.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is the District's primary operating fund and accounts for all financial resources except those required to be accounted for in another fund.

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

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

Permanent Fund – The Permanent Fund accounts for the Aquatic Center's contributions received and held by the District as restricted for pool center operations. Disbursements from the Permanent Fund are made in accordance with the trust agreement.

Nonmajor Governmental Funds

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

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

Fiduciary Funds

Scholarship Private-Purpose Trust Fund – The Scholarship Private-Purpose Trust Fund is used to account for resources legally held in trust to provide college scholarships for graduating students. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds – The District reports two agency funds as established to account for cash and other assets held by the District as the agent for student activities and for the St. Croix River Education District (SCRED).

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds. The budget for each fund is prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the Food Service Special Revenue, Community Service Special Revenue, Capital Projects – Building Construction, and Debt Service Funds exceeded budgeted appropriations by $16,276, $25,497, $141,847, and $38,689, respectively, during the year ended June 30, 2017. Revenues and other financing sources in excess of budget, along with available fund balance, financed these variances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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; and Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes receivable and the capital lease receivable from SCRED, reported with due from other governmental units.

H. Inventories

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

I. Prepaid Items

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

J. Property Taxes

The majority of the District's revenue in the General Fund 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $15,180 of the property tax levy collectible in 2017 as revenue to the District in fiscal year 2016–2017. The remaining portion of the taxes collectible in 2017 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

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

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $2,500 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for furniture and equipment. Land and construction in progress are not depreciated.

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

L. Long-Term Obligations

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

1. **Vacation Pay –** The District compensates certain employees upon termination of employment for unused vacation. The full-time employees of the District earn vacation based upon the number of completed years of service. Since teachers do not receive vacation benefits there is not a material vacation liability to accrue as of June 30, 2017.

2. **Sick Pay** – Substantially all district employees are entitled to sick leave at various rates. Unused sick leave enters into the calculation of an employee's separation pay upon termination for certain collective bargaining units.

N. Severance (Separation Benefits)

The Teacher Master Agreement provides that certain full-time teachers (based on eligibility criteria, including hired by date) who have completed 20 years of continuous service with the District shall be eligible for a severance payment of up to $24,000, which shall be paid in two equal installments during the school year following the year of retirement. Severance benefits are calculated by converting a portion of an eligible employee's unused accumulated sick leave.

Severance payable is recorded as a liability in the government-wide financial statements when earned and it becomes probable it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements when the liability matures due to employee termination. As of year-end this liability is zero and is no longer available to the District's existing teachers. Remaining separation payments available to district employees are captured in the calculations for other post-employment benefits (OPEB).

O. State-Wide Pension Plans

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

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows/Inflows of Resources

In addition to assets, statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has deferred outflows of resources related to pensions reported in the government-wide Statement of Net Position. These deferred outflows result from differences between expected and actual experience, changes of assumptions, changes in proportion, the difference between projected and actual earnings on plan investments, and from contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension standards.

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

The first item, unavailable revenue from long-term receivables and property taxes receivable, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. The District has recorded a long-term receivable and delinquent property taxes not collected within 60 days of year-end which are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

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

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

Q. Net Position

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board resolution, the District's Business Manager and Superintendent are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

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

S. Use of Estimates

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

T. Risk Management

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

U. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	$	2,752,993
Investments		1,835,382
Total deposits and investments	$	4,588,375

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

Statement of Net Position		
Cash and temporary investments	$	4,206,849
Statement of Fiduciary Net Position		
Cash and temporary investments		
Scholarship Private-Purpose Trust Fund		151,264
Agency funds		230,262
Total deposits and investments	$	4,588,375

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

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

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

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

At year-end, the carrying amount of the District's deposits was $2,752,993 while the balance on the bank records was $3,355,148. At June 30, 2017, $9,757 of deposits were not fully covered by federal depository insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District had the following investments at year-end:

Investment Type	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements	Interest Risk	Total
Investment pools/mutual funds					
MN School District Liquid Asset Fund	AAA	S&P	NAV	N/A	$ 1,835,382

N/A – Not Applicable
NAV – Investments measured at the net asset value

The Minnesota School District Liquid Asset Fund (MSDLAF) is regulated by Minnesota Statutes and is an external investment pool which is not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC. The District's investment in this trust is measured at the net asset value (NAV) per share provided by the pool, which is based on an amortized cost method that approximates fair value. For MSDLAF investments valued at NAV, there are no unfunded commitments, redemption frequency is daily, and there is no redemption notice for the Liquid Class; the redemption notice period is 14 days for the MAX Class.

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

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	$ 235,734	$ –	$ –	$ –	$ 235,734
Construction in progress	10,700	378,587	–	(23,915)	365,372
Total capital assets, not depreciated	246,434	378,587	–	(23,915)	601,106
Capital assets, depreciated					
Land improvements	1,361,295	–	–	–	1,361,295
Buildings	26,396,459	–	–	–	26,396,459
Furniture and equipment	4,248,967	208,640	(187,830)	23,915	4,293,692
Total capital assets, depreciated	32,006,721	208,640	(187,830)	23,915	32,051,446
Less accumulated depreciation for					
Land improvements	(1,057,532)	(34,056)	–	–	(1,091,588)
Buildings	(10,907,156)	(580,173)	–	–	(11,487,329)
Furniture and equipment	(3,099,886)	(241,349)	178,583	–	(3,162,652)
Total accumulated depreciation	(15,064,574)	(855,578)	178,583	–	(15,741,569)
Net capital assets, depreciated	16,942,147	(646,938)	(9,247)	23,915	16,309,877
Total capital assets, net	$ 17,188,581	$ (268,351)	$ (9,247)	$ –	$ 16,910,983

Depreciation expense for the current year was charged to the following governmental functions:

Administration	$ 859
District support services	837
Elementary and secondary regular instruction	87,365
Vocational education instruction	2,723
Special education instruction	734
Instructional support services	3,685
Pupil support services	85,700
Community service	5,782
Depreciation not included in other functions	667,893
Total depreciation expense	$ 855,578

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

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

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
2010 Refunding Bonds	10/26/2010	0.90–2.40%	$ 2,395,000	02/01/2019	$ 735,000
2012 Refunding Bonds	11/13/2012	2.00%	$ 2,270,000	02/01/2018	335,000
2015 Refunding Bonds	11/12/2015	2.00–3.00%	$ 9,175,000	02/01/2026	9,175,000
2017 Facilities Maintenance Bonds	02/09/2017	3.00%	$ 1,075,000	02/01/2027	1,075,000
Total general obligation bonds payable					$ 11,320,000

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

B. Capital Leases Payable

In June 2012, the District entered into a capital lease agreement with Kinetic Leasing, Inc. to finance the purchase of a building for $1,930,000 on behalf of the SCRED. The lease bears an interest rate of 2.97 percent and a final maturity of February 1, 2027. The District makes semiannual payments through the General Fund. Also in June 2012, the District entered into an agreement to sublease the building to the SCRED to purchase the building capitalized at $1,930,000. The lease bears an interest rate of 2.97 percent and a final maturity of February 1, 2027. The SCRED makes semiannual payments to the District. The terms of the sublease between the SCRED and the District are identical to the capital lease payment terms, with the intent of the transactions to be hold harmless to the District in matching debt payments with receipts from the SCRED.

C. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, severance benefits, compensated absences, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are paid primarily from the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

D. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and capital leases are as follows:

Year Ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Capital Leases Payable Principal	Capital Leases Payable Interest
2018	$ 935,000	$ 329,398	$ 124,043	$ 41,307
2019	1,130,000	310,590	127,755	37,595
2020	1,185,000	277,650	131,578	33,772
2021	1,220,000	242,100	135,515	29,835
2022	1,265,000	205,500	139,570	25,780
2023–2027	5,585,000	434,850	763,047	63,703
	$ 11,320,000	$ 1,800,088	$ 1,421,508	$ 231,992

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
General obligation bonds payable	$ 11,130,000	$ 1,075,000	$ 885,000	$ 11,320,000	$ 935,000
Unamortized premium/discount	808,396	66,127	91,460	783,063	–
Total bonds payable	11,938,396	1,141,127	976,460	12,103,063	935,000
Capital leases payable	1,541,947	–	120,439	1,421,508	124,043
Net pension liability – PERA	1,254,248	937,165	313,151	1,878,262	–
Net pension liability – TRA	3,925,404	12,451,422	263,648	16,113,178	–
Separation benefits payable	38,167	–	38,167	–	–
	$ 18,698,162	$ 14,529,714	$ 1,711,865	$ 31,516,011	$ 1,059,043

NOTE 5 – FUND BALANCES

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

A. Classifications

At June 30, 2017, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Permanent Fund	Nonmajor Funds	Total
Nonspendable						
Inventory	$ –	$ –	$ –	$ –	$ 7,107	$ 7,107
Prepaid items	749	–	–	–	–	749
Restricted principal	–	–	–	511,000	–	511,000
Total nonspendable	749	–	–	511,000	7,107	518,856
Restricted						
Long-term facilities maintenance	3,609	764,938	–	–	–	768,547
Medical assistance	28,265	–	–	–	–	28,265
Debt service	–	–	290,837	–	–	290,837
Pool center operations	–	–	–	137	–	137
Food service	–	–	–	–	97,073	97,073
Community education programs	–	–	–	–	40,982	40,982
Early childhood family education	–	–	–	–	13,852	13,852
Total restricted	31,874	764,938	290,837	137	151,907	1,239,693
Assigned						
Subsequent year's budget	118,274	–	–	–	–	118,274
Unassigned	1,068,153	–	–	–	–	1,068,153
Total	$ 1,219,050	$ 764,938	$ 290,837	$ 511,137	$ 159,014	$ 2,944,976

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the minimum fund balance. The policy establishes that the District will strive to maintain a minimum unassigned general operating fund balance of 15 percent of the general operating expenditures for each fiscal year. If the balance will decrease below 15 percent, the administration shall apprise the School Board of this prior to budget adoption. If the balance will decrease below 10 percent, the School Board will initiate certain measures to ensure that the balance does not fall below this level.

At June 30, 2017, the District has calculated a fund balance percentage of 13.3 percent, as intended in the fund balance policy as interpreted by the District.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

All full-time and certain part-time employees of the District other than teachers are covered by the GERF. GERF members of the District belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

Teachers employed in Minnesota's public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the City of 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 Colleges and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan administered by MnSCU.

B. Benefits Provided

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

- **PERA** – Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90.0 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90.0 percent funded, or have fallen below 80.0 percent, are given 1.0 percent increases.

- **TRA** – Post-retirement benefit increases are provided to eligible benefit recipients each January and are assumed to remain level at 2.0 percent annually.

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2017; the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2017 were $108,840. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,			
	2016		2017	
	Employee	Employer	Employee	Employer
Basic Plan	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated Plan	7.5 %	7.5 %	7.5 %	7.5 %

The District's contributions to the TRA for the year ended June 30, 2017 were $277,126. The District's contributions were equal to the required contributions for each year as set by state statutes.

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct the TRA's contributions not included in allocation	(442,978)
Total employer contributions	354,544,518
Total nonemployer contributions	35,587,410
Total contributions reported in Schedule of Employer and Nonemployer Pension Allocations	$ 390,131,928

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of $1,878,262 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of the PERA's participating employers. The District's proportionate share was 0.0303 percent at the end of the measurement period and 0.0317 percent for the beginning of the period.

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 nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. 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	$ 1,878,262
State's proportionate share of the net pension liability associated with the District	$ 24,534

For the year ended June 30, 2017, the District recognized pension expense of $174,630 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $7,315 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $6 million to the GERF.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,816	$ 154,442
Changes in actuarial assumptions	406,819	–
Differences between projected and actual investment earnings	206,844	–
Changes in proportion	–	138,616
District's contributions to the GERF subsequent to the measurement date	108,840	–
Total	$ 728,319	$ 293,058

A total of $108,840 reported as deferred outflows of resources related to pensions resulting from district contributions to the GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	$ 67,302
2019	$ 22,432
2020	$ 168,841
2021	$ 67,846

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of $16,113,178 for its proportionate share of the TRA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.1253 percent at the end of the measurement period and 0.1177 percent for the beginning of the period.

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

District's proportionate share of net pension liability	$ 16,113,178
State's proportionate share of the net pension liability associated with the District	$ 1,617,614

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2017, the District recognized pension expense of $2,423,715. It also recognized $225,873 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 152,687	$ 450
Changes in actuarial assumptions	9,161,340	–
Difference between projected and actual investment earnings	693,447	–
Changes in proportion	221,512	–
District's contributions to the TRA subsequent to the measurement date	277,126	–
Total	$ 10,506,112	$ 450

A total of $277,126 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to the TRA will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2018	$ 2,041,852
2019	$ 2,041,852
2020	$ 2,267,614
2021	$ 2,048,061
2022	$ 1,829,157

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
Inflation	2.50% per year	
Price inflation		2.75%
Wage growth rate		3.50%
Active member payroll	3.25% per year	3.50–9.50% based on years of service
Investment rate of return	7.50%	4.66%

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 1 percent per year for all future years for the GERF and 2 percent per year for all future years for the TRA.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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

The following changes in actuarial assumptions for the GERF occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability for the TRA since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0 percent annually, while in the previous measurement the cost of living adjustment increased to 2.5 percent in 2034.

The long-term expected rate of return on pension plan investments is 7.50 percent for the GERF and 4.66 percent for the TRA. The Minnesota State Board of Investment, which manages the investments of the PERA and the TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

F. Discount Rate

1. GERF

The discount rate used to measure the total pension liability in 2016 was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the fiscal 2017 contribution rates. 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 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

2. TRA

The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2017 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the municipal bond index rate was used in the determination of the single equivalent interest rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the municipal bond index rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent. Based on fiduciary net position at prior year measurement date, the discount rate of 8.00 percent was used and it was not necessary to calculate the SEIR.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 2,667,686	$ 1,878,262	$ 1,227,988
TRA discount rate	3.66%	4.66%	5.66%
District's proportionate share of the TRA net pension liability	$ 20,757,801	$ 16,113,178	$ 12,330,285

H. Pension Plan Fiduciary Net Position

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

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report. These benefits are summarized as follows:

Post-Employment Insurance Benefits – All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District contributes funds to eligible retirees to be used for medical and/or dental insurance premiums. Benefits paid by the District differ by bargaining unit. Retirees not eligible for district-paid benefits must pay the full district premium rate for their coverage.

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

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District.

C. Annual OPEB Cost and Net OPEB Obligation (Asset)

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

ARC	$	63,083
Interest on net OPEB obligation		(5,631)
Adjustment to ARC		8,599
Annual OPEB cost		66,051
Contributions made		(60,269)
Change in net OPEB obligation		5,782
Net OPEB obligation (asset) – beginning of year		(160,898)
Net OPEB obligation (asset) – end of year	$	(155,116)

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2015	$ 50,371	$ 46,649	92.61 %	$ (158,953)
June 30, 2016	$ 66,015	$ 67,960	102.95 %	$ (160,898)
June 30, 2017	$ 66,051	$ 60,269	91.25 %	$ (155,116)

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits and the unfunded actuarial accrued liability (UAAL) were both $487,675, as the plan is unfunded. The covered payroll (annual payroll of active employees covered by the plan) was $4,616,417, and the ratio of the UAAL to the covered payroll was 10.6 percent.

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

E. Actuarial Methods and Assumptions

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 3.50 percent investment rate of return (net of investment expenses) based on the District's own investments; a 3.00 percent rate of projected salary increases; an annual healthcare cost trend rate of 7.25 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after nine years. All rates include a 2.50 percent inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at July 1, 2015 for the various amortization layers ranged from 24 to 30 years.

NOTE 8 – TRANSFERS

During the current fiscal year, the General Fund made a transfer of $16,880 to the Community Service Special Revenue Fund to support the operations of the recreation center. Interfund transactions reported in the governmental fund statements are eliminated in the government-wide financial statements.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Programs

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

B. Legal Contingencies

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2017, the District had commitments totaling $345,888 under construction contracts for which the work was not yet completed.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 139

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.0364%	$ 1,261,899	$ –	$ 1,261,899	$ 1,401,848	90.02%	78.70%
06/30/2016	06/30/2015	0.0317%	$ 1,254,248	$ –	$ 1,254,248	$ 1,429,543	87.74%	78.20%
06/30/2017	06/30/2016	0.0303%	$ 1,878,262	$ 24,534	$ 1,902,796	$ 1,459,057	128.73%	68.90%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 104,887	$ 104,887	$ –	$ 1,429,543	7.34%
06/30/2016	$ 108,623	$ 108,623	$ –	$ 1,459,057	7.44%
06/30/2017	$ 108,840	$ 108,840	$ –	$ 1,454,563	7.48%

Note 1: **Changes of Benefit Terms** – On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the GERF, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Note 2: **Changes in Actuarial Assumptions** – (1) 2015 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter. (2) 2016 Changes – The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all future years. The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 139

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2017

District Fiscal Year-End Date	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1214%	$ 3,278,099	$ 230,528	$ 3,508,627	$ 3,255,055	100.71%	81.50%
06/30/2016	06/30/2015	0.1177%	$ 3,925,404	$ 481,354	$ 4,406,758	$ 3,292,248	119.23%	76.80%
06/30/2017	06/30/2016	0.1253%	$ 16,113,178	$ 1,617,614	$ 17,730,792	$ 3,473,651	463.87%	44.88%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2017

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 246,230	$ 246,230	$ –	$ 3,292,248	7.48%
06/30/2016	$ 261,239	$ 261,239	$ –	$ 3,473,651	7.52%
06/30/2017	$ 277,126	$ 277,126	$ –	$ 3,695,058	7.50%

Note 1: **Changes of Benefit Terms –** The Duluth Teachers Retirement Fund Association was merged into the TRA on June 30, 2015.

Note 2: **Change of Assumptions** – (1) 2015 Changes – The annual cost of living adjustment for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034. The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent. (2) 2016 Changes – The discount rate used to measure the total pension liability was 4.66 percent. Details, if necessary, can be obtained from the TRA's CAFR.

Note 3: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 139

Other Post-Employment Benefits Plan
Schedule of Funding Progress
Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
July 1, 2009	$ 665,155	$ –	$ 665,155	– %	$ 3,722,213	17.9 %
July 1, 2012	$ 421,237	$ –	$ 421,237	– %	$ 4,038,125	10.4 %
July 1, 2015	$ 487,675	$ –	$ 487,675	– %	$ 4,616,417	10.6 %

SUPPLEMENTAL INFORMATION

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 104,258	$ 105,942	$ 210,200
Receivables			
Current taxes	–	35,194	35,194
Delinquent taxes	–	3,417	3,417
Accounts and interest	–	796	796
Due from other governmental units	–	6,730	6,730
Inventory	7,107	–	7,107
Total assets	$ 111,365	$ 152,079	$ 263,444
Liabilities			
Accounts and contracts payable	$ 6,303	$ 33,477	$ 39,780
Unearned revenue	882	850	1,732
Total liabilities	7,185	34,327	41,512
Deferred inflows of resources			
Unavailable revenue – delinquent taxes receivable	–	3,417	3,417
Property taxes levied for subsequent year	–	59,501	59,501
Total deferred inflows of resources	–	62,918	62,918
Fund balances			
Nonspendable for inventory	7,107	–	7,107
Restricted	97,073	54,834	151,907
Total fund balances	104,180	54,834	159,014
Total liabilities, deferred inflows of resources, and fund balances	$ 111,365	$ 152,079	$ 263,444

INDEPENDENT SCHOOL DISTRICT NO. 139

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2017

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 60,200	$ 60,200
Investment earnings	640	633	1,273
Other	195,945	285,205	481,150
State sources	27,939	112,433	140,372
Federal sources	207,515	–	207,515
Total revenue	432,039	458,471	890,510
Expenditures			
Current			
Food service	425,492	–	425,492
Community service	–	489,569	489,569
Capital outlay	5,480	–	5,480
Total expenditures	430,972	489,569	920,541
Excess (deficiency) of revenue over expenditures	1,067	(31,098)	(30,031)
Other financing sources			
Transfers in	–	16,880	16,880
Net change in fund balances	1,067	(14,218)	(13,151)
Fund balances			
Beginning of year	103,113	69,052	172,165
End of year	$ 104,180	$ 54,834	$ 159,014

INDEPENDENT SCHOOL DISTRICT NO. 139

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 500	$ 640	$ 140	$ 739
Other – primarily meal sales	203,500	195,945	(7,555)	189,296
State sources	28,200	27,939	(261)	30,357
Federal sources	175,000	207,515	32,515	183,027
Total revenue	407,200	432,039	24,839	403,419
Expenditures				
Current				
Salaries	145,525	141,570	(3,955)	138,372
Employee benefits	41,721	48,671	6,950	41,345
Purchased services	26,550	34,470	7,920	26,506
Supplies and materials	197,900	200,652	2,752	196,719
Other expenditures	–	129	129	–
Capital outlay	3,000	5,480	2,480	3,854
Total expenditures	414,696	430,972	16,276	406,796
Net change in fund balances	$ (7,496)	1,067	$ 8,563	(3,377)
Fund balances				
Beginning of year		103,113		106,490
End of year		$ 104,180		$ 103,113

INDEPENDENT SCHOOL DISTRICT NO. 139

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 59,099	$ 60,200	$ 1,101	$ 60,536
Investment earnings	500	633	133	641
Other – primarily tuition and fees	257,501	285,205	27,704	240,998
State sources	99,595	112,433	12,838	91,610
Total revenue	416,695	458,471	41,776	393,785
Expenditures				
Current				
Salaries	249,938	249,588	(350)	218,484
Employee benefits	70,814	62,873	(7,941)	55,796
Purchased services	79,435	110,268	30,833	72,820
Supplies and materials	39,485	44,741	5,256	37,339
Other expenditures	21,900	22,099	199	23,593
Capital outlay	2,500	–	(2,500)	1,089
Total expenditures	464,072	489,569	25,497	409,121
Excess (deficiency) of revenue over expenditures	(47,377)	(31,098)	16,279	(15,336)
Other financing sources				
Transfers in	27,600	16,880	(10,720)	24,616
Net change in fund balances	$ (19,777)	(14,218)	$ 5,559	9,280
Fund balances				
Beginning of year		69,052		59,772
End of year		$ 54,834		$ 69,052

INDEPENDENT SCHOOL DISTRICT NO. 139

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017

	2017		
	Budget	Actual	Over (Under) Budget
Revenue			
Local sources			
Investment earnings	$ –	$ 3,950	$ 3,950
Expenditures			
Capital outlay			
Capital expenditures	200,000	341,847	141,847
Excess (deficiency) of revenue over expenditures	(200,000)	(337,897)	(137,897)
Other financing sources			
Debt issued	1,075,000	1,075,000	–
Premium on debt issued	30,000	27,835	(2,165)
Total other financing sources	1,105,000	1,102,835	(2,165)
Net change in fund balances	$ 905,000	764,938	$ (140,062)
Fund balances			
Beginning of year		–	
End of year		$ 764,938	

INDEPENDENT SCHOOL DISTRICT NO. 139

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017			2016
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,208,942	$ 1,210,670	$ 1,728	$ 1,250,443
Investment earnings	1,500	2,866	1,366	2,940
State sources	73,715	39,141	(34,574)	98,162
Total revenue	1,284,157	1,252,677	(31,480)	1,351,545
Expenditures				
Debt service				
Principal	885,000	885,000	–	905,000
Interest	375,590	375,587	(3)	451,815
Fiscal charges and other	1,500	40,192	38,692	115,585
Total expenditures	1,262,090	1,300,779	38,689	1,472,400
Excess (deficiency) of revenue over expenditures	22,067	(48,102)	(70,169)	(120,855)
Other financing sources (uses)				
Refunding debt issued	–	–	–	9,175,000
Premium on debt issued	–	38,292	38,292	829,235
Payment on refunded bonds	–	–	–	(9,890,000)
Total other financing sources (uses)	–	38,292	38,292	114,235
Net change in fund balances	$ 22,067	(9,810)	$ (31,877)	(6,620)
Fund balances				
Beginning of year		300,647		307,267
End of year		$ 290,837		$ 300,647

INDEPENDENT SCHOOL DISTRICT NO. 139

Agency Funds
Combining Statement of Assets and Liabilities
as of June 30, 2017

	Agency Funds		
	Student Activities	St. Croix River Education District	Total
Assets			
Cash and temporary investments	$ 113,144	$ 117,118	$ 230,262
Liabilities			
Accounts payable	$ 113,144	$ 117,118	$ 230,262

OTHER REQUIRED REPORTS

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CERTIFIED PUBLIC
ACCOUNTANTS

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

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

To the School Board and Management of
Independent School District No. 139
Rush City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 139 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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 District's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

(continued)

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify one deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations as item 2017-001, that we consider to be a significant deficiency.

COMPLIANCE AND OTHER MATTERS

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

DISTRICT'S RESPONSE TO FINDING

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

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

Minneapolis, Minnesota
October 5, 2017

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 139
Rush City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 139 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2017.

MINNESOTA LEGAL COMPLIANCE

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as described in the Schedule of Findings and Recommendations as item 2017-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

DISTRICT'S RESPONSE TO FINDING

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
Minneapolis, Minnesota
October 5, 2017

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FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2017-001 Segregation of Duties

Criteria – Internal control over financial reporting.

Condition – Independent School District No. 139 (the District) has limited segregation of duties in several areas, including the processing of general disbursements, payroll transactions, investing activities, and general receipt entries.

Questioned Costs – Not applicable.

Context – The condition applies to multiple areas as noted above.

Repeat Finding – This is a current year and prior year finding.

Cause – The limited segregation of duties is primarily caused by the limited size of the District's business office staff.

Effect – One important element of internal accounting controls is an adequate segregation of duties such that no one individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the District to a higher risk that errors or fraud could occur and not be detected and corrected in a timely manner in the normal course of business.

Recommendation – We recommend that the District continue its efforts to segregate duties as best it can within the limits of what the District considers to be cost beneficial.

Corrective Action Plan

Actions Planned – The District intends to review policies, procedures, and transaction cycles, and work with the District's financial auditors to review specific weaknesses identified during the annual audit and actions needed to eliminate or mitigate this internal control weakness.

Official Responsible – The Business Manager.

Planned Completion Date – June 30, 2018.

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

Plan to Monitor – The Business Manager and the Superintendent will make the entire business office aware of its objective to address this condition and supervise the progress of planned actions during the year.

MINNESOTA LEGAL COMPLIANCE FINDINGS

2017-002 Collateral

Criteria – Minnesota Statutes § 118A.03.

Condition – Minnesota Statutes § 118A.03 requires that if a school's deposits exceed federal depository insurance coverage, excess deposits must be covered by corporate surety bonds or collateral that has a market value of at least 110 percent of such excess. This requirement was not met for one district depository account at June 30, 2017.

Questioned Costs – Not applicable.

Context – The District had $9,757 of uncollateralized deposits as of June 30, 2017.

Repeat Finding – This is a current year finding.

Cause – This was an oversight by the District personnel.

Effect – Deposits exceeding $250,000 federal insurance coverage may be lost in the event of a bank failure.

Recommendation – We recommend that the District obtain corporate surety bonds or collateral that has a market value of at least 110 percent of district deposits that exceed federal insurance coverage.

Corrective Action Plan

Actions Planned – The District is working with the applicable depository to ensure the account is covered by adequate collateral.

Official Responsible – The Business Manager.

Planned Completion Date – June 30, 2018.

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

Plan to Monitor – The Business Manager and the Superintendent will oversee the process to ensure the District's compliance with insuring deposits.

INDEPENDENT SCHOOL DISTRICT NO. 139

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2017

		Audit		UFARS		Audit – UFARS	
General Fund							
Total revenue		$	9,194,461	$	9,194,459	$	2
Total expenditures		$	8,904,515	$	8,904,515	$	–
Nonspendable							
460	Nonspendable fund balance	$	749	$	749	$	–
Restricted/reserve							
403	Staff development	$	–	$	–	$	–
406	Health and safety	$	–	$	–	$	–
407	Capital projects levy	$	–	$	–	$	–
408	Cooperative revenue	$	–	$	–	$	–
413	Projects funded by COP	$	–	$	–	$	–
414	Operating debt	$	–	$	–	$	–
416	Levy reduction	$	–	$	–	$	–
417	Taconite building maintenance	$	–	$	–	$	–
423	Certain teacher programs	$	–	$	–	$	–
424	Operating capital	$	–	$	–	$	–
426	$25 taconite	$	–	$	–	$	–
427	Disabled accessibility	$	–	$	–	$	–
428	Learning and development	$	–	$	–	$	–
434	Area learning center	$	–	$	–	$	–
435	Contracted alternative programs	$	–	$	–	$	–
436	State approved alternative program	$	–	$	–	$	–
438	Gifted and talented	$	–	$	–	$	–
440	Teacher development and evaluation	$	–	$	–	$	–
441	Basic skills programs	$	–	$	–	$	–
445	Career and technical programs	$	–	$	–	$	–
448	Achievement and integration	$	–	$	–	$	–
449	Safe schools levy	$	–	$	–	$	–
450	Pre-kindergarten	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
453	Unfunded severance and retirement levy	$	–	$	–	$	–
467	Long-term facilities maintenance	$	3,609	$	3,609	$	–
472	Medical assistance	$	28,265	$	28,265	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Committed							
418	Committed for separation	$	–	$	–	$	–
461	Committed fund balance	$	–	$	–	$	–
Assigned							
462	Assigned fund balance	$	118,274	$	118,274	$	–
Unassigned							
422	Unassigned fund balance	$	1,068,153	$	1,068,153	$	–
Food Service							
Total revenue		$	432,039	$	432,038	$	1
Total expenditures		$	430,972	$	430,972	$	–
Nonspendable							
460	Nonspendable fund balance	$	7,107	$	7,107	$	–
Restricted/reserve							
452	OPEB liability not in trust	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	97,073	$	97,073	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Community Service							
Total revenue		$	458,471	$	458,472	$	(1)
Total expenditures		$	489,569	$	489,569	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
426	$25 taconite	$	–	$	–	$	–
431	Community education	$	40,982	$	40,982	$	–
432	ECFE	$	13,852	$	13,852	$	–
440	Teacher development and evaluation	$	–	$	–	$	–
444	School readiness	$	–	$	–	$	–
447	Adult basic education	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

INDEPENDENT SCHOOL DISTRICT NO. 139

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2017

			Audit		UFARS		Audit – UFARS
Building Construction							
Total revenue		$	3,950	$	3,950	$	–
Total expenditures		$	341,847	$	341,847	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
407	Capital projects levy	$	–	$	–	$	–
413	Project funded by COP	$	–	$	–	$	–
467	Long-term facilities maintenance	$	764,938	$	764,938	$	–
Restricted							
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Debt Service							
Total revenue		$	1,252,677	$	1,252,677	$	–
Total expenditures		$	1,300,779	$	1,300,779	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted/reserve							
425	Bond refundings	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
Restricted							
464	Restricted fund balance	$	290,837	$	290,837	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Trust							
Total revenue		$	16,140	$	16,140	$	–
Total expenditures		$	25,135	$	25,135	$	–
422	Net position	$	662,401	$	662,401	$	–
Internal Service							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Revocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Irrevocable Trust Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
422	Net position	$	–	$	–	$	–
OPEB Debt Service Fund							
Total revenue		$	–	$	–	$	–
Total expenditures		$	–	$	–	$	–
Nonspendable							
460	Nonspendable fund balance	$	–	$	–	$	–
Restricted							
425	Bond refundings	$	–	$	–	$	–
464	Restricted fund balance	$	–	$	–	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

Note 1: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

Note 2: The amount of funds held for the Aquatic Center accounted for as a Permanent Fund for financial statement purposes is included in the Trust Fund net position balance for the purpose of this table.

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