INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2016

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PRESTON, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2016

2016

Ross Kiehne	Chairperson	12/31/2016
Craig Britton	Vice Chairperson	12/31/2018
Susan Sikkink	Treasurer	12/31/2018
James Love	Clerk	12/31/2016
Deb Ristau	Vice-Clerk	12/31/2018
Michelle Topness	Director	12/31/2016
Emily Ellis-Onsager	Director	12/31/2018

2015

Ross Kiehne	Chairperson	12/31/2016
Craig Britton	Vice Chairperson	12/31/2018
Susan Sikkink	Treasurer	12/31/2018
James Love	Clerk	12/31/2016
Michelle Topness	Vice-Clerk	12/31/2018
Deb Ristau	Director	12/31/2016
Emily Ellis-Onsager	Director	12/31/2018

Superintendent

Richard Keith

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

FINANCIAL SECTION

JUNE 30, 2016

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SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPAs,
Private Companies Practice Section, Minnesota Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Education
Independent School District #2198
Preston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District #2198, Preston, Minnesota as of and for the year ended June 30, 2016, and the related notes to 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 audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District #2198, Preston, Minnesota as of June 30, 2016, and the respective changes in financial position and budgetary comparison for the General Fund and each major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Rochester Office • 220 South Broadway • Suite 102 • Rochester, MN 55904 • PH (507) 288-3277 • FAX (507) 288-4571
Offices in: Twin Cities and Red Wing • www.smithschafer.com

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the required supplemental information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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, supplementary information, and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory 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.

Report on Summarized Comparative Information

The financial statements include partial year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2015, from which such partial information was derived.

We have previously audited the District's 2015 financial statements and our report, dated November 11, 2015, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, 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 a report dated November 10, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and 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.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
November 10, 2016

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Independent School District #2198 – Fillmore Central Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-2016 fiscal year include the following:

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by $4,051,239 *(net position)*.
- Overall revenues for the General Fund were $7,071,090 while overall expenditures totaled $6,483,640.
- The General Fund Unassigned Fund Balance is $1,111,697. This represents a decrease of $1,501,319 from last fiscal year. This was due to assigning funds totaling $2,025,000 for potential upcoming major projects such as roof repair, a garage/storage space, a parking lot, and building and site improvements. The restricted fund balances total $368,893 as compared to $322,231 last fiscal year.
- The General Fund total fund balance increased by$587,450 in 2015-2016.
- The Food Service Fund total fund balance increased by $48,178 in 2015-2016.
- The Community Service Fund total fund balance increased by$53,690 in 2015-2016.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The proprietary fund statements offer short-term and long-term financial information about the activities the District operates in a manner similar to businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category: Governmental activities. Most of the District's basic services are included here, such as elementary and secondary regular instruction, special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. scholarship trust fund).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The District has three kinds of funds:

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

- ***Proprietary funds.*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's sole proprietary fund is an internal service fund which charges the District's activities for the cost of other postemployment benefits consisting primarily of health insurance.

- ***Fiduciary funds.*** The District is the trustee, or fiduciary, for assets that belong to others, such as the trust fund. 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. The District's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The district's combined net position from Governmental activities was $4,051,239 on June 30, 2016. This was an increase of $458,155 from the prior year.

	Total	
	2016	2015
Assets		
Current and other assets	$ 8,482,785	$ 9,385,123
Capital assets	9,332,562	8,367,056
Total assets	17,815,347	17,752,179
Deferred Outflows of Resources	463,423	645,061
Liabilities		
Current liabilities	785,049	1,083,849
Long-Term liabilities	11,308,698	11,112,329
Total liabilities	12,093,747	12,196,178
Deferred Inflows of Resources	2,133,784	2,607,978
Net Position		
Net investment in capital assets	2,941,167	3,073,137
Restricted	793,029	649,092
Unrestricted	317,043	(129,145)
Total net position	$ 4,051,239	$ 3,593,084

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

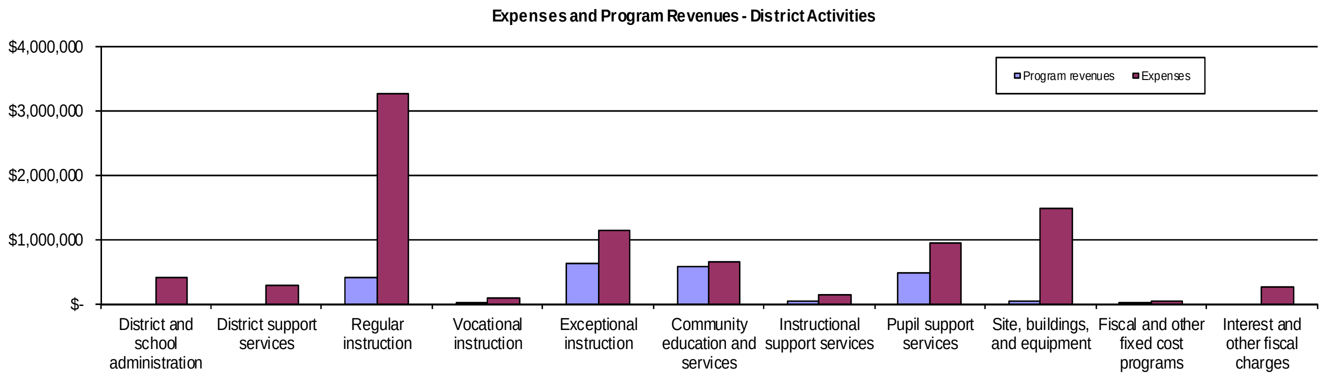
District's Revenue. The District's total revenues were $9,112,537 for the year ended June 30, 2016; compared to $8,686,084 on June 30, 2015. General revenues from federal and state sources accounted for 58% of total revenue for the year ended June 30, 2016, compared to 56% in the prior year. Local property taxes (levies) accounted for 17% percent (compared to 20% the previous year) of the total revenue, with the remaining revenue coming from other sources.

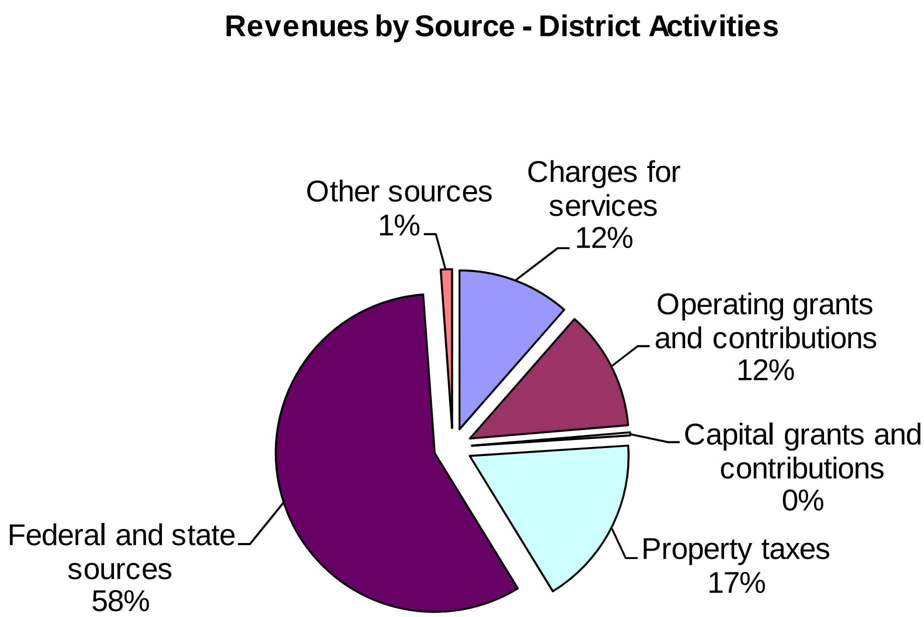
A condensed version of the Statement of Activities follows:

	Total	
	2016	2015
Revenue		
Program revenues:		
Charges for services	$ 1,043,580	$ 989,706
Operating grants and contributions	1,112,446	1,022,288
Capital grants and contributions	27,964	39,709
General revenues:		
Property taxes	1,573,461	1,726,447
State sources	5,250,686	4,898,586
Other sources	104,400	9,348
Total revenues	9,112,537	8,686,084
Expenses		
District and school administration	403,798	357,437
District support services	280,945	308,192
Regular instruction	3,253,639	2,663,024
Vocational instruction	91,312	60,266
Exceptional instruction	1,124,256	954,672
Community education and services	647,276	542,043
Instructional support services	143,116	172,107
Pupil support services	948,490	902,914
Site, buildings, and equipment	1,474,077	1,501,637
Fiscal and other fixed cost programs	26,027	31,411
Interest and other fiscal charges	261,446	277,524
Total expenses	8,654,382	7,771,227
Change in net position	458,155	914,857
Net position, beginning of year	3,593,084	2,678,227
Net position, end of year	$ 4,051,239	$ 3,593,084

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the district activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.





FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the District's Funds

The financial performance of the District as a school is reflected in its governmental funds as well. As the District completed the year, its Governmental Funds reported a combined fund balance of $5,492,717.

The District's enrollment increased from FY 15 to FY 16. Enrollment is projected to begin to decline, however, in the not so distant future.

History of enrollment measured by adjusted average daily membership (ADM) is as follows:

Fiscal Year	ADM	% Change
2007	608.74	
2008	585.95	-3.7%
2009	568.63	-3.0%
2010	553.73	-2.6%
2011	540.87	-2.3%
2012	553.29	2.3%
2013	560.23	1.3%
2014	573.03	2.3%
2015	590.61	3.1%
2016	626.76	6.1%

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

Total General Fund revenues and other financing sources increased by $32,011 from the previous year (being $7,071,090 in FY16, and $7,039,079 in FY15).

Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net revenue change.

Local property taxes are impacted by the state provided funds for school property tax relief. This relief was provided in two principle ways: 1) removal of the general education revenue property tax via a funding model of greater state aid; and 2) roll in of additional aid for referendum revenue into the basis formula for general education revenue.

FUND BASIS FINANCIAL ANALYSIS (Continued)

General fund revenues and other financing sources were as follows:

	2016	2015	Increase/ (Decrease)
Local property tax levies	$ 842,512	$ 1,099,867	$ (257,355)
Other local and county sources	259,131	286,487	(27,356)
Investment income	11,414	3,108	8,306
State sources	5,566,639	5,221,087	345,552
Federal sources	388,794	415,937	(27,143)
Sales and other conversions of assets	2,600	12,593	(9,993)
Total	$ 7,071,090	$ 7,039,079	$ 32,011

Total General Fund expenditures increased by $255,706.

General fund expenditures and transfers were as follows:

	2016	2015	Increase/ (Decrease)
District and school administration	$ 374,473	$ 361,677	$ 12,796
District support services	265,426	310,449	(45,023)
Regular instruction	3,001,212	2,752,657	248,555
Vocational instruction	86,790	61,038	25,752
Exceptional instruction	1,064,627	963,173	101,454
Instructional support services	133,065	173,800	(40,735)
Pupil support services	533,199	520,341	12,858
Site, buildings, and equipment	992,372	1,053,935	(61,563)
Fiscal and other fixed cost programs and transfers out	32,476	30,864	1,612
Total	$ 6,483,640	$ 6,227,934	$ 255,706

The total General Fund balance on June 30, 2016, was $5,008,884 compared to $4,421,434 on June 30, 2015 (increase of $587,450). Of the amount, $368,893 is restricted for specific purposes by state requirements, $3,328,294 is nonspendable and assigned, – leaving an amount of $1,111,697 in the Unassigned General Fund Balance.

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-12 academic programs. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The total Food Service Fund Balance on June 30, 2016, was $86,094 compared to $37,916 on June 30, 2015.

The Food Service revenue for 2015-2016 totaled $482,665 compared to $419,902 the previous year – an increase of $62,763.

The Food Service expenditures for 2015-2016 totaled $434,487 compared to $414,406 the previous year – an increase in expenditures $20,081.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. Fillmore Central School's major cost centers in the Community Service Fund are daycare, learning readiness (preschool), and Early Childhood Family Education. The fund operates on the goal of breaking even on a yearly basis so that is does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund realized an increase in fund balance of $53,690.

Community Service Fund revenues for 2015-2016 totaled $670,555 compared to $627,671 in the previous year. This was an increase in revenue of $42,884 from the previous year. This increase is primarily due to receiving Pathway II dollars to supplement our learning readiness program.

Community Service Fund expenditures for 2015-2016 totaled $616,865 compared to $546,457 in the previous year. This was an increase in expenditures of $70,408 from the previous year. This increase was due to increased health insurance costs, and the added programming in learning readiness associated with the new Pathway II dollars.

Debt Service Funds. The Debt Service funds exist to service the principal and interest on long-term debt issued by the District to construct school facilities or acquire school equipment and for the funding of OPEB obligations. Annual levies will provide revenue at a rate of 105% for pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payment can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The Debt Service Restricted Fund Balances (including the OPEB debt service fund) increased by $11,475 in 2015-2016. As debt is retired, these fund balances should become smaller on a year-to-year basis because less levy is necessary to service remaining debt.

Internal Service Fund. The Postemployment Benefits Fund was established in fiscal 2009 with initial funding of $1,145,132 from bonds issued. The fund charges departments for the estimated cost of other postemployment benefits consisting primarily of health insurance. This fund had positive net position of $592,032 at June 30, 2016.

***Fiduciary Fund**.* Private-purpose trust (scholarship trust) fund is the District's fiduciary fund. The net position of the scholarship trust are $50,507 (compared to $52,516 in FY15).

GENERAL FUND BUDGETARY HIGHLIGHTS

The District provided a Revised General Fund 2015-2016 budget in May of 2016. The Revised FY16 Budget stated revenue and other financing sources were $332,052 more than the Original FY16 Budget reflecting an increase in state special education revenue, additional general education aid due to greater than projected enrollment, and miscellaneous donations received from the Booster Club and community.

The Actual FY16 revenues were $55,146 more than the Revised Budget for revenue.

The Revised FY16 Budget expenditures were $8,527 less than the Original FY16 Budget. This decrease was due to a change in OPEB implicit rate costs. The Actual expenditures were $237,138 less than projected. This budget savings was primarily due to under spending in areas such as contracted services and repairs, legal fees, utilities/natural gas, as well as the delay of capital projects into the next fiscal year (high school parking lot and varsity baseball field improvements).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2016, the District had invested $15,303,448 (before depreciation) in a broad range of capital assets including school buildings, athletic facilities, technology equipment, and other types of equipment.

	Total (Net of Depreciation) 2016	2015
Land	$ 21,302	$ 21,302
Construction in progess	2,500,617	1,319,592
Land improvements	900,025	953,533
Buildings	5,570,565	5,739,630
Machinery and equipment	340,053	332,999
Total	$ 9,332,562	$ 8,367,056

Long Term Liabilities. As of June 30, 2016, the District had $7,230,000 in bonds and capital improvement loans outstanding. The District also had $31,838 in severance benefits payable at the end of the year. A summary of outstanding long-term liabilities as of June 30, 2016, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable:					
General Obligation Bonds:					
Capital Facilities of 2006	$ 100,000	$	$ 100,000	$	$
OPEB Bonds of 2008A	975,000		45,000	930,000	45,000
Alternative Facilities Bond 2010A	1,335,000		115,000	1,220,000	120,000
Alternative Facilities Bond 2012A	845,000		60,000	785,000	60,000
Alternative & Capital Facilities Bond 2014A	4,420,000		125,000	4,295,000	195,000
Bond Discount	(7,108)		(547)	(6,561)	
Bond Premium	104,952		6,996	97,956	
Other Liabilities:					
Severance Payable	33,750		1,912	31,838	
Governmental Activities Long-term Liabilities	$7,806,594	$	$ 453,361	$ 7,353,233	$ 420,000

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Affordable Care Act (healthcare reform) potentially will have a significant financial impact on the district moving forward. That impact will become clearer as further information is available.

The District committed to a 1:1 laptop initiative this year for students in grades 7-12. The district also have 1:1 iPads for students grades K-6. Funds have been assigned to help with the ongoing cost of this endeavor.

The District will continue to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and 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 this report or need additional financial information, contact the District Office, Independent School District #2198, 702 Chatfield Street NW, Preston, Minnesota 55965.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2016

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2016
With Comparative Data as of June 30, 2015

	Governmental Activities	
	2016	2015
Assets		
Cash and cash equivalents	$ 6,417,307	$ 5,153,170
Taxes receivable	869,536	871,619
Other receivables	21,462	71,728
Due from other governmental units	821,696	1,189,389
Inventory	8,109	4,705
Restricted cash and cash equivalents	103,883	1,838,729
Net OPEB asset	205,471	227,204
Prepaid expenses	35,321	28,579
Capital Assets:		
Nondepreciable	2,521,919	1,340,894
Depreciable, net of accumulated depreciation	6,810,643	7,026,162
TOTAL ASSETS	17,815,347	17,752,179
Deferred Outflows of Resources		
Deferred outflows from pension activities	463,423	645,061
Liabilities		
Accounts payable	51,317	375,402
Due to other governmental units	18,032	38,406
Unearned revenue	48,636	18,769
Accrued liabilities	563,190	541,594
Accrued interest payable	103,874	109,678
Long-Term Liabilities:		
Due within one year	420,000	445,000
Due in more than one year	6,933,233	7,361,594
Net pension liability	3,955,465	3,305,735
TOTAL LIABILITIES	12,093,747	12,196,178
Deferred Inflows of Resources		
Deferred inflows from pension activities	447,122	1,002,963
Property taxes levied for subsequent year	1,686,662	1,605,015
TOTAL DEFERRED INFLOWS OF RESOURCES	2,133,784	2,607,978
Net Position		
Net investment in capital assets	2,941,167	3,073,137
Restricted:		
Operating capital purposes	460,255	424,861
State-mandated restrictions	56,316	54,713
Food service	86,094	37,916
Community service	273,177	219,487
Debt service	(82,813)	(87,885)
Unrestricted	317,043	(129,145)
TOTAL NET POSITION	$ 4,051,239	$ 3,593,084

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	2016			
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
District and school administration	$ 403,798	$	$	$
District support services	280,945			
Regular instruction	3,253,639	184,151	228,020	
Vocational instruction	91,312		1,665	
Special education	1,124,256	58,041	570,328	
Community education and services	647,276	545,573	34,403	
Instruction support services	143,116		41,088	
Pupil support services	948,490	245,607	236,942	
Site, buildings, and equipment	1,474,077			27,964
Fiscal and other fixed cost programs	26,027	10,208		
Interest and other fiscal charges	261,446			
Total governmental activities	$ 8,654,382	$ 1,043,580	$ 1,112,446	$ 27,964

General Revenues:
Property taxes levied for:
General purposes
Community Service
Debt Service
State aid not restricted to specific purposes
Investment income
Total general revenues and transfers

Change in net position

Net Position - Beginning

Net Position - Ending

See Notes to Financial Statements

2016	2015
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Total Governmental Activities	Total Governmental Activities
$ (403,798)	$ (357,437)
(280,945)	(308,192)
(2,841,468)	(2,222,627)
(89,647)	(60,266)
(495,887)	(400,488)
(67,300)	2,972
(102,028)	(130,503)
(465,941)	(483,024)
(1,446,113)	(1,461,928)
(15,819)	(20,507)
(261,446)	(277,524)
(6,470,392)	(5,719,524)
956,861	1,187,044
76,752	76,760
539,848	462,643
5,250,686	4,898,586
104,400	9,348
6,928,547	6,634,381
458,155	914,857
3,593,084	2,678,227
$ 4,051,239	$ 3,593,084

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016
With Partial Comparative Data as of June 30, 2015

	General	Food Service	Community Service
Assets			
Cash and cash equivalents	$ 5,260,565	$ 58,632	$ 376,951
Current property taxes receivable	446,290		41,812
Delinquent property taxes receivable	16,183		1,497
Accounts receivable	15,994	237	4,982
Due from other Minnesota school districts	33,122		
Due from Minnesota Department of Education	614,394	3,441	6,077
Due from Federal through Minnesota Department of Education	127,093	31,743	
Inventory		8,109	
Restricted cash and cash equivalents			
TOTAL ASSETS	$ 6,513,641	$ 102,162	$ 431,319
Liabilities, Deferred Inflows and Fund Balance			
Liabilities			
Accounts payable	$ 28,939	$ 16,030	$ 5,966
Salaries and accrued liabilities payable	509,789		53,401
Due to other Minnesota school districts	18,032		
Unearned revenue	35,380	38	13,218
TOTAL LIABILITIES	592,140	16,068	72,585
Deferred Inflows of Resources			
Unavailable revenue:			
Property taxes levied for subsequent year	896,434		84,060
Delinquent property taxes	16,183		1,497
TOTAL DEFERRED INFLOWS OF RESOURCES	912,617		85,557
Fund Balances			
Nonspendable:			
Inventory		8,109	
Restricted for:			
Deferred maintenance			
Gifted and talented	15,393		
Community education			204,023
Early childhood and family education programs			21,985
School readiness			21,576
Operating capital	460,255		
Health and safety	(147,978)		
Basic skills	300		
Safe schools crime	34,446		
Teacher development and evaluation	6,477		
Southern Minnesota initiative foundation (SMIF) grant			1,600
Alternative facility program			
Food Service		77,985	
Community service			23,993
Building construction			
Debt service			
OPEB debt service			
Assigned for:			
Early risers	11,187		
Student laptop repairs	17,107		
Roof repair	2,000,000		
Technology	500,000		
Transportation	100,000		
Building maintenance and improvement	500,000		
Garage storage space	200,000		
Parking lot	200,000		
Unassigned	1,111,697		
TOTAL FUND BALANCES	5,008,884	86,094	273,177
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 6,513,641	$ 102,162	$ 431,319

See Notes to Financial Statements

			Total Governmental Funds	
Building Construction	Debt Service	OPEB Debt Service	2016	2015
$	$ 283,624	$ 86,544	$ 6,066,316	$ 4,835,519
	297,628	53,607	839,337	842,588
	10,532	1,987	30,199	29,031
			21,213	71,728
			33,122	10,138
	4,901	925	629,738	899,894
			158,836	279,357
			8,109	4,705
103,883			103,883	1,838,729
$ 103,883	$ 596,685	$ 143,063	$ 7,890,753	$ 8,811,689
$ 382	$	$	$ 51,317	$ 374,319
			563,190	541,594
			18,032	38,406
			48,636	18,769
382			681,175	973,088
	598,360	107,808	1,686,662	1,605,015
	10,532	1,987	30,199	29,031
	608,892	109,795	1,716,861	1,634,046
			8,109	4,705
				11,101
			15,393	13,283
			204,023	187,045
			21,985	6,168
			21,576	(782)
			460,255	424,861
			(147,978)	(157,543)
			300	200
			34,446	23,852
			6,477	6,477
			1,600	1,600
91,838			91,838	1,318,225
			77,985	33,211
			23,993	25,456
11,663			11,663	185,700
				636
		33,268	33,268	21,157
			11,187	11,187
			17,107	
			2,000,000	500,000
			500,000	500,000
			100,000	100,000
			500,000	250,000
			200,000	125,000
			200,000	
	(12,207)		1,099,490	2,613,016
103,501	(12,207)	33,268	5,492,717	6,204,555
$ 103,883	$ 596,685	$ 143,063	$ 7,890,753	$ 8,811,689

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	General	Food Service	Community Service
Revenues			
Local sources:			
Property tax levies	$ 842,512	$	$ 76,752
Other local and county sources	259,131	2,038	548,668
Investment income	11,414	116	747
State sources	5,566,639	25,317	44,388
Federal sources	388,794	211,625	
Sales and other conversions of assets	2,600	243,569	
TOTAL REVENUES	7,071,090	482,665	670,555
Expenditures			
District and school administration	374,473		
District support services	265,426		
Regular instruction	3,001,212		
Vocational instruction	86,790		
Special education	1,064,627		
Community education and services			616,865
Instructional support services	133,065		
Pupil support services	533,199	434,487	
Site, buildings, and equipment	992,372		
Fiscal and other fixed cost programs	32,476		
TOTAL EXPENDITURES	6,483,640	434,487	616,865
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	587,450	48,178	53,690
Other Financing Sources (Uses)			
Bond proceeds			
Operating transfers in			
Operating transfers out			
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	587,450	48,178	53,690
FUND BALANCE - BEGINNING	4,421,434	37,916	219,487
FUND BALANCE - ENDING	$ 5,008,884	$ 86,094	$ 273,177

See Notes to Financial Statements

Building Construction	Debt Service	OPEB Debt Service	Total Governmental Funds 2016	Total Governmental Funds 2015
$	$ 539,848	$ 113,181	$ 1,572,293	$ 1,741,963
16,977			826,814	809,450
1,067	157	74	13,575	9,297
	49,010	9,247	5,694,601	5,308,995
			600,419	605,105
			246,169	219,116
18,044	589,015	122,502	8,953,871	8,693,926
			374,473	361,677
			265,426	310,449
			3,001,212	2,752,657
			86,790	61,038
			1,064,627	963,173
			616,865	546,457
			133,065	173,800
			967,686	934,747
1,418,468			2,410,840	4,079,886
	601,858	110,391	744,725	817,385
1,418,468	601,858	110,391	9,665,709	11,001,269
(1,400,424)	(12,843)	12,111	(711,838)	(2,307,343)
				4,479,302
				91,203
				(91,203)
				4,479,302
(1,400,424)	(12,843)	12,111	(711,838)	2,171,959
1,503,925	636	21,157	6,204,555	4,032,596
$ 103,501	$ (12,207)	$ 33,268	$ 5,492,717	$ 6,204,555

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:

Total governmental fund balances (pages 16 and 17)		$ 5,492,717
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 15,303,448	
Less: Accumulated depreciation	5,970,886	
		9,332,562
Other long-term assets not available to pay for current-period expenditure and, therefore, are deferred in the funds		
Delinquent property taxes		30,199
Internal service funds are used by management to charge the costs of OPEB to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		592,032
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	$ (7,321,395)	
Net pension liability	(3,939,164)	
Severance payable	(31,838)	
Accrued interest	(103,874)	
		(11,396,271)
Net position of governmental activities (page 13)		$ 4,051,239

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (pages 18 and 19)		$ (711,838)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 1,401,949	
Depreciation expense	(433,838)	
Loss on disposal of capital assets	(2,605)	
		965,506
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:		
Delinquent property taxes		1,168
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Severance payable		1,912
Internal service funds are used by management to charge the costs of OPEB to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities		19,681
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal retirement on long-term debt	$ 445,000	
Bond discount	(547)	
Bond premium	6,996	
Net pension liability	(275,527)	
Change in accrued interest	5,804	
		181,726
Change in net position of governmental activities (pages 14 and 15)		$ 458,155

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	Budgeted Amounts		2016	Over (Under)	2015
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 913,552	$ 894,753	$ 842,512	$ (52,241)	$ 1,099,867
Other local and county sources	219,344	275,731	259,131	(16,600)	286,487
Investment income	3,000	3,000	11,414	8,414	3,108
State sources	5,122,971	5,441,481	5,566,639	125,158	5,221,087
Federal sources	423,200	399,854	388,794	(11,060)	415,937
Sales and other conversions of assets	1,825	1,125	2,600	1,475	12,593
TOTAL REVENUES	6,683,892	7,015,944	7,071,090	55,146	7,039,079
Expenditures					
District and school administration	431,133	384,581	374,473	(10,108)	361,677
District support services	311,150	291,566	265,426	(26,140)	310,449
Regular instruction	2,974,588	2,996,641	3,001,212	4,571	2,752,657
Vocational instruction	73,375	93,379	86,790	(6,589)	61,038
Special education	1,085,006	1,132,254	1,064,627	(67,627)	963,173
Instructional support services	184,678	156,845	133,065	(23,780)	173,800
Pupil support services	575,956	549,629	533,199	(16,430)	520,341
Site, buildings, and equipment	1,048,225	1,073,189	992,372	(80,817)	1,053,935
Fiscal and other fixed cost programs	45,194	42,694	32,476	(10,218)	30,864
TOTAL EXPENDITURES	6,729,305	6,720,778	6,483,640	(237,138)	6,227,934
NET CHANGE IN FUND BALANCE	(45,413)	295,166	587,450	292,284	811,145
FUND BALANCE - BEGINNING	4,421,434	4,421,434	4,421,434		3,610,289
FUND BALANCE - ENDING	$ 4,376,021	$ 4,716,600	$ 5,008,884	$ 292,284	$ 4,421,434

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	Budgeted Amounts		2016	Over (Under)	2015
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local and county sources	$ 3,000	$ 3,000	$ 2,038	$ (962)	$ 2,260
Investment income			116	116	12
State sources	14,818	14,818	25,317	10,499	21,939
Federal sources	168,850	168,850	211,625	42,775	189,168
Sales and other conversions of assets	197,697	198,382	243,569	45,187	206,523
TOTAL REVENUES	384,365	385,050	482,665	97,615	419,902
Expenditures					
Pupil support services	384,586	385,596	434,487	48,891	414,406
NET CHANGE IN FUND BALANCE	(221)	(546)	48,178	48,724	5,496
FUND BALANCES - BEGINNING	37,916	37,916	37,916		32,420
FUND BALANCES - ENDING	$ 37,695	$ 37,370	$ 86,094	$ 48,724	$ 37,916

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	Budgeted Amounts		2016	Over (Under)	2015
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 83,691	$ 76,728	$ 76,752	$ 24	$ 76,760
Other local and county sources	472,533	533,028	548,668	15,640	520,703
Investment income			747	747	182
State sources	21,513	41,470	44,388	2,918	30,026
TOTAL REVENUES	577,737	651,226	670,555	19,329	627,671
Expenditures					
Community education and services	649,215	667,509	616,865	(50,644)	546,457
NET CHANGE IN FUND BALANCES	(71,478)	(16,283)	53,690	69,973	81,214
FUND BALANCES - BEGINNING	219,487	219,487	219,487		138,273
FUND BALANCES - ENDING	$ 148,009	$ 203,204	$ 273,177	$ 69,973	$ 219,487

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016 and 2015

	Governmental Activities - Internal Service Postemployment Benefits 2016	Governmental Activities - Internal Service Postemployment Benefits 2015
Assets		
Cash and investments	$ 350,991	$ 317,651
Accounts receivable	249	
Net OPEB asset	205,471	227,204
Prepaid expenses	35,321	28,579
TOTAL ASSETS	$ 592,032	$ 573,434
Liabilities		
Accounts payable		1,083
Net Position		
Unrestricted	592,032	572,351
TOTAL LIABILITIES AND NET POSITION	$ 592,032	$ 573,434

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Years Ended June 30, 2016 and 2015

	Governmental Activities - Internal Service Postemployment Benefits 2016	Governmental Activities - Internal Service Postemployment Benefits 2015
REVENUES		
Departmental charges	$ 90,478	$
EXPENDITURES		
Post-retirement benefit expense	71,143	70,770
Operating income (loss)	19,335	(70,770)
Other Financing Sources		
Invesment income	346	51
Change in Net Position	19,681	(70,719)
Net Position - Beginning	572,351	643,070
Net Position - Ending	$ 592,032	$ 572,351

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended June 30, 2016 and 2015

	Governmental Activities - Internal Service	
	Postemployment Benefits Fund	
	2016	2015
Cash Flows From Operating Activities		
Cash payments for benefits	$ 32,994	$ (59,770)
Cash Flows From Investing Activities		
Investment income	346	51
Decrease in Cash and Cash Equivalents	33,340	(59,719)
Cash and Cash Equivalents - Beginning	317,651	377,370
Cash and Cash Equivalents - Ending	$ 350,991	$ 317,651

Reconciliation of Operating Loss to Net Cash Provided By (Used In) Operating Activities

	2016	2015
Operating loss	$ 19,335	$ (70,770)
Adjustments to reconcile Operating loss to Net Cash Used In Operating Activities:		
Accounts receivable	(249)	214
Postemployment benefit asset	21,733	19,335
Prepaid expenses	(6,742)	(8,332)
Accounts payable	(1,083)	(217)
Net Cash Used In Operating Activities	$ 32,994	$ (59,770)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2016

	Private Purpose Trust
	Scholarship Trust Fund
Assets	
Cash and cash equivalents	$ 50,507
TOTAL ASSETS	$ 50,507
Net Position, Unrestricted	50,507
TOTAL NET POSITION	$ 50,507

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2016

	Private Purpose Trust Scholarship Trust Fund
Increases	
Other local and county sources	$ 21,342
Decreases	
Fiscal and other fixed cost programs	23,351
EXCESS OF REVENUES OVER EXPENDITURES	(2,009)
NET POSITION - BEGINNING	52,516
NET POSITION - ENDING	$ 50,507

See Notes to Financial Statements

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of Significant Accounting Policies

Independent School District #2198 was formed and operates pursuant to applicable Minnesota laws and statutes.

The governing body consists of a seven-member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

Independent School District #2198 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District's financial statements include all funds, account groups, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization.

Based on the aforementioned criteria, the District has no component units.

Student Activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota State Statutes, the District's School Board has not elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are not included in these financial statements.

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary fund. Fiduciary funds are reported only in the Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position at the fund financial statement level.

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

1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statement Presentation (Continued)

Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material inter-fund activity has been removed from the District-wide financial statements.

Separate Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Proprietary funds are presented in the proprietary fund financial statements by type. 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 District-wide statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, state aids, fees, and interest. For this purpose, the District considers all revenue to be available if it is collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes are recognized in the year for which the tax is levied. Revenue from grants and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements including timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met and recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary funds are departmental charges. Operating expenses for proprietary funds are post-retirement benefit payments and expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Description of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB standards set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures of the individual funds in the governmental fund category) for the determination of major funds. The District electively added as major funds, those which had specific community focus. The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *building construction fund* accounts for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

The *debt service fund* accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

The *OPEB debt service fund* accounts for the accumulation of resources for, and the payment of, the OPEB (other postemployment benefits) bond principal, interest and related costs.

1. Summary of Significant Accounting Policies (Continued)

Description of Funds (Continued)

The District reports the following proprietary fund:

The *postemployment benefits fund* is an internal service fund which accounts for the cost of postemployment benefits of the District. Postemployment benefit costs are charged to other funds of the District based on an established rate. Internal service funds account for the financing of services, provided by one fund to other funds of the District on a cost reimbursement basis.

The District reports the following fiduciary fund:

The *trust fund* is a private purpose trust fund for assets held in a trustee capacity. Contributions to the District are maintained in various scholarship funds in which the annual scholarships are awarded to students based on requirements established by the contributor.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control for most funds is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

Cash and Investments

Except where otherwise required, the District maintains all deposits in bank accounts in the name of the District. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the District. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market.

The District has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

1. Summary of Significant Accounting Policies (Continued)

Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Use of Estimates

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

Inventories

Inventories are recorded using the consumption method of accounting and consist of food and commodities on hand at June 30, 2016. The food is recorded at the lower of cost or market. The food inventories are valued using the latest invoice cost, which approximates FIFO inventory method. Surplus commodities are stated at standardized commodities cost as determined by the Department of Agriculture.

Prepaid Expenses

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

Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection 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 January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflows of resources (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. 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 $44,199 of the property tax levy collectible in 2016 as revenue to the District in fiscal year 2015-2016. The remaining portion of the taxes collectible in 2016 is recorded as deferred inflows of resources.

1. Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

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 deferred inflows of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2016, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a capitalization threshold level of $2,500. 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 District-wide financial statement, but are not reported in the Fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Deprecation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings	20 - 50
Furniture and fixtures	5 - 20

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

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

Compensated Absences

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave, vacation leave, and termination benefits.

Unpaid vacation and sick leave has not been accrued in any funds, as these benefits do not vest to employees. They are recorded as an expense in the period paid. See Note 11 on severance pay.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

1. Summary of Significant Accounting Policies (Continued)

Long-term Obligations (Continued)

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 received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data has not been presented since the inclusion would not provide meaningful comparisons. Certain amounts in the June 30, 2015 totals column have been reclassified to conform to the current year presentation.

Concentration of Credit Risk

Financial instruments which expose the District to a concentration of credit risk consist primarily of cash and investments. Credit risk associated with cash and investments are discussed in Note 3.

Net Position

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

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 9.

2. Stewardship and Accountability

Excess of expenditures over budgeted appropriations at the individual fund level during 2016 is as follows:

Food Service Fund	$	48,891

Excess expenditures were the result of planned processes.

Deficit Fund Balance

Debt Service Fund had a deficit fund balance of $12,207.

3. Deposits and Investments

Summary of Cash and Investments

As of June 30, 2016, the District's cash and investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	$	1,240,273
Money Market Funds		9,862
Minnesota School District Liquid Asset Fund (MSDLAF)		4,872,188
Minnesota State Board of Investments (cash equivalents)		345,491
Total cash and investments		6,467,814
Less: Fiduciary fund cash and cash equivalents		(50,507)
Total Cash and Investments Per Statement of Net Position	$	6,417,307

The MSDLAF is an external investment pool and its investments are valued at amortized cost, which approximates fair in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuation interest rates on the market value of instruments. The MSDLAF pool is rated AAA by Standard & Poor's.

3. Deposits and Investments (Continued)

Investments Authorized by Minnesota Statues

The District is authorized by Minnesota Statues to invest idle funds as follows:

a) Direct obligations or obligations guaranteed by the United States or its agencies.

b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and receiving the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.

c) General obligations rated "A" or better; revenue obligations rated "AA" or better.

d) General obligations of the Minnesota Housing Finance Agency rated "A" or better.

e) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.

f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

g) 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

h) Guaranteed Investments 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.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District's deposits are entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name.

Minnesota Statues require that all District deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statues also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Credit Risk

The District has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The District places no limit on the amount the District may invest in any one issuer.

Interest Rate Risk

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

3. Deposits and Investments (Continued)

Fair Value Measurement

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

There were no assets measured at fair value on a recurring basis noted at the District.

4. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2016 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Other School Districts	Total
General	$ 614,394	$ 127,093	$ 33,122	$ 774,609
Community Service	6,077			6,077
Food Service	3,441	31,743		35,184
Debt Service	4,901			4,901
OPEB Debt Service	925			925
	$ 629,738	$ 158,836	$ 33,122	$ 821,696

5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 21,302	$	$	$ 21,302
Construction in progess	1,319,592	1,181,025		2,500,617
Total capital assets, not being depreciated	1,340,894	1,181,025		2,521,919
Capital assets, being depreciated:				
Buildings	10,425,902	140,827		10,566,729
Land improvements	1,161,347	4,508		1,165,855
Equipment	993,979	75,589	20,623	1,048,945
Total capital assets, being depreciated	12,581,228	220,924	20,623	12,781,529
Less accumulated depreciation for:				
Buildings	4,686,272	309,892		4,996,164
Land improvements	207,814	58,016		265,830
Equipment	660,980	65,930	18,018	708,892
Total accumulated depreciation	5,555,066	433,838	18,018	5,970,886
Total capital assets, being depreciated, net	7,026,162	(212,914)	2,605	6,810,643
Governmental activities capital assets, net	$ 8,367,056	$ 968,111	$ 2,605	$ 9,332,562

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
District and school administration	$ 524
Regular instruction	28,455
Special education	1,757
Pupil support services	17,695
Site, buildings and equipment	385,407
Total depreciation expense - governmental activities	$ 433,838

6. Long-Term Liabilities

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bonds are serviced by the Debt Service Fund. They are backed by the full faith and credit of the District.

A summary of interest rates, maturities and June 30, 2016 balances is as follows:

	Range of Interest Rates	Final Maturity	Balance June 30, 2016
General Obligation Bonds:			
OPEB Bonds 2008A	4.75 - 7.00%	2029	$ 930,000
Alternative Facilities Bonds 2010A	2.00 - 4.00%	2025	1,220,000
Alternative Facilities Bonds 2012A	0.50 - 2.10%	2028	785,000
Alternative Facilities Bonds 2014A	3.00 - 3.50%	2030	4,295,000
Bond discount			(6,561)
Bond premium			97,956
Severance payable			31,838
Total			$ 7,353,233

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable:					
General Obligation Bonds:					
Capital Facilities of 2006	$ 100,000	$	$ 100,000	$	$
OPEB Bonds of 2008A	975,000		45,000	930,000	45,000
Alternative Facilities Bond 2010A	1,335,000		115,000	1,220,000	120,000
Alternative Facilities Bond 2012A	845,000		60,000	785,000	60,000
Alternative & Capital Facilities Bond 2014A	4,420,000		125,000	4,295,000	195,000
Bond Discount	(7,108)		(547)	(6,561)	
Bond Premium	104,952		6,996	97,956	
Other Liabilities:					
Severance Payable	33,750		1,912	31,838	
Governmental Activities Long-term Liabilities	$7,806,594	$	$ 453,361	$ 7,353,233	$ 420,000

6. Long-Term Liabilities (Continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2016, over the life of the debt, are summarized below:

	General Obligation Bonds		
Years	Principal	Interest	Total
Governmental Activities			
2017	$ 420,000	$ 249,295	$ 669,295
2018	430,000	236,553	666,553
2019	450,000	223,348	673,348
2020	455,000	209,170	664,170
2021	475,000	194,802	669,802
2022-2026	2,640,000	717,995	3,357,995
2027-2030	2,360,000	214,198	2,574,198
Totals	$ 7,230,000	$ 2,045,359	$ 9,275,359

Payments on the general obligation bonds payable that pertain to the School District's governmental activities are made by the debt service funds. The severance payable liability attributable to the governmental activities will be liquidated by other School District governmental funds.

7. Fund Equity

In accordance with Government Account Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The School Board designates that the Board Chair, Superintendent, and Business Manager shall agree to assign general fund balance for specific purpose. The School Board will be informed when funds are assigned, purpose of the assignment, and amount.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in the other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of the unrestricted fund balance when expenditures are made.

7. Fund Equity (Continued)

The District has a formal minimum fund balance policy for the General Fund Unassigned Fund Balance to be at least eight percent of the prior fiscal year's general fund expenditures and a maximum of twenty-five percent of the prior fiscal year's general fund expenditures.

Restriction of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

Restricted for Community Education - Represents available resources within the Community Service Fund for enrichment programs for any age level that are not part of the K-12 education program which are not taken for credit or required for graduation.

Restricted for Early Childhood/Family Education - Represents available resources within the Community Service Fund whose focus is to improve parenting skills of new and expectant parents, and/or to provide learning experiences for parents and children.

Restricted for School Readiness - Represents the resources available to provide for services for school readiness programs.

Restricted for Operating Capital - Represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted for Health and Safety - Represents available resources within the General Fund reserved for expenditures pertaining to fire code compliance, life safety repairs, asbestos removal, or PCP, fuels or other hazardous materials.

Restricted for Gifted and Talented - Represents available resources within the General Fund to provide for gifted and talented programs.

Restricted for Safe Schools - Crime Levy - Represents the resources available to provide for Safe School programs.

Restricted for Deferred Maintenance - Represents unspent aid and levy that can be used for those activities having a useful life of five (5) years or more excluding technological equipment and activities, instructional equipment, and other non-maintenance equipment or materials.

Restricted for Southern Minnesota Initiative Foundation (SMIF) Grant - Represents resources to be used for Kinder Camp.

Restricted for Teacher Development and Evaluation – Represents available resources within the General Fund reserved for teacher development and evaluation.

Restricted for Basic Skills - Represents available resources within the General Fund to provide for basic skills programs.

Restricted for Alternative Facility Program - Represents resources available for approved expenditures based on the ten-year plan for capital projects.

8. Commitments and Contingencies

The District participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

9. Defined Benefit Pension Plans – Statewide

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

Plan Description

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Fund (TRA)

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

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

Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

9. Defined Benefit Pension Plans – Statewide (Continued)

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.

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

2. TRA Benefits

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

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

Tier I:	Step Rate Formula	Coordinated	Step Rate Formula	Basic
	1st ten years if service years prior to 7-1-06	1.2 percent per year	1st ten years	2.2 percent per year
	1st ten years if service years after 7-1-06	1.4 percent per year	All years after	2.7 percent per year
	All other years if service years prior to 7-1-06	1.7 percent per year		
	All years after 7-1-06	1.9 percent per year		

With these provisions:

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

b) 3 percent per year early retirement reduction factors for all years under normal retirement age.

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

or

9. Defined Benefit Pension Plans – Statewide (Continued)

Tier II Benefits: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent for Basic members applies. Actuarially equivalent early retirement reduction factors with augmentation are used for early retirement before the normal age of 65. These reduction factors average approximately 4 to 5.4 percent per year.

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 (A-1) 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 five plans, which 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 also eligible for a refund of their employee contributions plus interest.

Contributions

1. GERF Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the state legislature. The District makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2016. The District is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the Public Employee's Retirement Fund for the years ending June 30, 2016, was $85,648. The District's contributions were equal to the contractually required contributions for each year as set by the state statute.

Minnesota Statute Chapter 354 sets the rates for the employee and employer contributions. These statutes are established and amended by the state legislature.

	Ending June 30, 2016		Ending June 30, 2015	
	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%
Coordinated	7.5%	7.5%	7.5%	7.5%

The District contributions for the year ended June 30, 2016 was, equal to $195,990 required contributions for each year as set by state statute.

9. Defined Benefit Pension Plans – Statewide (Continued)

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$	340,207,590
Deduct employer contributions not related to future contribution effort		(704,635)
Deduct TRA's contributions not included in allocation		(435,999)
Total employer contributions	$	339,066,956
Total non-employer contributions		41,587,410
Total Contributions reported in Schedule of Employer and Non-Employer Allocations	$	380,654,366

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

Merger of Duluth Teacher's Retirement Fund Association (DTRFA)

Legislation enacted in 2014 merged the Duluth Teachers Retirement Fund Association (DTRFA) with TRA effective June 30, 2015. The Beginning balances of total pension liability and fiduciary net position were adjusted to reflect the merger of DTRFA.

	6/30/2014 CAFR		Restated	
Total Pension Liability (A)	$	24,901,612,000	$	25,299,564,000
Plan Fiduciary Net Position (B)		20,293,684,000		20,519,756,000
Net Pension Liability (A-B)	$	4,607,928,000	$	4,779,808,000

Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of $881,028 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0170% at the end of the measurement period and 0.0175% at the beginning of the measurement period.

9. Defined Benefit Pension Plans – Statewide (Continued)

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERF, effective January 1, 2015, and (2) revisions to *Minnesota Statutes* to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8%. Beginning June 30, 2016, measurement date the discount rate used when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year June 30, 2016, the District recognized pension expense of $111,567 for its proportionate share of GERF's pension expense.

At June 30, 2016, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$	$ 36,008
Changes in actuarial assumptions	56,481	
Difference between projected and actual investment earnings		83,188
Changes in proportion		17,616
Contributions paid to PERA subsequent to the measurement date June 30, 2016	85,648	
Total	$ 142,129	$ 136,812

$85,648 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	$ (22,911)
2018	(22,911)
2019	(55,359)
2020	20,850

9. Defined Benefit Pension Plans – Statewide (Continued)

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of $3,074,437 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0497% at the end of the measurement period and 0.0539% for the beginning of the period.

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

District's proportionate share of net pension liability	$	3,074,437
State's proportionate share of the net pension liability associated with the district	$	377,135

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually with no increases to 2.5 projected. The prior year valuation assumed a 2.5 percent increase commencing on July 1, 2034.

For the year ended June 30, 2016, the District recognized pension expense of $322,316. It also recognized $66,673 as an increase to pension expense for the support provided by direct aid.

The TRA actuary has determined the average of the expected remaining lives of all members for the fiscal year 2015 is 5.73. The "Difference Between Expected and Actual Experience" and "Changes in Assumptions" use the amortization period of 5.73 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 years as required by GASB 68. The "Changes in Proportion" uses a rounded amortization period of 5.0 years.

9. Defined Benefit Pension Plans – Statewide (Continued)

At June 30, 2016, 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
Difference between expected and actual economic experience	$ 170,600	$
Changes in actuarial assumptions	236,342	
Difference between projected and actual investment earnings		280,773
Changes in proportion		29,537
Contributions paid to TRA subsequent to the measurement date June 30, 2016	195,990	
Total	$ 602,932	$ 310,310

$195,990 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2017	$ (22,322)
2018	(22,322)
2019	(22,320)
2020	163,596

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Assumptions	**GERF**	**TRA**
Inflation	2.75% per year	3.0%
Active Member Payroll Growth	3.50% per year	3.75% based on years of service
Investment Rate of Return	7.90%	8.25%

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

Actuarial assumptions for GERF used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, to June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

9. Defined Benefit Pension Plans – Statewide (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions for TRA used in the June 30, 2015, valuations were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.0% for TRA. The State Board of Investment, which manages the investments of PERA and 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 arithmetic 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%
Unallocated Cash	2%	0.50%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.0% for TRA (This is a decrease from the discount rate at the prior measurement date of 8.25%). The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on those assumptions, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

9. Defined Benefit Pension Plans – Statewide (Continued)

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 1,385,290	$ 881,028	$ 464,586
TRA Discount Rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	$ 4,679,690	$ 3,074,437	$ 1,734,806

Pension Plan Fiduciary Net Position

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

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

10. Other Postemployment Benefit Plan

Plan Description

The District provides health insurance benefits for certain retired employees under a single-employer plan. The District provides benefits for retirees as required by state statute to active employees when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and if they do not participate in any other health benefits program providing similar coverage. These retirees will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active retiree population, the retirees are receiving an implicit rate subsidy. In addition, for retirees hired on or before September 2, 1997, the District contributes $405 per month for retirees and $180 per month for a retiree spouse for health benefits until Medicare eligibility. As of June 30, 2016 there were approximately 10 retirees participating in the District's group health plan.

10. Other Postemployment Benefit Plan (Continued)

Funding Policy

The District makes all contributions shown below, and for the year ended June 30, 2009, the District transferred $1,145,132 from bonds issued to fund the unfunded actuarial accrued liability as discussed below. The bond proceeds were transferred to a revocable trust but are not considered contributed assets since the trust is revocable.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB standards. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for 2016, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	$ 66,651
Interest on net OPEB obligations	(10,755)
Adjustment to ARC	15,247
Annual OPEB cost	71,143
Contributions during the year	(94,907)
Decrease in net OPEB obligation	(23,764)
Net OPEB asset beginning of year	(268,870)
Net OPEB asset end of year	$ (292,634)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2016, 2015, and 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
6/30/2014	$ 74,264	$ 118,286	159.28%	$ (246,539)
6/30/2015	70,770	51,435	72.68%	(268,870)
6/30/2016	71,143	94,907	133.40%	(292,634)

10. Other Postemployment Benefit Plan (Continued)

Funding Status and Funding Progress

The required schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2014	$	$ 690,681	$ 690,681	0.00%	$ 2,463,513	28.04%
7/1/2011	$	$ 837,734	$ 837,734	0.00%	$ 2,200,362	38.07%

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the July 1, 2014 actuarial valuation, projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate, which is based on the estimated long-term investment yield on the general assets of the District using underlying long-term inflation assumption of 2.5%. The annual healthcare cost trend rate is 7.5% initially, reduced incrementally to an ultimate rate of 5.0% after ten years. The unfunded actuarial accrued liability will be amortized as level dollar amount on a closed basis.

11. Severance Pay and Early Retirement Incentive Pay

In accordance to the current contracts, any teacher with 15 years teaching experience in the Harmony, Preston-Fountain, and Fillmore Central Districts and who are at least 55 years of age shall be eligible for the severance plan. Eligible teachers shall receive payment for accumulated and unused sick leave at the rate of $125 per day, not to exceed 100 days. The severance shall be paid in two equal installments, half on July 20th in the year of retirement and half on July 20th of the following year.

An estimate of the potential obligation to be paid in future years is $31,838. This amount is included in the financial statements as part of long-term liabilities.

12. Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a “cafeteria plan” under Section 125 of the Internal Revenue Code. All employees of the District are eligible to participate in the plan. Employees can elect to contribute pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

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

Payments of insurance premiums (health, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the appropriate fund.

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

13. 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; injuries to employees; and natural disasters. The District carries insurance for employee health, liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2016.

14. Restricted Cash and Cash Equivalents

Under the provisions of the Alternative Facilities Bonds 2012A, the bond proceeds are to be placed in the Building and Construction Fund until all expenditures connected with the Project financed by the bonds are paid. After payment of all construction costs, any remaining proceeds shall be transferred to the Debt Service Fund.

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2016

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

Schedule of Funding Progress – Other Postemployment Benefits
June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2014	$	$ 690,681	$ 690,681	0.00%	$ 2,463,513	28.04%
7/1/2011	$	$ 837,734	$ 837,734	0.00%	$ 2,200,362	38.07%

See Note 10, Other Postemployment Benefit Plan, for more information.

Schedule of Employer Contributions
Year Ended June 30, 2016

Fiscal Year Ended	Annual Required Contribution	Percentage of Annual Required Contributions Recognized
6/30/2014	$ 70,873	167%
6/30/2015	66,651	77%
6/30/2016	66,651	142%

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

Schedule of District's Contributions
GERF Retirement Funds
Last Ten Years

Fiscal Year Ending June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	PERA	$ 61,026	$ 61,026	$	$ 1,010,819	6.04%
2016	PERA	73,633	73,633		1,108,202	6.64%
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

Schedule of District's Contributions
TRA Retirement Funds
Last Ten Years

Fiscal Year Ending June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	TRA	$ 172,344	$ 172,344	$	$ 2,569,265	6.71%
2016	TRA	189,286	189,286		2,664,726	7.10%
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Public Employees PERA
Last Ten Years (presented prospectively)

Fiscal Year Ending June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0175%	$ 822,062	$ 1,010,819	81%	78.7%
2015	0.0170%	881,028	1,108,202	80%	78.2%
2016					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)

Fiscal Year Ending June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered-Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0539%	$ 2,483,673	$ 174,748	$ 2,658,421	$ 2,569,265	97%	81.5%
2015	0.0497%	3,074,437	377,135	3,451,572	2,664,726	115%	76.8%
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

SUPPLEMENTAL INFORMATION

JUNE 30, 2016

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
COMPARATIVE BALANCE SHEET
GENERAL FUND
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents	$ 5,260,565	$ 4,152,308
Current property taxes receivable	446,290	441,622
Delinquent property taxes receivable	16,183	18,273
Accounts receivable	15,994	54,839
Due from other Minnesota school districts	33,122	9,816
Due from Minnesota Department of Education	614,394	889,475
Due from Federal through Minnesota Department of Education	127,093	267,677
TOTAL ASSETS	$ 6,513,641	$ 5,834,010
Liabilities		
Accounts payable	$ 28,939	$ 24,178
Salaries and accrued liabilities payable	509,789	500,158
Due to other Minnesota school districts	18,032	38,406
Unearned revenue	35,380	10,225
TOTAL LIABILITIES	592,140	572,967
Deferred Inflows of Resources		
Unavailable revenue:		
Property taxes levied for subsequent year	896,434	821,336
Delinquent property taxes	16,183	18,273
TOTAL DEFERRED INFLOWS OF RESOURCES	912,617	839,609
Fund Balances		
Restricted for:		
Deferred maintenance		11,101
Gifted and talented	15,393	13,283
Operating capital	460,255	424,861
Health and safety	(147,978)	(157,543)
Basic skills	300	200
Safe schools crime	34,446	23,852
Teacher development and evaluation	6,477	6,477
Assigned for:		
Designated for early risers	11,187	11,187
Student laptop repairs	17,107	
Roof repair	2,000,000	500,000
Technology	500,000	500,000
Transportation	100,000	100,000
Building maintenance and improvement	500,000	250,000
Garage storage space	200,000	125,000
Parking lot	200,000	
Unassigned	1,111,697	2,613,016
TOTAL FUND BALANCES	5,008,884	4,421,434
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 6,513,641	$ 5,834,010

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
BUILDING CONSTRUCTION
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	Budgeted Amounts		2016	Over (Under)	2015
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Other local and county sources	$	$ 17,000	$ 16,977	$ (23)	$
Investment income	2,000	1,500	1,067	(433)	5,827
TOTAL REVENUES	2,000	18,500	18,044	(456)	5,827
Expenditures					
Site, buildings, and equipment	2,790,000	1,505,925	1,418,468	(87,457)	3,025,951
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,788,000)	(1,487,425)	(1,400,424)	87,001	(3,020,124)
Other Financing Sources (Uses)					
Bond proceeds					4,479,302
Operating transfer out					(91,203)
TOTAL OTHER FINANCING SOURCES (USES)					4,388,099
NET CHANGE IN FUND BALANCE	(2,788,000)	(1,487,425)	(1,400,424)	87,001	1,367,975
FUND BALANCES - BEGINNING	1,503,925	1,503,925	1,503,925		135,950
FUND BALANCES - ENDING	$(1,284,075)	$ 16,500	$ 103,501	$ 87,001	$ 1,503,925

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2016
With Partial Comparative Data for the Year Ended June 30, 2015

	Budgeted Amounts		2016	Over (Under)	2015
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 618,789	$ 539,870	$ 539,848	$ (22)	$ 462,643
Investment income	500	500	157	(343)	150
State sources		49,010	49,010		29,409
TOTAL REVENUES	619,289	589,380	589,015	(365)	492,202
Expenditures					
Fiscal and Other Fixed Cost Programs	599,783	601,858	601,858		678,968
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	19,506	(12,478)	(12,843)	(365)	(186,766)
Other Financing Sources					
Operating transfers in					91,203
NET CHANGE IN FUND BALANCES	19,506	(12,478)	(12,843)	(365)	(95,563)
FUND BALANCE - BEGINNING	636	636	636		96,199
FUND BALANCE - ENDING	$ 20,142	$ (11,842)	$ (12,207)	$ (365)	$ 636

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
SUPPLEMENTAL COST SCHEDULES
For the Years Ended June 30, 2016 and 2015
(Unaudited)

Fiscal Year Ended June 30, 2016		2015 - 2016 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
District and school administration		$ 374,473	$ 597
District support services		265,426	423
Regular instruction		3,001,212	4,788
Vocational instruction		86,790	138
Special education	*	1,064,627	1,699
Community education and services		616,865	984
Instructional support services		133,065	212
Pupil support services		967,686	1,544
Site, buildings, and equipment		2,410,840	3,847
Fiscal and other fixed cost programs		744,725	1,188
TOTALS		$ 9,665,709	$ 15,422

2015 - 2016 Adjusted Average Daily Membership - 626.76

* Includes Root River program expenditures

Fiscal Year Ended June 30, 2015		2014 - 2015 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
District and school administration		$ 361,677	$ 612
District support services		310,449	526
Regular instruction		2,752,657	4,661
Vocational instruction		61,038	103
Special education	*	963,173	1,631
Community education and services		546,457	925
Instructional support services		173,800	294
Pupil support services		934,747	1,583
Site, buildings, and equipment		4,079,886	6,908
Fiscal and other fixed cost programs		817,385	1,384
TOTALS		$ 11,001,269	$ 18,627

2014 - 2015 Adjusted Average Daily Membership - 590.61

* Includes Root River program expenditures

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

TAX LEVY HISTORY

	15 Pay 16 Fiscal 17	14 Pay 15 Fiscal 16	13 Pay 14 Fiscal 15	12 Pay 13 Fiscal 14	11 Pay 12 Fiscal 13	10 Pay 11 Fiscal 12
Tax Levy*						
General	$ 940,633	$ 904,802	$ 1,146,400	$ 732,150	$ 928,827	$ 835,875
Community Service	84,060	83,692	80,873	75,866	74,498	72,498
Debt Redemption (Net)	706,167	699,987	594,006	656,977	617,906	627,744
TOTAL TAX LEVY	$ 1,730,860	$ 1,688,481	$ 1,821,279	$ 1,464,993	$ 1,621,231	$ 1,536,117

* The tax levy includes property tax apportionment from Fillmore County and state aid credits from the State of Minnesota.

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

COMPLIANCE AND INTERNAL CONTROL REPORTS

JUNE 30, 2016

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Certified Public Accountants and Consultants

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

To the Board of Education
Independent School District #2198
Preston, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65. The financial statements of the governmental activities, each major fund, and aggregate remaining fund information of Independent School District #2198, Preston, Minnesota, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprises the District's basic financial statements and have issued our report thereon dated November 10, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2011-1 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 of 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*.

Minnesota Legal Compliance

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

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

Other Matter

District's response to internal control and legal compliance findings identified in our audit has been included in the Schedule of Findings and Responses. The District's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Smith, Schafer and Associates, Ltd.

November 10, 2016
Rochester, Minnesota

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

SCHEDULE OF FINDINGS

JUNE 30, 2016

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B. FINDING - FINANCIAL STATEMENTS AUDIT

FINDINGS – 2011-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPALS (GAAP)

Condition: The District does have a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's internal controls.

Criteria: The District should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.

Context: The District has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.

Effect: No effect on the financial statements.

Cause: The District does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.

Recommendation: We recommend the District continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit findings.

Actions Planned in Response to Findings:
The management and accounting personnel review the drafted financial statements and notes. The District does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the District will rely upon the auditors for completeness of the disclosures. However, the management and accounting personnel will review the notes for accuracy and compare the balances to UFARS and other District reports prior to issuance of the statements.

Official Responsible for Ensuring CAP:
Darla Ebner, Bookkeeper, is the official responsible for ensuring the planned responses.

Planned Completion Date for CAP:
Not applicable as the District is willing to accept this risk at this time and will continue to evaluate the recommendation.

Plan to Monitor Completion of CAP:
Richard Keith, Superintendent, will ensure the review by the Bookkeeper has been completed. She will do this through discussion with the Bookkeeper and reviewing the draft of the financial statements.

CURRENT STATUS:

The finding recurred in 2016.

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

STUDENT ACTIVITY FUNDS

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District #2198
Preston, Minnesota

We have audited the statements of cash receipts and disbursements of the student activity accounts of Independent School District #2198, Preston, Minnesota for the year ended June 30, 2016. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with accounting standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practicable for us to extend our audit of such cash collections beyond the amounts recorded.

Because the financial statements are prepared on the basis of cash receipts and disbursements, revenue is recorded when received rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with United States generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statements referred to above presents fairly, in all material respects, the cash transactions of the District's Student Activity Funds as of June 30, 2016, and the receipts and disbursements for the year then ended on the basis of accounting describe in the notes to the Student Activity Funds Financial Statement.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
November 10, 2016

INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA
HIGH SCHOOL STUDENT ACTIVITY FUNDS
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 2016

Funds	Balance 06/30/15	Receipts	Disbursements	Balance 06/30/16
Class of 2015	$ 12,340	$	$ 12,340	$
Class of 2016	8,025	90,942	83,508	15,459
Class of 2017	5,590	10,479	4,280	11,789
Class of 2018	4,033	2,966	444	6,555
Class of 2019	1,123	1,504	75	2,552
Class of 2020	529	462		991
Class of 2021		681		681
Spanish Club	258	348	246	360
Annual	12,568	8,344	6,299	14,613
Band	17,636	97,850	105,203	10,283
Cheerleading	1,637	2,019	3,338	318
HS Choir	8,282	13,408	12,575	9,115
FFA	13,003	40,924	36,860	17,067
Jazz Account	1,828	14,368	14,302	1,894
National Honor Society	421	189	189	421
SADD	1,605	552	589	1,568
Student Council	3,247	6,315	5,851	3,711
Tapestry	4,243	5,491	4,003	5,731
TNT	726	543	796	473
Video Club	396	1	4	393
TOTAL	$ 97,490	$ 297,386	$ 290,902	$ 103,974

NOTES TO STUDENT ACTIVITY FUNDS FINANCIAL STATEMENTS
Year Ended June 30, 2016

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fund raising events.

The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the Board of Education
Independent School District #2198
Preston, Minnesota

We have audited the statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District #2198, Preston, Minnesota for the year ended June 30, 2016, and have issued our report thereon dated November 10, 2016.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Manual of Instruction for Manual for Activity Fund Accounting for Minnesota School Districts*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes Section 123.38.

The *Manual for Activity Fund Accounting for Minnesota School Districts* provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District complied with the provisions referred to in the preceding paragraph.

This report is intended for the information of the School Board, management, and students of Independent School District #2198, Preston, Minnesota and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
November 10, 2016

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INDEPENDENT SCHOOL DISTRICT #2198
PRESTON, MINNESOTA

COMPLIANCE TABLE

JUNE 30, 2016

Fiscal Compliance Report - 6/30/2016
District: FILLMORE CENTRAL (2198-1)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$7,071,090	$7,071,090	$0
Total Expenditures	$6,483,640	$6,483,638	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.05 Deferred Maintenance	$0	$0	$0
4.06 Health and Safety	($147,978)	($147,978)	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.23 Certain Teacher Programs	$0	$0	$0
4.24 Operating Capital	$460,255	$460,254	$1
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$15,393	$15,393	$0
4.40 Teacher Development and Evaluation	$6,477	$6,477	$0
4.41 Basic Skills Programs	$300	$300	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$34,446	$34,446	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$3,528,294	$3,528,294	$0
Unassigned:			
4.22 Unassigned Fund Balance	$1,111,697	$1,111,699	($2)

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$482,665	$482,663	$2
Total Expenditures	$434,487	$434,483	$4
Non Spendable:			
4.60 Non Spendable Fund Balance	$8,109	$8,109	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$77,985	$77,987	($2)
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$670,555	$670,555	$0
Total Expenditures	$616,865	$616,865	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$205,623	$205,622	$1
4.32 E.C.F.E	$21,985	$21,985	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$21,576	$21,576	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$23,993	$23,993	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$18,044	$18,044	$0
Total Expenditures	$1,418,468	$1,418,467	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.09 Alternative Facility Program	$91,838	$91,838	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$11,663	$11,663	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$589,015	$589,015	$0
Total Expenditures	$601,858	$601,858	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	($12,207)	($12,206)	($1)

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$21,342	$21,341	$1
Total Expenditures	$23,351	$23,351	$0
4.22 Unassigned Fund Balance (Net Assets)	$50,507	$50,507	$0

20 INTERNAL SERVICE

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

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$90,824	$90,824	$0
Total Expenditures	$71,143	$71,143	$0
4.22 Unassigned Fund Balance (Net Assets)	$592,032	$592,032	$0

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$122,502	$122,503	($1)
Total Expenditures	$110,391	$110,393	($2)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$33,268	$33,268	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0