

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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PERHAM, MINNESOTA
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**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
ROSTER OF SCHOOL OFFICIALS
June 30, 2016**

| | |
|----------------|-------------------------------|
| Sue VonRuden | Chairperson |
| Nathan Rooney | Vice Chairperson |
| Arnie Thompson | Clerk |
| Cyndy Huber | Treasurer |
| Sue Huebsch | Director |
| Christi Stoll | Director |
| Vince Pankonin | Director |
| Mitch Anderson | Superintendent |
| Kristi Werner | Director of Business Services |



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 549
Perham, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 549, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Independent School District No. 549, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules as listed in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, schedule of changes in fund balances, and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 7, 2016

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

This section of Independent School District No. 549's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. Certain reclassifications have been made to the 2015 financial statements in order to conform with the 2016 presentation.

Financial Highlights

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

- Overall fund revenues were \$18,427,045 and overall fund expenditures were \$19,966,869.
- Building construction expenditures were \$2,001,619.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

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

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. 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 (such as repaying its long-term debts) or to show that it is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds**: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, building construction fund, debt service fund, and OPEB debt service fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

- **Fiduciary fund**: The District is the fiduciary for assets that belong to others. The District is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activity, consisting of an OPEB Trust Fund, is reported in a separate Statement of Fiduciary Net Position. The District excludes the activities from the district-wide financial statements because it cannot use the assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2016**

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was \$4,572,201 on June 30, 2016 (see details in Table A-1). This was an increase of 38.0 percent from the prior year.

**Table A-1
 Statement of Net Position**

| | <u>2016</u> | <u>2015</u> | <u>Total Percentage Change</u> |
|----------------------------------|---------------------|---------------------|--|
| Current and Other Assets | \$ 56,356,221 | \$ 9,001,709 | 526.1 % |
| Capital Assets | 12,704,298 | 10,797,853 | 17.7 |
| Total Assets | <u>69,060,519</u> | <u>19,799,562</u> | 248.8 |
| Deferred Outflows of Resources | <u>1,686,370</u> | <u>1,247,586</u> | 35.2 |
| Long-Term Liabilities | 54,774,354 | 9,132,069 | 499.8 |
| Other Liabilities | 4,679,441 | 2,485,899 | 88.2 |
| | <u>59,453,795</u> | <u>11,617,968</u> | 411.7 |
| Deferred Inflows of Resources | <u>6,720,893</u> | <u>6,116,826</u> | 9.9 |
| Net Position | | | |
| Net Investment in Capital Assets | 8,972,345 | 10,543,167 | (14.9) |
| Restricted | 2,756,203 | 1,284,780 | 114.5 |
| Unrestricted | <u>(7,156,347)</u> | <u>(8,515,593)</u> | 16.0 |
| Total Net Position | <u>\$ 4,572,201</u> | <u>\$ 3,312,354</u> | 38.0 % |

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2016**

Change in Net Position

Table A-2 presents the change in net position of the District.

**Table A-2
 Change in Net Position**

| | <u>2016</u> | <u>2015</u> | <u>Total Percentage Change</u> |
|--|---------------------|---------------------|--|
| Revenues | | | |
| Program Revenues | | | |
| Charges for Services | \$ 783,020 | \$ 889,564 | (12.0) % |
| Operating Grants and Contributions | 4,161,466 | 3,622,519 | 14.9 |
| Capital Grants and Contributions | 86,706 | 75,191 | 15.3 |
| General Revenues | | | |
| Property Taxes | 4,084,467 | 3,187,817 | 28.1 |
| Unrestricted State Aid | 9,280,430 | 8,686,550 | 6.8 |
| Other Sources | 213,755 | 185,944 | 15.0 |
| Total Revenues | <u>18,609,844</u> | <u>16,647,585</u> | 11.8 |
| Expenses | | | |
| Administration | 792,396 | 741,925 | 6.8 |
| District Support Services | 446,226 | 475,289 | (6.1) |
| Elementary & Secondary Regular Instruction | 6,398,625 | 5,817,427 | 10.0 |
| Vocational Education Instruction | 370,547 | 372,463 | (0.5) |
| Special Education Instruction | 2,579,299 | 2,283,276 | 13.0 |
| Community Education and Services | 401,583 | 399,499 | 0.5 |
| Instructional Support Services | 1,030,077 | 749,180 | 37.5 |
| Pupil Support Services | 2,513,053 | 2,403,954 | 4.5 |
| Sites and Buildings | 1,810,183 | 1,735,613 | 4.3 |
| Fixed Costs | 157,760 | 139,973 | 12.7 |
| Interest Expense | 439,733 | 100,839 | 336.1 |
| Depreciation - Unallocated | 410,515 | 407,987 | 0.6 |
| Total Expenses | <u>17,349,997</u> | <u>15,627,425</u> | 11.0 |
| Change in Net Position | 1,259,847 | 1,020,160 | 23.5 |
| Net Position - Beginning | <u>3,312,354</u> | <u>2,292,194</u> | 44.5 |
| Net Position - Ending | <u>\$ 4,572,201</u> | <u>\$ 3,312,354</u> | 38.0 % |

The District's total revenues were \$18,609,844 for the year ended June 30, 2016. Property taxes and state aid payments accounted for 89 percent of total revenue for the year.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2016**

The total cost of all programs and services was \$17,349,997. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position by \$1,259,847 over last year.

The net cost of governmental activities is their total costs less program revenues applicable to each category.

Table A-3 presents these net costs.

**Table A-3
 Net Cost of Governmental Activities**

| | Total Cost of Services | | Total Percentage Change | Net Cost of Services | | Total Percentage Change |
|---|------------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|
| | 2016 | 2015 | | 2016 | 2015 | |
| Expenses | | | | | | |
| Administration | \$ 792,396 | \$ 741,925 | 6.8 % | \$ 792,396 | \$ 708,796 | 11.8 % |
| District Support Services | 446,226 | 475,289 | (6.1) | 446,226 | 475,289 | (6.1) |
| Elementary & Secondary Regular Instruction | 6,398,625 | 5,817,427 | 10.0 | 4,906,788 | 4,436,474 | 10.6 |
| Vocational Education Instruction | 370,547 | 372,463 | (0.5) | 370,547 | 372,463 | (0.5) |
| Special Education Instruction | 2,579,299 | 2,283,276 | 13.0 | 1,055,069 | 1,002,486 | 5.2 |
| Community Education and Services | 401,583 | 399,499 | 0.5 | 140,271 | 154,427 | (9.2) |
| Instructional Support Services | 1,030,077 | 749,180 | 37.5 | 821,501 | 559,587 | 46.8 |
| Pupil Support Services | 2,513,053 | 2,403,954 | 4.5 | 1,082,112 | 1,058,217 | 2.3 |
| Sites and Buildings | 1,810,183 | 1,735,613 | 4.3 | 1,695,887 | 1,623,613 | 4.5 |
| Fixed Costs | 157,760 | 139,973 | 12.7 | 157,760 | 139,973 | 12.7 |
| Interest Expense | 439,733 | 100,839 | 336.1 | 439,733 | 100,839 | 336.1 |
| Depreciation - Unallocated | 410,515 | 407,987 | 0.6 | 410,515 | 407,987 | 0.6 |
| | <u>\$ 17,349,997</u> | <u>\$ 15,627,425</u> | 11.0 % | <u>\$ 12,318,805</u> | <u>\$ 11,040,151</u> | 11.6 % |

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Table A-4
 Major Funds**

| | Fund Balance | | Increase (Decrease) | Percentage Increase (Decrease) |
|----------------------------|--------------|--------------|------------------------|--------------------------------------|
| | 2016 | 2015 | | |
| Governmental Funds | | | | |
| General | \$ 2,981,395 | \$ 2,426,178 | \$ 555,217 | 22.9 % |
| Building Construction Fund | 43,879,843 | | 43,879,843 | 100.0 |
| Debt Service Fund | 658,478 | | 658,478 | 100.0 |
| OPEB Debt Service | 115,237 | 54,209 | 61,028 | 112.6 |

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2016**

General Fund

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

Table A-5 presents a summary of general fund revenue.

**Table A-5
 General Fund Revenue**

| | <u>2016</u> | <u>2015</u> | <u>Amount of Increase (Decrease)</u> | <u>Percent Increase (Decrease)</u> |
|----------------------------|----------------------|----------------------|--|--|
| Local Sources | | | | |
| Property Taxes | \$ 2,600,879 | \$ 1,830,647 | \$ 770,232 | 42.1 % |
| Interest Earnings | 8,092 | 5,572 | 2,520 | 45.2 |
| Other | 462,701 | 539,810 | (77,109) | (14.3) |
| State Sources | 12,314,552 | 11,457,828 | 856,724 | 7.5 |
| Federal Sources | 286,361 | 280,914 | 5,447 | 1.9 |
| Other | 2,043 | 3,841 | (1,798) | (46.8) |
| Total General Fund Revenue | <u>\$ 15,674,628</u> | <u>\$ 14,118,612</u> | <u>\$ 1,556,016</u> | 11.0 % |

Total general fund revenue increased by \$1,556,016 or 11.0 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve 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 change on revenue.

Table A-6 presents a summary of general fund expenditures.

**Table A-6
 General Fund Expenditures**

| | <u>2016</u> | <u>2015</u> | <u>Amount of Increase (Decrease)</u> | <u>Percent Increase (Decrease)</u> |
|---------------------------------|----------------------|----------------------|--|--|
| Salaries | \$ 8,309,709 | \$ 7,790,808 | \$ 518,901 | 6.7 % |
| Employee Benefits | 1,949,665 | 1,702,068 | 247,597 | 14.5 |
| Purchased Services | 2,993,469 | 2,721,279 | 272,190 | 10.0 |
| Supplies and Materials | 710,838 | 958,536 | (247,698) | (25.8) |
| Capital Expenditures | 1,142,281 | 651,618 | 490,663 | 75.3 |
| Debt Service | 151,592 | 72,851 | 78,741 | 108.1 |
| Other Expenditures | 101,296 | 101,063 | 233 | 0.2 |
| Total General Fund Expenditures | <u>\$ 15,358,850</u> | <u>\$ 13,998,223</u> | <u>\$ 1,360,627</u> | 9.7 % |

Total general fund expenditures increased \$1,360,627 or 9.7 percent from the previous year.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

General Fund Budgetary Highlights

The District's final budget for the general fund anticipated that expenditures would exceed revenues and other financing sources by \$13,063. The actual results for the year show a \$555,217 surplus.

Capital Assets and Debt Administration

Capital Assets

Note 3 to the financial statements presents an analysis of capital assets transactions occurring during the year ended June 30, 2016. Additions totaling \$2,466,890 mainly included construction in process for an addition to the elementary school, a gym floor, a portable classroom, a tractor, and a parking lot.

Long-Term Liabilities

At year-end, the District had \$57,474,079 of long-term liabilities. This consisted of bonded indebtedness of \$45,735,000, unamortized premium of \$1,257,891, a capital lease of \$117,970, special assessment debt of \$233,353, severance payable of \$1,280,164, and net pension liability of \$8,849,701. Note 6 to the financial statements present details and payment provisions of these items.

Factors Bearing on the District's Future

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

- The political environment at the state level will have a significant effect on future finances. The state legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.
- Changes in enrollment have an important effect on the District's revenue, as state funding is based on a per pupil formula.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristi Werner, Business Affairs Officer, at District offices located in the high school building, 200 5th Street SE, Room D, Perham, Minnesota 56573.

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INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2016

| | |
|---|---------------------|
| GOVERNMENTAL ACTIVITIES | |
| ASSETS | |
| Cash and Investments | \$ 50,498,656 |
| Property Taxes Receivable, Net of Allowance | 2,731,791 |
| Accounts Receivable | 108,138 |
| Due From Department of Education | 1,414,742 |
| Due From Federal Govt. - DOE | 69,870 |
| Due From Other MN Districts | 137,292 |
| Due From OPEB Trust | 183,617 |
| Inventory | 22,009 |
| Net Other Postemployment Benefit Asset | 1,190,106 |
| Capital Assets | |
| Land, Construction in Process | 2,363,124 |
| Other Capital Assets, Net of Depreciation | 10,341,174 |
| TOTAL ASSETS | <u>69,060,519</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Cost Sharing Defined Benefit Pension Plan | 1,686,370 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>1,686,370</u> |
| LIABILITIES | |
| Accounts Payable | 338,735 |
| Salaries Payable | 586,617 |
| Payroll Deductions | 568,513 |
| Due To Other MN Districts | 13,571 |
| Vacation Payable | 82,000 |
| Interest Payable | 390,280 |
| Long-Term Liabilities Due Within One Year | 2,699,725 |
| Long-Term Liabilities | |
| Bonds, Net Unamortized Premiums and Discounts | 46,992,891 |
| Capital Lease | 117,970 |
| Special Assessment Debt | 233,353 |
| Severance Payable | 1,280,164 |
| Net Pension Liability | 8,849,701 |
| Less Amounts Due Within One Year | <u>(2,699,725)</u> |
| Total Long-Term Liabilities | <u>54,774,354</u> |
| TOTAL LIABILITIES | <u>59,453,795</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Taxes Levied - Subs. Years | 5,700,128 |
| Cost Sharing Defined Benefit Pension Plan | 1,020,765 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>6,720,893</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 8,972,345 |
| Restricted | |
| Health and Safety | 49,414 |
| Deferred Maintenance | 255,279 |
| Capital Projects | 205,347 |
| Levy Reduction | 164,027 |
| Operating Capital | 84,934 |
| Safe Schools | 71,138 |
| Area Learning Center | 414,888 |
| Community Education | 25,569 |
| ECFE | 35,730 |
| School Readiness | 3,623 |
| Community Service | 18,735 |
| Food Service | 192,307 |
| Building Construction | 849,111 |
| Scholarship | 2,667 |
| Debt Service | 275,948 |
| OPEB Debt Service | 107,486 |
| Unrestricted | <u>(7,156,347)</u> |
| TOTAL NET POSITION | <u>\$ 4,572,201</u> |

The notes to basic financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position |
|---|----------------------|----------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Administration | \$ 792,396 | \$ | \$ | \$ | (792,396) |
| District Support Services | 446,226 | | | | (446,226) |
| Elementary & Secondary | | | | | |
| Regular Instruction | 6,398,625 | 129,011 | 1,346,103 | 16,723 | (4,906,788) |
| Vocational Education Instruction | 370,547 | | | | (370,547) |
| Special Education Instruction | 2,579,299 | 120,279 | 1,403,951 | | (1,055,069) |
| Community Education and Services | 401,583 | 178,053 | 83,259 | | (140,271) |
| Instructional Support Services | 1,030,077 | | 184,949 | 23,627 | (821,501) |
| Pupil Support Services | 2,513,053 | 338,717 | 1,092,224 | | (1,082,112) |
| Sites and Buildings | 1,810,183 | 16,960 | 50,980 | 46,356 | (1,695,887) |
| Fixed Costs | 157,760 | | | | (157,760) |
| Interest Expense | 439,733 | | | | (439,733) |
| Depreciation - Unallocated | 410,515 | | | | (410,515) |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 17,349,997 | \$ 783,020 | \$ 4,161,466 | \$ 86,706 | \$ (12,318,805) |
| GENERAL REVENUES | | | | | |
| Taxes | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 2,603,783 |
| Property Taxes, Levied for Community Education and Services | | | | | 137,014 |
| Property Taxes, Levied for OPEB Debt Services | | | | | 1,343,670 |
| Unrestricted State Aid | | | | | 9,280,430 |
| Unrestricted Investment Earnings | | | | | 18,711 |
| Gain on Sale of Capital Asset | | | | | 5,589 |
| Other General Revenue | | | | | 189,455 |
| TOTAL GENERAL REVENUES | | | | | 13,578,652 |
| Change in Net Position | | | | | 1,259,847 |
| Net Position - Beginning | | | | | 3,312,354 |
| Net Position - Ending | | | | | \$ 4,572,201 |

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 June 30, 2016**

| | General Fund | Building Construction Fund | Debt Service Fund | OPEB Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------------|---------------------|------------------------|-----------------------------|--------------------------|
| ASSETS | | | | | | |
| Cash and Investments | \$ 3,551,012 | \$ 44,146,551 | \$ 2,079,451 | \$ 390,798 | \$ 330,844 | \$ 50,498,656 |
| Current Property Taxes Receivable | 1,247,901 | | 1,178,900 | 230,215 | 66,196 | 2,723,212 |
| Delinquent Property Taxes Receivable | 42,828 | | | 9,081 | 1,670 | 53,579 |
| Accounts Receivable | 106,637 | | | | 1,501 | 108,138 |
| Due From Department of Education | 1,405,845 | | | 1,924 | 6,973 | 1,414,742 |
| Due From Federal Govt. - DOE | 55,053 | | | | 14,817 | 69,870 |
| Due From Other MN Districts | 137,292 | | | | | 137,292 |
| Due From OPEB Trust | 183,617 | | | | | 183,617 |
| Inventory | | | | | 22,009 | 22,009 |
| TOTAL ASSETS | \$ 6,730,185 | \$ 44,146,551 | \$ 3,258,351 | \$ 632,018 | \$ 444,010 | \$ 55,211,115 |
| LIABILITIES | | | | | | |
| Accounts Payable | \$ 54,464 | \$ 266,708 | \$ | \$ | \$ 17,563 | \$ 338,735 |
| Salaries Payable | 586,617 | | | | | 586,617 |
| Severance Payable | 36,388 | | | | | 36,388 |
| Due To Other MN Districts | 13,571 | | | | | 13,571 |
| Payroll Deductions | 568,513 | | | | | 568,513 |
| TOTAL LIABILITIES | 1,259,553 | 266,708 | | | 17,563 | 1,543,824 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unavailable Revenue - Delinquent Taxes | 42,828 | | | 9,081 | 1,670 | 53,579 |
| Property Taxes Levied - Subs. Years | 2,446,409 | | 2,599,873 | 507,700 | 146,146 | 5,700,128 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,489,237 | | 2,599,873 | 516,781 | 147,816 | 5,753,707 |
| FUND BALANCES | | | | | | |
| Nonspendable: Inventory | | | | | 22,009 | 22,009 |
| Restricted for Health and Safety | 49,414 | | | | | 49,414 |
| Restricted for Deferred Maintenance | 255,279 | | | | | 255,279 |
| Restricted for Capital Projects | 205,347 | | | | | 205,347 |
| Restricted for Levy Reduction | 164,027 | | | | | 164,027 |
| Restricted for Operating Capital | 84,934 | | | | | 84,934 |
| Restricted for Safe Schools | 71,138 | | | | | 71,138 |
| Restricted for Area Learning Center | 414,888 | | | | | 414,888 |
| Restricted for Community Education | | | | | 25,569 | 25,569 |
| Restricted for ECFE | | | | | 35,730 | 35,730 |
| Restricted for School Readiness | | | | | 3,623 | 3,623 |
| Restricted for Food Service | | | | | 170,298 | 170,298 |
| Restricted for Community Service | | | | | 18,735 | 18,735 |
| Restricted for Building Construction | | 43,879,843 | | | | 43,879,843 |
| Restricted for Scholarship | | | | | 2,667 | 2,667 |
| Restricted for Debt Service | | | 658,478 | | | 658,478 |
| Restricted for OPEB Debt Service | | | | 115,237 | | 115,237 |
| Committed for Severance | 234,000 | | | | | 234,000 |
| Unassigned | 1,502,368 | | | | | 1,502,368 |
| TOTAL FUND BALANCES | 2,981,395 | 43,879,843 | 658,478 | 115,237 | 278,631 | 47,913,584 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 6,730,185 | \$ 44,146,551 | \$ 3,258,351 | \$ 632,018 | \$ 444,010 | \$ 55,211,115 |

The notes to basic financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 549

PERHAM, MINNESOTA

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

| | |
|--|---------------------|
| Total fund balances - governmental funds | \$ 47,913,584 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | |
| Cost of capital assets | 23,502,229 |
| Less accumulated depreciation | (10,797,931) |
| Deferred outflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 1,686,370 |
| Net other postemployment benefit assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. | 1,190,106 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | |
| Bonds | (45,735,000) |
| Unamortized premium and discount | (1,257,891) |
| Capital Lease | (117,970) |
| Special assessment debt | (233,353) |
| Severance payable | (1,243,776) |
| Net pension liability | (8,849,701) |
| Deferred inflows of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | (1,020,765) |
| Vacation payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. | (82,000) |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. | 53,579 |
| An allowance has been set up for taxes receivable in the government-wide financial statements. | (45,000) |
| Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund. | <u>(390,280)</u> |
| Net position - governmental activities | <u>\$ 4,572,201</u> |

The notes to basic financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

| | General Fund | Building Construction Fund | Debt Service Fund | OPEB Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|-------------------|----------------------------------|-------------------------|------------------------------|-----------------------------------|--------------------------------|
| REVENUES | | | | | | |
| Local Property Tax Levies | \$ 2,600,879 | \$ | \$ | \$ 1,341,413 | \$ 137,255 | \$ 4,079,547 |
| Other Local & County Revenues | 470,793 | 10,607 | | | 224,735 | 706,135 |
| Revenue From State Sources | 12,314,552 | | | 18,125 | 153,213 | 12,485,890 |
| Revenue From Federal Sources | 286,361 | | | | 528,352 | 814,713 |
| Sale/Other Conversion of Asset | 2,043 | | | | 338,717 | 340,760 |
| TOTAL REVENUES | 15,674,628 | 10,607 | | 1,359,538 | 1,382,272 | 18,427,045 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| Administration | 749,596 | | | | | 749,596 |
| District Support Services | 436,674 | | | | | 436,674 |
| Elementary & Secondary | | | | | | |
| Regular Instruction | 6,240,863 | | | | | 6,240,863 |
| Vocational Education Instruction | 370,547 | | | | | 370,547 |
| Special Education Instruction | 2,577,828 | | | | | 2,577,828 |
| Community Education and Services | | | | | 400,018 | 400,018 |
| Instructional Support Services | 688,810 | | | | | 688,810 |
| Pupil Support Services | 1,600,142 | | | | 892,708 | 2,492,850 |
| Sites and Buildings | 1,341,092 | | | | | 1,341,092 |
| Fixed Costs | 59,425 | | | | 800 | 60,225 |
| Debt Service | | | | | | |
| Principal | 140,365 | | | 1,235,000 | | 1,375,365 |
| Interest | 11,227 | | | 63,510 | | 74,737 |
| Capital Outlay | 1,142,281 | 2,001,619 | | | 14,364 | 3,158,264 |
| TOTAL EXPENDITURES | 15,358,850 | 2,001,619 | | 1,298,510 | 1,307,890 | 19,966,869 |
| Revenues Over (Under) Expenditures | 315,778 | (1,991,012) | | 61,028 | 74,382 | (1,539,824) |
| OTHER FINANCING SOURCES | | | | | | |
| Sale of Capital Asset | 2,439 | | | | | 2,439 |
| Debt Issued | 237,000 | 45,270,000 | | | | 45,507,000 |
| Bond Premium | | 600,855 | 658,478 | | | 1,259,333 |
| TOTAL OTHER FINANCING SOURCES | 239,439 | 45,870,855 | 658,478 | | | 46,768,772 |
| Net Change in Fund Balances | 555,217 | 43,879,843 | 658,478 | 61,028 | 74,382 | 45,228,948 |
| Fund Balances - Beginning | 2,426,178 | | | 54,209 | 204,249 | 2,684,636 |
| Fund Balances - Ending | \$ 2,981,395 | \$ 43,879,843 | \$ 658,478 | \$ 115,237 | \$ 278,631 | \$ 47,913,584 |

The notes to basic financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 549

PERHAM, 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

| | |
|--|---------------------|
| Total net change in fund balances - governmental funds | \$ 45,228,948 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense. | |
| Capital outlays | 2,463,740 |
| Depreciation expense | (560,445) |
| The net effect of various capital asset transactions increases net position. | 3,150 |
| Change in net pension liability | (1,737,668) |
| Proceeds from long-term debt provide current financial resources to governmental funds, but the proceeds increase long-term liabilities in the statement of net position. | (45,507,000) |
| Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. | 1,375,364 |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | (1,624,782) |
| Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds. | 4,920 |
| Changes in deferred outflows and inflows of resources related to net pension liability | 1,765,601 |
| In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.) | |
| Vacation payable | (11,000) |
| Other postemployment benefits | (220,685) |
| Severance payable | 79,704 |
| Change in net position - governmental activities | \$ <u>1,259,847</u> |

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
June 30, 2016**

| | <u>OPEB Trust Fund</u> |
|-----------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ <u>1,785,802</u> |
| TOTAL ASSETS | <u>1,785,802</u> |
| LIABILITIES | |
| Due to Other Funds | <u>183,617</u> |
| TOTAL LIABILITIES | <u>183,617</u> |
| NET POSITION | |
| Held in Trust of OPEB | \$ <u><u>1,602,185</u></u> |

The notes to basic financial statements are an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2016**

| | <u>OPEB Trust Fund</u> |
|---|----------------------------|
| ADDITIONS | |
| Investment Earnings: | |
| Interest | \$ <u>24,943</u> |
| TOTAL ADDITIONS | <u>24,943</u> |
| DEDUCTIONS | |
| Benefits | <u>183,617</u> |
| TOTAL DEDUCTIONS | <u>183,617</u> |
| Change in Net Position | (158,674) |
| Net Position Held in Trust for OPEB - Beginning | <u>1,760,859</u> |
| Net Position Held in Trust for OPEB - Ending | <u>\$ <u>1,602,185</u></u> |

The notes to basic financial statements are an integral part of this statement.

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 549 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

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

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

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

C. 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 non-fiduciary activities of the reporting government as a whole. These statements include all the financial activities of the District.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

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

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

D. Measurement Focus and Basis of Accounting

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

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

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

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Description of Funds

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

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Building Construction Fund – Accounts for the accumulation of resources for, and the payment of, building construction.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

OPEB Debt Service – Accounts for the accumulation of resources for, and the payment of, OPEB bond principal, interest and related costs.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

Nonmajor Governmental Funds

Special Revenue Funds:

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.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

Scholarship Fund – Accounts for all resources designated for specified purposes, which supports the District's programs.

Fiduciary Fund

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

GASB No. 34 also requires that budget vs. actual information be presented for the general fund and all major special revenue funds.

E. Specific Account Information

Cash and Investments – Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2015 which are not payable until 2016, net of the amount received prior to June 30.

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

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

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift".

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is \$45,000.

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

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 threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

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

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

Vacation Payable – It is the District's policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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.

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 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. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 4.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has one item that qualifies for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* which represents actuarial differences within PERA and TRA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item, *Cost Sharing Defined Benefit Pension Plan*, represents actuarial differences within PERA and TRA pension plans.

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

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the

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amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management.

Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The District will strive to maintain a minimum unassigned general fund balance of \$500,000.

F. Use of Estimates

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

NOTE 2 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank.

The District's interest income for the year ended June 30, 2016, was \$18,711.

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The pooled cash and investment account is comprised of the following:

| | Governmental Activities | Fiduciary Funds | Total |
|-------------|----------------------------|---------------------|----------------------|
| Cash | \$ 2,099,853 | \$ | \$ 2,099,853 |
| Investments | 48,398,803 | 1,785,802 | 50,184,605 |
| Total | <u>\$ 50,498,656</u> | <u>\$ 1,785,802</u> | <u>\$ 52,284,458</u> |

As of June 30, 2016, the District's had the following investments:

| Investments | Fair Value (Level 1) |
|-------------|----------------------|
| MnTrust | \$ 50,184,605 |

MnTrust is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of school district monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective. MnTrust is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

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.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member 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.
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
- (h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

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MnTrust is rated Aaa by Moody's Investors Services.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which are members of the Federal Reserve System. Minnesota Statutes require that all district deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2016, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in MnTrust is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 3 CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 303,348 | \$ | \$ | \$ 303,348 |
| Land Improvements | 58,157 | | | 58,157 |
| Construction in Process | | 2,001,619 | | 2,001,619 |
| Total Capital Assets, Not Being Depreciated | <u>361,505</u> | <u>2,001,619</u> | | <u>2,363,124</u> |
| Capital Assets, Being Depreciated: | | | | |
| Site Improvements | 574,102 | 105,358 | | 679,460 |
| Buildings | 17,701,981 | 253,288 | | 17,955,269 |
| Equipment | 2,409,530 | 106,625 | 11,779 | 2,504,376 |
| Total Capital Assets, Being Depreciated | <u>20,685,613</u> | <u>465,271</u> | <u>11,779</u> | <u>21,139,105</u> |
| Less Accumulated Depreciation For: | | | | |
| Site Improvements | 193,895 | 31,339 | | 225,234 |
| Buildings | 8,327,920 | 420,373 | | 8,748,293 |
| Equipment | 1,727,450 | 108,733 | 11,779 | 1,824,404 |
| Total Accumulated Depreciation | <u>10,249,265</u> | <u>560,445</u> | <u>11,779</u> | <u>10,797,931</u> |
| Total Capital Assets, Being Depreciated, Net | <u>10,436,348</u> | <u>(95,174)</u> | | <u>10,341,174</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 10,797,853</u> | <u>\$ 1,906,445</u> | <u>\$</u> | <u>\$ 12,704,298</u> |

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In the statement of activities, depreciation expense was charged to the following governmental functions:

| | |
|--|--------------------------|
| District Support Services | \$ 4,752 |
| Elementary & Secondary Regular Instruction | 49,175 |
| Special Education Instruction | 222 |
| Community Education and Services | 1,564 |
| Instructional Support Services | 1,791 |
| Pupil Support Services | 11,897 |
| Sites and Buildings | <u>80,529</u> |
| | 149,930 |
| Unallocated | <u>410,515</u> |
| Total Depreciation Expense | <u><u>\$ 560,445</u></u> |

NOTE 4 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

A. Public Employees Retirement Association

Plan Description – The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA’s defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

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.

Benefits Provided – PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

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

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

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

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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.

Contributions – Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50% of pay, respectively, in fiscal year 2016. The District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. The District's contributions to the GERS for the year ended June 30, 2016, were \$155,818. The District's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2016, the District reported a liability of \$1,673,954 for its proportionate share of the GERS'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. At June 30, 2015, the District's proportion was 0.0323% which was a decrease of 0.0008% from its proportion measured as of June 30, 2014.

GERS benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERS, 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, 2015, measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8%. Beginning with the 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 ended June 30, 2016, the District recognized pension expense of \$170,077 for its proportionate share of GERS's pension expense.

At June 30, 2016, the District reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources from the following sources:

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 15,908 | \$ 84,396 |
| Changes in actuarial assumptions | 106,830 | |
| Changes in proportion | | 28,185 |
| Difference between projected and actual investment earnings | | 156,629 |
| Contributions paid to PERA subsequent to the measurement date | 155,818 | |
| Total | <u>\$ 278,556</u> | <u>\$ 269,210</u> |

\$155,818 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 ending 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 Ending June 30 | Pension Expense Amount |
|------------------------|---------------------------|
| 2017 | \$ (41,573) |
| 2018 | (41,573) |
| 2019 | (102,943) |
| 2020 | 39,617 |

Actuarial Assumptions – The total pension liability in the June 30, 2015, actual valuation was determined using the following actuarial assumptions:

| | |
|------------------------------|----------------|
| Inflation | 2.75% per year |
| Active Member Payroll Growth | 3.50% per year |
| Investment Rate of Return | 7.90% |

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 20, 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.

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

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

Discount Rate – The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, 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.

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

| District Proportionate Share of NPL | | |
|-------------------------------------|------------------------|-----------------------|
| 1% Decrease (6.9%) | Current (7.9%) | 1% Increase (8.9%) |
| \$ <u>2,632,050</u> \$ | \$ <u>1,673,954</u> \$ | \$ <u>882,713</u> |

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit pension plan’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; or 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.

B. Teachers Retirement Association

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

Teachers employed in Minnesota’s public elementary and secondary schools, charter schools, and certain educational institutions maintained by the state (except those teachers employed by the city of St. Paul and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by 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.

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

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

Tier I Benefits:

| <u>Tier I</u> | <u>Step Rate Formula</u> | <u>Percentage</u> |
|---------------|---|----------------------|
| Basic | 1 st ten years | 2.2 percent per year |
| | All years after | 2.7 percent per year |
| Coordinated | 1 st ten years if service years are prior to July 1, 2006 | 1.2 percent per year |
| | 1 st ten years if service years are July 1, 2006 or after | 1.4 percent per year |
| | All other years of service if service years are prior to July 1, 2006 | 1.7 percent per year |
| | All other years of service if service years are July 1, 2006 or after | 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

Tier II Benefits:

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

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

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

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

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Contribution Rate – Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal years ended June 30, 2015 and June 30, 2016, were:

| | <u>Employee</u> | <u>Employer</u> |
|-------------|-----------------|-----------------|
| Basic | 11.00% | 11.50% |
| Coordinated | 7.50% | 7.50% |

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

| | |
|--|-----------------------|
| Employer contributions reported in TRA's CAFR | |
| Statement of Changes in Fiduciary Net Position | \$ 340,207,590 |
| Deduct employer contributions not related to future contribution efforts | (704,635) |
| Deduct TRA's contributions not included in allocation | <u>(435,999)</u> |
| Total employer contributions | 339,066,956 |
| Total non-employer contributions | <u>41,587,410</u> |
| Employer contributions reported in schedule of employer and non-employer pension allocations | <u>\$ 380,654,366</u> |

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

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:

| | <u>June 30, 2014 CAFR</u> | <u>Restated</u> |
|-----------------------------|---------------------------|-------------------------|
| Total Pension Liability | \$ 24,901,612,000 | \$ 25,299,564,000 |
| Plan Fiduciary Net Position | 20,293,684,000 | 20,519,756,000 |
| Net Pension Liability | <u>\$ 4,607,928,000</u> | <u>\$ 4,779,808,000</u> |

Actuarial Assumptions – The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

| | |
|-----------------------|------------------|
| Measurement Date | June 30, 2015 |
| Valuation Date | July 1, 2015 |
| Experience Study | October 30, 2009 |
| Actuarial Cost Method | Entry Age Normal |

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Actuarial Assumptions:

| | |
|---------------------------|--------------------------------------|
| Investment Rate of Return | 8.0% |
| Wage Inflation | 3.0% |
| Projected Salary Increase | 3.5 – 12%, based on years of service |
| Cost of Living Adjustment | 2.0% |

Mortality Assumption

| | |
|-----------------|---|
| Pre-retirement | RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back 5 years and female rates set back 7 years. |
| Post-retirement | RP 2000 annuitant generational mortality, white collar adjustment, male rates set back 2 years and female rates set back 3 years. |
| Post-disability | RP 2000 disabled retiree mortality, without adjustment. |

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2015 is 5.73 years. The “Difference Between Expected and Actual Experience” and “Changes of 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.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. 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 contributions will be made at the fiscal 2016 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on

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pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability - On June 30, 2016, the District reported a liability of \$7,175,747 for its proportionate share of the 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. District proportionate share was 0.1160% at the end of the measurement period and 0.1206% for the beginning of the year.

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

| | | |
|---|----|-----------|
| District's proportionate share of net pension liability | \$ | 7,175,747 |
| State's proportionate share of the net pension liability associated with the district | \$ | 879,981 |

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

For the year ended June 30, 2016, the District recognized pension expense of \$424,800. It also recognized \$155,569 as an increase to pension expense for the support provided by direct aid.

On June 30, 2016, the District had deferred resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 381,995 | \$ |
| Net difference between projected and actual earnings on plan inv. | | 598,796 |
| Changes in actuarial assumptions | 551,626 | |
| Changes in proportion | | 152,759 |
| Contributions paid to TRA subsequent to the measurement date | 474,193 | |
| Total | \$ <u>1,407,814</u> | \$ <u>751,555</u> |

\$474,193 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 ending June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016**

| Year Ending June 30 | Pension Expense Amount |
|------------------------|---------------------------|
| 2017 | \$ (82,005) |
| 2018 | (82,005) |
| 2019 | (82,004) |
| 2020 | 341,894 |
| 2021 | 86,186 |

Pension Liability Sensitivity - The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent as well as the liability measured using one percent lower and one percent higher.

| District Proportionate Share of NPL | | |
|-------------------------------------|----------------|-----------------------|
| 1% Decrease (7.0%) | Current (8.0%) | 1% Increase (9.0%) |
| \$ 10,922,416 | \$ 7,175,747 | \$ 4,049,044 |

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

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

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. At July 1, 2015, 19 retired employees and spouses were eligible to participate.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

The District setup a trust and prefunded the benefits. The benefits are generally liquidated by the general fund.

Annual OPEB Cost and Net OPEB Asset - The components of the District's annual OPEB (other postemployment benefit) cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB asset to the Plan were as follows:

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016**

| | <u>6/30/2016</u> | <u>6/30/2015</u> | <u>6/30/2014</u> |
|--|-----------------------|-----------------------|-----------------------|
| Annual Required Contribution | \$ 192,085 | \$ 90,886 | \$ 90,886 |
| Interest on Net OPEB Obligation | (42,300) | (46,500) | (50,600) |
| Adjustment to Annual Required Contribution | 70,900 | 95,814 | 95,814 |
| Annual OPEB Cost | <u>220,685</u> | <u>140,200</u> | <u>136,100</u> |
| Contributions or Payments Made | | | |
| Increase (Decrease) in Net OPEB Obligation | <u>220,685</u> | <u>140,200</u> | <u>136,100</u> |
| Net OPEB Asset, Beginning of Year | <u>(1,410,791)</u> | <u>(1,550,991)</u> | <u>(1,687,091)</u> |
| Net OPEB Asset, End of Year | <u>\$ (1,190,106)</u> | <u>\$ (1,410,791)</u> | <u>\$ (1,550,991)</u> |

Funded Status and Funding Progress - The funded status of the Plan as of July 1, 2015, the date of the most recent actuarial valuation, is as follows:

| | |
|-----------------------------------|-------------------|
| Actuarial Accrued Liability (AAL) | \$ 2,611,980 |
| Actuarial Value of Assets | <u>1,760,859</u> |
| Unfunded AAL (UAAL) | <u>\$ 851,121</u> |
| | |
| Funded Ratio | 67.4% |
| | |
| Covered Payroll | \$ 7,459,440 |
| | |
| UAAL as % of Covered Payroll | 11.4% |

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of potential occurrences of certain events in the future. Examples include assumption about future employment, mortality, healthcare costs trends, inflation, etc. Amounts determined regarding the funded status of the plan and the annual required contributions of the District are subject to constant changes and modifications as actual results are compared with past expectations and new estimates and assumptions are formed regarding the future. Projections of retiree benefits for financial reporting purposes are based on current plan activities as it is handled by the District and the benefits are received by the eligible plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the District and plan members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5% a year rate of investment return, compounded annually net after investment expense, which is the expected long-term investment return on plan assets. There were also merit and seniority salary rate increase assumptions taken into consideration and those are detailed in the actuarial study and are based on age. There was also an inflationary rate assumption factored into the calculation. Per the actuarial study, the assumed rate ranges from 7.25% to 5% for health care related costs. The UAAL is being amortized as a level percentage of active member payroll over a period of 30 years.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 6 LONG-TERM LIABILITIES

Changes in the District's long-term liabilities for the year ended June 30, 2016 are as follows:

| | Beginning Balance | Additions | Retired | Ending Balance | Due Within One Year |
|--------------------------------|----------------------|---------------|--------------|-------------------|------------------------|
| G.O. Taxable OPEB Bonds | \$ 1,700,000 | \$ | \$ 1,235,000 | \$ 465,000 | \$ 465,000 |
| G.O. Building Bonds | | 45,270,000 | | 45,270,000 | 2,000,000 |
| Unamortized Premium (Discount) | (2,883) | 1,259,333 | (1,441) | 1,257,891 | 58,527 |
| Total Bonds | 1,697,117 | 46,529,333 | 1,233,559 | 46,992,891 | 2,523,527 |
| Capital Lease | | 237,000 | 119,030 | 117,970 | 117,970 |
| Special Assessment Debt | 254,687 | | 21,334 | 233,353 | 21,840 |
| Severance Payable | 1,335,039 | 25,480 | 80,355 | 1,280,164 | 36,388 |
| Net Pension Liability | 7,112,033 | 1,737,668 | | 8,849,701 | |
| Total Long-Term Liabilities | \$ 10,398,876 | \$ 48,529,481 | \$ 1,454,278 | \$ 57,474,079 | \$ 2,699,725 |

The District's interest expense on long-term debt for the year ended June 30, 2016, was \$439,733.

Special assessment debt, severance payable, and net pension liability are generally liquidated by the general fund.

A. General Obligation Bonds

| Date of Issue | Net Interest Rate | Maturity Dates | Original Amount | Current Year Retired | Balance 6/30/2016 | Amounts Due in 2016-2017 | |
|---------------------|-------------------------|-------------------|--------------------|----------------------------|----------------------|-----------------------------|--------------|
| | | | | | | Principal | Interest |
| 2009 | 3.1-4.0% | 2017 | \$ 2,690,000 | \$ 1,235,000 | \$ 465,000 | \$ 465,000 | \$ 18,600 |
| 2016 | 2.0-4.0% | 2017/37 | 45,270,000 | | 45,270,000 | 2,000,000 | 1,147,590 |
| | | | | \$ 1,235,000 | \$ 45,735,000 | \$ 2,465,000 | \$ 1,166,190 |

Annual debt service requirements to maturity are as follows:

| Year Ending June 30 | Principal | Interest |
|------------------------|---------------|---------------|
| 2017 | \$ 2,465,000 | \$ 1,166,190 |
| 2018 | 1,735,000 | 1,235,100 |
| 2019 | 1,770,000 | 1,200,400 |
| 2020 | 1,805,000 | 1,165,000 |
| 2021 | 1,840,000 | 1,128,900 |
| 2022-2026 | 9,795,000 | 5,057,150 |
| 2027-2031 | 11,430,000 | 3,422,150 |
| 2032-2036 | 13,395,000 | 1,454,100 |
| 2037 | 1,500,000 | 45,000 |
| | \$ 45,735,000 | \$ 15,873,990 |

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016**

B. Special Assessment Debt

| Date of Issue | Net Interest Rate | Maturity Dates | Original Amount | Current Year Retired | Balance 6/30/2016 | Amounts Due in 2016-2017 | |
|---------------|-------------------|----------------|-----------------|----------------------|-------------------|--------------------------|-----------|
| | | | | | | Principal | Interest |
| 2010 | 4.50% | 2017/26 | \$ 58,157 | \$ 3,058 | \$ 41,459 | \$ 3,566 | \$ 1,850 |
| 2012 | 4.25% | 2017/27 | 274,133 | 18,276 | 191,894 | 18,274 | 8,544 |
| | | | | \$ 21,334 | \$ 233,353 | \$ 21,840 | \$ 10,394 |

Annual debt service requirements to maturity are as follows:

| Year Ending June 30 | Principal | Interest |
|---------------------|------------|-----------|
| 2017 | \$ 21,840 | \$ 10,394 |
| 2018 | 22,002 | 9,456 |
| 2019 | 22,168 | 8,512 |
| 2020 | 22,344 | 7,561 |
| 2021 | 22,527 | 6,601 |
| 2022-2026 | 112,982 | 18,300 |
| 2027 | 9,490 | 427 |
| | \$ 233,353 | \$ 61,251 |

NOTE 7 OPERATING LEASE

The District has entered into a lease agreement with the Perham Area Community Center as a lessee for building and recreational space. For the year ended June 30, 2016, the District paid \$130,608 in lease costs. The District has agreed to pay \$134,526 under this lease agreement for the year end June 30, 2017.

NOTE 8 CAPITAL LEASE

The District has entered into a lease agreement as lessee for the purchase of technology equipment. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

| Year Ending June 30 | Amount |
|---|------------|
| 2017 | \$ 119,031 |
| Total Minimum Lease Payments | 119,031 |
| Less: Amount Representing Interest | (1,061) |
| Present Value of Minimum Lease Payments | \$ 117,970 |

NOTE 9 SEVERANCE PAY

The District has several severance pay plans for various groups of employees. The plans call for employees to receive a severance payment based on accumulated sick leave and years of service to the District. At June 30, 2016, the estimated liability under these plans was \$1,280,164.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 10 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2016.

NOTE 11 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; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

The District has joined together with other school districts in Minnesota in the Lake Country Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000. The pool and its members purchase reinsurance, currently with a \$300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Lake Country Service Cooperative retains the risk of the Plan's liabilities.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 12 CONSTRUCTION COMMITMENTS

As of June 30, 2016, the District had construction commitments in the building construction fund of \$6,480,000 for the elementary school.

NOTE 13 NEW PRONOUNCEMENTS

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 77, Tax Abatement Disclosures, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

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

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2016

| | Budgeted Amounts | | Actual | Over (Under) Final Budget |
|--------------------------------------|-------------------|-------------------|-------------------|------------------------------|
| | Original | Final | | |
| REVENUES | | | | |
| Local Property Tax Levies | \$ 2,553,286 | \$ 2,576,704 | \$ 2,600,879 | \$ 24,175 |
| Other Local & County Revenues | 453,000 | 453,000 | 470,793 | 17,793 |
| Revenue From State Sources | 11,455,645 | 11,839,331 | 12,314,552 | 475,221 |
| Revenue From Federal Sources | 287,000 | 281,369 | 286,361 | 4,992 |
| Sale/Other Conversion of Asset | 5,000 | 5,000 | 2,043 | (2,957) |
| TOTAL REVENUES | 14,753,931 | 15,155,404 | 15,674,628 | 519,224 |
| EXPENDITURES | | | | |
| Current | | | | |
| Administration | 795,041 | 816,735 | 749,596 | (67,139) |
| District Support Services | 499,784 | 530,620 | 436,674 | (93,946) |
| Elementary & Secondary | | | | |
| Regular Instruction | 6,012,763 | 6,399,917 | 6,240,863 | (159,054) |
| Vocational Education Instruction | 328,036 | 340,646 | 370,547 | 29,901 |
| Special Education Instruction | 2,110,421 | 2,187,881 | 2,577,828 | 389,947 |
| Instructional Support Services | 744,057 | 779,010 | 688,810 | (90,200) |
| Pupil Support Services | 1,602,845 | 1,611,651 | 1,600,142 | (11,509) |
| Sites and Buildings | 1,373,252 | 1,431,407 | 1,341,092 | (90,315) |
| Fixed Costs | 210,000 | 210,000 | 59,425 | (150,575) |
| Debt Service | | | | |
| Principal | 40,000 | 40,000 | 140,365 | 100,365 |
| Interest | 8,500 | 8,500 | 11,227 | 2,727 |
| Capital Outlay | 725,100 | 982,100 | 1,142,281 | 160,181 |
| TOTAL EXPENDITURES | 14,449,799 | 15,338,467 | 15,358,850 | 20,383 |
| Revenues Over (Under) Expenditures | 304,132 | (183,063) | 315,778 | 498,841 |
| OTHER FINANCING SOURCES | | | | |
| Transfer In | 170,000 | 170,000 | | (170,000) |
| Sale of Capital Asset | | | 2,439 | 2,439 |
| Debt Issued, Net | | | 237,000 | 237,000 |
| TOTAL OTHER FINANCING SOURCES | 170,000 | 170,000 | 239,439 | 69,439 |
| Net Change in Fund Balances | 474,132 | (13,063) | 555,217 | 568,280 |
| Fund Balances - Beginning | 2,426,178 | 2,426,178 | 2,426,178 | |
| Fund Balances - Ending | \$ 2,900,310 | \$ 2,413,115 | \$ 2,981,395 | \$ 568,280 |

The notes to required supplementary information are an integral part of this schedule.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
 June 30, 2016**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|---|--|--|------------------------------------|-------------------------|----------------------------|--|
| 7/1/2015 | \$ 1,760,859 | \$ 2,611,980 | \$ 851,121 | 67.4 % | \$ 7,459,440 | 11.4 % |
| 7/1/2012 | \$ 2,177,765 | \$ 2,142,617 | \$ (35,148) | 101.6 % | \$ 6,452,463 | -0.5 % |
| 7/1/2010 | 2,330,931 | 2,287,574 | (43,357) | 101.9 | 6,683,684 | -0.6 |
| 7/1/2008 | | 2,701,437 | 2,701,437 | | 7,647,174 | 35.3 |

Schedule of Employer Contributions:

| <u>Fiscal Year</u> | <u>Actual Annual Contributions</u> | <u>Actual Required Contributions</u> | <u>Percentage Contribution</u> |
|--------------------|--|--|------------------------------------|
| 2016 | \$ | \$ 192,085 | % |
| 2015 | | 90,886 | |
| 2014 | | 90,886 | |
| 2013 | | 90,886 | |
| 2012 | | 100,093 | |
| 2011 | | 100,093 | |
| 2010 | 2,479,527 | 267,364 | 927.4 |
| 2009 | 155,175 | 250,115 | 62.0 |

The District implemented GASB No. 45 for fiscal year ended June 30, 2009. Information for prior years is not available.

The notes to required supplementary information are an integral part of this schedule.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 Last 10 Years**

| | <u>Fiscal Year Ended June 30</u> | <u>Statutorily Required Contribution</u> | <u>Contributions in Relation to the Statutorily Required Contributions</u> | <u>Contribution Deficiency (Excess)</u> | <u>District's Covered- Employee Payroll</u> | <u>Contributions as a Percentage of Covered- Employee Payroll</u> |
|-------------|--------------------------------------|--|--|---|---|---|
| PERA | | | | | | |
| | 2015 | \$ 142,894 | \$ 142,894 | \$ | 1,895,318 | 7.54 % |
| | 2016 | 155,818 | 155,818 | | 2,077,575 | 7.50 |
| TRA | | | | | | |
| | 2015 | \$ 446,408 | \$ 446,408 | \$ | 5,952,109 | 7.50 % |
| | 2016 | 474,193 | 474,193 | | 6,322,558 | 7.50 |

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

The notes to required supplementary information are an integral part of this schedule.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY
 Last 10 Years**

| <u>Fiscal Year Ended June 30</u> | <u>District's Proportion of the Net Pension Liability</u> | <u>District's Proportionate Share of the Net Pension Liability</u> | <u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u> | <u>Total</u> | <u>District's Covered- Employee Payroll</u> | <u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- employee Payroll</u> | <u>Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability</u> |
|--|---|--|--|--------------|---|---|--|
| PERA | | | | | | | |
| 2014 | 0.0331 % | \$ 1,554,872 | \$ | \$ 1,554,872 | \$ 1,740,550 | 89.33 % | 78.70 % |
| 2015 | 0.0323 | 1,673,954 | | 1,673,954 | 1,895,318 | 88.32 | 78.19 |
| TRA | | | | | | | |
| 2014 | 0.1206 % | \$ 5,557,161 | \$ 390,987 | \$ 5,948,148 | \$ 5,507,254 | 100.91 % | 81.50 % |
| 2015 | 0.1160 | 7,175,747 | 879,981 | 8,055,728 | 5,952,109 | 120.56 | 76.80 |

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

The notes to required supplementary information are an integral part of this schedule.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016**

NOTE 1 BUDGETARY DATA

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. 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. All appropriations lapse at year-end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

NOTE 2 DEFINED BENEFIT PLANS

Changes of benefit terms: The DTRFA was merged into TRA on June 30, 2015.

Change of assumptions: The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase of 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

NOTE 3 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2016, expenditures exceeded appropriations in the general fund by \$20,383. The over expenditures were funded by greater than anticipated revenues.

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|--|-------------------------|------------------------------|---------------------|--|
| | Food Service Fund | Community Service Fund | Scholarship Fund | |
| ASSETS | | | | |
| Cash and Investments | \$ 170,685 | \$ 157,492 | \$ 2,667 | \$ 330,844 |
| Accounts Receivable | 1,501 | | | 1,501 |
| Current Property Taxes Receivable | | 66,196 | | 66,196 |
| Delinquent Property Taxes Receivable | | 1,670 | | 1,670 |
| Due From Department of Education | | 6,973 | | 6,973 |
| Due From Federal Govt. - DOE | 14,817 | | | 14,817 |
| Inventory | 22,009 | | | 22,009 |
| TOTAL ASSETS | \$ 209,012 | \$ 232,331 | \$ 2,667 | \$ 444,010 |
| LIABILITIES | | | | |
| Accounts Payable | \$ 16,705 | \$ 858 | | \$ 17,563 |
| TOTAL LIABILITIES | 16,705 | 858 | | 17,563 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unavailable Revenue - Delinquent Taxes | | 1,670 | | 1,670 |
| Property Taxes Levied - Subs. Years | | 146,146 | | 146,146 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | | 147,816 | | 147,816 |
| FUND BALANCES | | | | |
| Nonspendable for Inventory | 22,009 | | | 22,009 |
| Restricted for Food Service | 170,298 | | | 170,298 |
| Restricted for Community Service | | 18,735 | | 18,735 |
| Restricted for Community Education | | 25,569 | | 25,569 |
| Restricted for ECFE | | 35,730 | | 35,730 |
| Restricted for School Readiness | | 3,623 | | 3,623 |
| Restricted for Scholarship | | | 2,667 | 2,667 |
| TOTAL FUND BALANCES | 192,307 | 83,657 | 2,667 | 278,631 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 209,012 | \$ 232,331 | \$ 2,667 | \$ 444,010 |

INDEPENDENT SCHOOL DISTRICT NO. 549

PERHAM, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2016

| | Special Revenue | | | Total Nonmajor Governmental Funds |
|----------------------------------|-------------------------|------------------------------|---------------------|--|
| | Food Service Fund | Community Service Fund | Scholarship Fund | |
| REVENUES | | | | |
| Local Property Tax Levies | \$ | \$ 137,255 | \$ | \$ 137,255 |
| Other Local & County Revenues | 2,293 | 222,430 | 12 | 224,735 |
| Revenue From State Sources | 81,626 | 71,587 | | 153,213 |
| Revenue From Federal Sources | 528,352 | | | 528,352 |
| Sale/Other Conversion of Asset | 338,717 | | | 338,717 |
| TOTAL REVENUES | <u>950,988</u> | <u>431,272</u> | <u>12</u> | <u>1,382,272</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Community Education and Services | | 400,018 | | 400,018 |
| Pupil Support Services | 882,145 | 10,563 | | 892,708 |
| Fixed Costs | | | 800 | 800 |
| Capital Outlay | | 14,364 | | 14,364 |
| TOTAL EXPENDITURES | <u>882,145</u> | <u>424,945</u> | <u>800</u> | <u>1,307,890</u> |
| Net Change in Fund Balances | 68,843 | 6,327 | (788) | 74,382 |
| Fund Balances - Beginning | <u>123,464</u> | <u>77,330</u> | <u>3,455</u> | <u>204,249</u> |
| Fund Balances - Ending | <u>\$ 192,307</u> | <u>\$ 83,657</u> | <u>\$ 2,667</u> | <u>\$ 278,631</u> |

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

| | Balance Beginning of Year | Revenues | Expenditures | Transfers | Debt Issued, Net | Sale of Capital Assets | Balance End of Year |
|-----------------------------------|---------------------------------|------------|--------------|-----------|---------------------|---------------------------|------------------------|
| General Fund | | | | | | | |
| Restricted for: | | | | | | | |
| Health and Safety | \$ (56,118) | \$ 130,115 | \$ 24,583 | \$ | \$ | \$ | \$ 49,414 |
| Deferred Maintenance | 162,716 | 96,219 | 3,656 | | | | 255,279 |
| Capital Projects | 254,211 | 425,877 | 474,741 | | | | 205,347 |
| Levy Reduction | 164,027 | | | | | | 164,027 |
| Operating Capital | 52,941 | 357,154 | 562,161 | | 237,000 | | 84,934 |
| Area Learning Center | 375,195 | 338,437 | 298,744 | | | | 414,888 |
| Safe Schools | 43,507 | 54,015 | 26,384 | | | | 71,138 |
| Committed for Severance | 281,000 | | | (47,000) | | | 234,000 |
| Unassigned | 1,148,699 | 14,272,811 | 13,968,581 | 47,000 | | 2,439 | 1,502,368 |
| Food Service Fund | | | | | | | |
| Nonspendable for Inventory | 9,879 | | | 12,130 | | | 22,009 |
| Restricted for Food Service | 113,585 | 950,988 | 882,145 | (12,130) | | | 170,298 |
| Community Service Fund | | | | | | | |
| Restricted for: | | | | | | | |
| Community Education | 38,835 | 129,019 | 142,285 | | | | 25,569 |
| ECFE | 5,420 | 68,919 | 38,609 | | | | 35,730 |
| School Readiness | 18,623 | 197,221 | 212,221 | | | | 3,623 |
| Community Service | 14,452 | 36,113 | 31,830 | | | | 18,735 |
| Building Construction Fund | | | | | | | |
| Restricted for Building | | 10,607 | 2,001,619 | | 45,870,855 | | 43,879,843 |
| Scholarship Fund | | | | | | | |
| Restricted for Scholarships | 3,455 | 12 | 800 | | | | 2,667 |
| Debt Service Fund | | | | | | | |
| Restricted for Debt Service | | | | | 658,478 | | 658,478 |
| OPEB Debt Service Fund | | | | | | | |
| Restricted for OPEB Debt Service | 54,209 | 1,359,538 | 1,298,510 | | | | 115,237 |
| Fiduciary Fund | | | | | | | |
| OPEB Trust Fund | | | | | | | |
| Held in Trust for OPEB | 1,760,859 | 24,943 | 183,617 | | | | 1,602,185 |

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 549
Perham, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 549 as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2016.

Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the 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.

Purpose of the Report

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

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 7, 2016

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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 No. 549
Perham, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 549, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

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



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 7, 2016



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
Independent School District No. 549
Perham, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 549's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of

findings and questioned costs as item 2016-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Independent School District No. 549 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 7, 2016

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended June 30, 2016**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Amount |
|--|---------------------------|-------------------|
| <u>U.S. Department of Education</u> | | |
| Passed-Through Minnesota Department of Education: | | |
| Title II, Part A | 84.367 | \$ 63,654 |
| Title I, Part A | 84.010 | <u>182,664</u> |
| <i>Special Education Cluster:</i> | | |
| Passed-Through Freshwater Education District: | | |
| IDEA Part B 611 | 84.027 | 30,543 |
| IDEA Part B 611 CEIS | 84.027 | <u>9,500</u> |
| <i>Total Special Education Cluster:</i> | | <u>40,043</u> |
| Total U.S. Department of Education | | <u>286,361</u> |
| <u>U.S. Department of Agriculture</u> | | |
| Passed-Through Minnesota Department of Education: | | |
| <i>Child Nutrition Cluster:</i> | | |
| School Breakfast Program | 10.553 | 113,314 |
| National School Lunch Program | 10.555 | 277,817 |
| Commodity Distribution (Nonmonetary Assistance) | 10.555 | 93,431 |
| Special Milk Program | 10.556 | 184 |
| Summer Food Service Program for Children | 10.559 | <u>43,606</u> |
| <i>Total Child Nutrition Cluster</i> | | <u>528,352</u> |
| Total U.S. Department of Agriculture | | <u>528,352</u> |
| TOTAL FEDERAL AWARDS | | <u>\$ 814,713</u> |

The notes to schedule of expenditures of federal awards are an integral part of this schedule.

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Independent School District No. 549 under programs of the federal government for the year ended June 30, 2016 and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 549, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 549.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported under generally accepted accounting principles (U.S. GAAP). Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 COMMODITY DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE 4 PASS-THROUGH ENTITIES

All pass-through entities listed on the previous page use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended June 30, 2016**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

CFDA Number(s) Name of Federal Program or Cluster

Child Nutrition Cluster:

10.553 School Breakfast Program

10.555 National School Lunch Program

10.555 Commodity Distribution (Nonmonetary Assistance)

10.556 Special Milk Program

10.559 Summer Food Service Program for Children

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended June 30, 2016**

Section II-Financial Statement Findings

2016-001 FINDING

Criteria

The District does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with generally accepted accounting principles (GAAP).

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board of education. For the year ended June 30, 2016, the District's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the District does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The board of education is aware of this significant deficiency and addresses it by obtaining our assistance in the preparation of the District's annual financial statements.

Cause

The District does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will review on an annual basis.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended June 30, 2016**

Section III-Federal Award Findings and Questioned Costs

2016-002 FINDING

Child Nutrition Cluster (School Breakfast Program, CFDA No. 10.553; National School Lunch Program, CFDA No. 10.555; Commodity Distribution, CFDA No. 10.555; Special Milk Program, CFDA No. 10.556; Summer Food Service Program for Children, CFDA No. 10.559)

Criteria

To receive reimbursement payment for meals served, the District must submit the number of meals served and all claims must be supported by accurate meal counts by category and type.

Condition

Two instances were identified where other income was not included in total household income.

Questioned Costs

Undeterminable

Context

A sample of 40 applications were selected for audit from a population of 390 applications. There were errors on three applications. On two applications, household income was not properly calculated. As a result, both students were incorrectly determined to be eligible for free but should have been full pay. The District was made aware of the error by the State in January 2016 during an onsite review and the error was corrected. On one application, the income provided was not complete. We were unable to determine if the additional income would have changed the student's eligibility status.

Cause

The District does not have sufficient procedures in place to ensure all information is entered correctly from the application into the software.

Effect

The District reported ineligible meals for reimbursement.

Recommendation

The District should review their policies and procedures for calculating eligibility.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and will correct immediately.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2016**

2015-001 FINDING

Criteria

The District does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with generally accepted accounting principles (GAAP).

Condition

The District's personnel prepare periodic financial information for internal use that meets the needs of management and the board of education. For the year ended June 30, 2016, the District's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the District does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The board of education is aware of this significant deficiency and addresses it by obtaining our assistance in the preparation of the District's annual financial statements.

Cause

The District does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect

The Superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation

For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Corrective Action Taken

No action taken. See current year finding 2016-001 and Corrective Action Plan.

INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS - Continued
June 30, 2016

2015-002 FINDING

Child Nutrition Cluster (School Breakfast Program, CFDA No. 10.553; National School Lunch Program, CFDA No. 10.555; Commodity Distribution, CFDA No. 10.555; Special Milk Program, CFDA No. 10.556; Summer Food Service Program for Children, CFDA No. 10.559)

Criteria

To receive reimbursement payment for meals served, the District must submit the number of meals served and all claims must be supported by accurate meal counts by category and type.

Condition

Two instances were identified where other income was not included in total household income.

Questioned Costs

Undeterminable

Context

A sample of 40 applications were selected for audit from a population of 395 applications. One of the 40 applications selected for testing did not include other income in the calculation of total household income. As a result the student was incorrectly determined to be eligible for free meals but should have been full pay. We then scanned for five additional applications that included other income to determine if other income was being included in the total income calculation. Four of the five included other income in the total income calculation, one did not.

Cause

The District does not have sufficient procedures in place to ensure all information is entered correctly from the application into the software.

Effect

The District reported ineligible meals for reimbursement.

Recommendation

The District should review their policies and procedures for calculating eligibility.

Corrective Action Taken

No action taken. See current year finding 2016-002 and Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
CORRECTIVE ACTION PLAN
June 30, 2016**

2016-001 FINDING

Contact Person – Superintendent

Corrective Action Plan – School district personnel will receive additional training to better prepare personnel to understand the financial statements and to work more closely with an accounting firm in the preparation of the financial statements.

Completion Date – Ongoing

2016-002 FINDING

Contact Person – Superintendent

Corrective Action Plan – The District will review their policies and procedures over calculating eligibility.

Completion Date – Immediately



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS

Members of the School Board, Advisors, and Students
Independent School District No. 549
Perham, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 549, for the year ended June 30, 2016, and the related note to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 statement.

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

Basis for Qualified 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. The financial statement impact cannot be reasonably determined.

Qualified Opinion

In our opinion, except for 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 statement referred to above presents fairly, in all material respects, the cash transactions of the District's student activity accounts for the year ended June 30, 2016, and the cash balances at that date, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the Student Activity Accounts Financial Statement, which describes the basis of accounting; this financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 7, 2016

INDEPENDENT SCHOOL DISTRICT NO. 549

PERHAM, MINNESOTA

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS

For the Year Ended June 30, 2016

| | Fund Balance 06-30-15 | Receipts | Disbursements | Fund Balance 06-30-16 |
|-------------------------------------|--------------------------|-------------------|-------------------|--------------------------|
| Concessions | \$ 664 | \$ 135 | \$ 109 | \$ 690 |
| Interest | 4,935 | 46 | 95 | 4,886 |
| Student Ambassadors - Elementary | 3,923 | 4,524 | 3,707 | 4,740 |
| Annual - Middle School | 1,456 | 3,920 | 4,645 | 731 |
| Band - Middle School | 2,166 | | | 2,166 |
| Laurentian | 3,243 | 24,683 | 25,058 | 2,868 |
| Student Ambassadors - Middle School | 917 | | | 917 |
| Student Council - Middle School | 2,079 | | | 2,079 |
| Annual | 5,053 | 6,495 | 7,140 | 4,408 |
| Band | 3,880 | 1,609 | 254 | 5,235 |
| Close Up | | 3,594 | 1,446 | 2,148 |
| Concert Choir | 5,765 | 18,017 | 13,322 | 10,460 |
| FCA | 852 | 1,067 | 540 | 1,379 |
| FFA | 4,088 | 32,112 | 28,269 | 7,931 |
| German Trip | 35 | 720 | 720 | 35 |
| Interact | 723 | 100 | | 823 |
| Junior Class | 633 | 725 | 1,184 | 174 |
| Orchestra | 5,357 | | | 5,357 |
| Science Research | 2,490 | | | 2,490 |
| Senior Class | 3,827 | 3,210 | 1,407 | 5,630 |
| Special Prom | 658 | 250 | 264 | 644 |
| Speech & Drama | 2,248 | 2,569 | 4,638 | 179 |
| Student Council - Senior High | 2,336 | 1,810 | 2,322 | 1,824 |
| Baseball | 2,966 | 3,205 | 4,121 | 2,050 |
| Basketball - Boys | 104 | | | 104 |
| Basketball - Girls | 340 | | | 340 |
| Cross country | 18 | | | 18 |
| Golf Boys | 2,357 | 605 | 2,008 | 954 |
| Golf Girls | 457 | 720 | 985 | 192 |
| Softball | 6,322 | | | 6,322 |
| Swimming - Boys | 839 | | | 839 |
| Tennis - Girls | 2,950 | | | 2,950 |
| Track | 135 | | | 135 |
| Volleyball | 416 | | | 416 |
| Wrestling | 1,207 | | | 1,207 |
| ALC Student Senate | 159 | 130 | 191 | 98 |
| | <u>\$ 75,598</u> | <u>\$ 110,246</u> | <u>\$ 102,425</u> | <u>\$ 83,419</u> |

The note to student activity accounts financial statements is an integral part of this statement.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
NOTE TO STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENT
June 30, 2016**

NOTE 1 STUDENT ACTIVITY ACCOUNTS

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.



CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board, Advisors, and Students
Independent School District No. 549
Perham, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 549, for the year ended June 30, 2016, and the related note to the financial statement, and have issued our report thereon dated November 7, 2016, which was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records, therefore, we were unable to audit the cash collections beyond the amounts recorded.

Compliance

The *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education, pursuant to Minnesota Statutes, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual.

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 *Manual for Activity Fund Accounting* except for item 2016-001(a) in the schedule of findings – student activity accounts. 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.

Purpose of the Report

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

A handwritten signature in cursive script that reads "Brady Martz".

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

November 7, 2016

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**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
SCHEDULE OF FINDINGS – STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2016**

2016-001(a) FINDING:

Criteria

The *Manual for Activity Fund Accounting* states that “Any student activity account, which has been inactive for a maximum of one fiscal year, must be disposed of, unless the advisor submits a plan to the building principal (or designee) indicating why the activity has been inactive and why it should not be terminated.”

Condition

There are inactive student activity accounts.

Cause

Oversight by the District staff.

Recommendation

The school district should close any inactive student activity accounts.

Views of Responsible Officials and Planned Corrective Actions

The District agrees with the recommendation and all inactive accounts will be closed by the District.

**INDEPENDENT SCHOOL DISTRICT NO. 549
PERHAM, MINNESOTA
CORRECTIVE ACTION PLAN – STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2016**

2016-001(a) FINDING

Contact Person – Superintendent

Corrective Action Plan – All inactive student activity accounts will be closed by the District.

Completion Date – Immediately

**INDEPENDENT SCHOOL DISTRICT NO. 549
 PERHAM, MINNESOTA
 UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
 June 30, 2016**

| District Name: | INDEPENDENT SCHOOL DISTRICT NO. 549 | | | District Number: | 549 | | |
|-------------------------------------|-------------------------------------|------------|----------|--|------------|------------|----------|
| | Audit | UFARS | Variance | | Audit | UFARS | Variance |
| 01 GENERAL FUND | | | | 06 BUILDING CONSTRUCTION | | | |
| Total Revenue | 15,674,628 | 15,674,629 | (1) | Total Revenue | 10,607 | 10,607 | |
| Total Expenditures | 15,358,850 | 15,358,850 | | Total Expenditures | 2,001,619 | 2,001,619 | |
| <i>Non Spendable:</i> | | | | <i>Non Spendable:</i> | | | |
| 460 Non Spendable Fund Balance | | | | 460 Non Spendable Fund Balance | | | |
| <i>Restricted/Reserve:</i> | | | | <i>Restricted/Reserve:</i> | | | |
| 403 Staff Development | | | | 407 Capital Projects Levy | | | |
| 405 Deferred Maintenance | 255,279 | 255,276 | 3 | 409 Alternative Facility Program | | | |
| 406 Health & Safety | 49,414 | 49,411 | 3 | 413 Projects Funded By COP | | | |
| 407 Capital Projects Levy | 205,347 | 205,346 | 1 | <i>Restricted:</i> | | | |
| 408 Cooperative Revenue | | | | 464 Restricted Fund Balance | 43,879,843 | 43,879,843 | |
| 409 Alternative Fac Program | | | | 467 LTFM | | | |
| 413 Project Funded by Cop | | | | <i>Unassigned:</i> | | | |
| 414 Operating Debt | | | | 463 Unassigned Fund Balance | | | |
| 416 Levy Reduction | 164,027 | 164,027 | | Reconciliation of Building Construction | 45,892,069 | 45,892,069 | |
| 417 Taconite Building Maintenance | | | | | | | |
| 423 Certain Teacher Programs | | | | 07 DEBT SERVICE | | | |
| 424 Operating Capital | 84,934 | 84,932 | 2 | Total Revenue | | | |
| 426 \$25 Taconite | | | | Total Expenditures | | | |
| 427 Disabled Accessibility | | | | <i>Non Spendable:</i> | | | |
| 428 Learning & Development | | | | 460 Non Spendable Fund Balance | | | |
| 434 Area Learning Center | 414,888 | 414,885 | 3 | <i>Restricted/Reserve:</i> | | | |
| 435 Contracted Alt Programs | | | | 425 Bond Refundings | | | |
| 436 State Approved Alt Program | | | | 451 QZAB Payments | | | |
| 438 Gifted & Talented | | | | <i>Restricted:</i> | | | |
| 440 Teacher Development and Eval | | | | 464 Restricted Fund Balance | 658,478 | 658,478 | |
| 441 Basic Skills Programs | | | | <i>Unassigned:</i> | | | |
| 445 Career and Technical Programs | | | | 463 Unassigned Fund Balance | | | |
| 448 Achievement and Integration | | | | Reconciliation of Debt Service | 658,478 | 658,478 | |
| 449 Safe Schools Levy | 71,138 | 71,137 | 1 | | | | |
| 450 Prekindergarten | | | | 08 TRUST | | | |
| 451 QZAB Payments | | | | Total Revenue | 12 | 12 | |
| 452 OPEB Liab Not In Trust | | | | Total Expenditures | 800 | 800 | |
| 453 Unfnded Sev & Retirement Levy | | | | 422 Unassigned Fund Balance | 2,667 | 2,667 | |
| <i>Restricted:</i> | | | | Reconciliation of Trust | 3,479 | 3,479 | |
| 464 Restricted Fund Balance | | | | | | | |
| 467 LTFM | | | | 20 INTERNAL SERVICE | | | |
| <i>Committed:</i> | | | | Total Revenue | | | |
| 418 Committed for Separation | 234,000 | 234,000 | | Total Expenditures | | | |
| 461 Committed Fund Balance | | | | 422 Unassigned Fund Balance | | | |
| <i>Assigned:</i> | | | | Reconciliation of Internal Service | | | |
| 462 Assigned Fund Balance | | | | | | | |
| <i>Unassigned:</i> | | | | 25 OPEB REVOCABLE TRUST FUND | | | |
| 422 Unassigned Fund Balance | 1,502,368 | 1,502,385 | (17) | Total Revenue | | | |
| Reconciliation of General | 34,014,873 | 34,014,878 | (5) | Total Expenditures | | | |
| | | | | 422 Unassigned Fund Balance | | | |
| 02 FOOD SERVICE | | | | Reconciliation of OPEB Revocable Trust | | | |
| Total Revenue | 950,988 | 950,989 | (1) | | | | |
| Total Expenditures | 882,145 | 882,145 | | 45 OPEB IRREVOCABLE TRUST FUND | | | |
| <i>Non Spendable:</i> | | | | Total Revenue | 24,943 | 24,943 | |
| 460 Non Spendable Fund Balance | 22,009 | 22,009 | | Total Expenditures | 183,617 | 183,617 | |
| <i>Restricted:</i> | | | | 422 Unassigned Fund Balance | 1,602,185 | 1,602,186 | (1) |
| 452 OPEB Liab Not In Trust | | | | Reconciliation of OPEB Irrevocable Trust | 1,810,745 | 1,810,746 | (1) |
| 464 Restricted Fund Balance | 170,298 | 170,300 | (2) | | | | |
| <i>Unassigned:</i> | | | | 47 OPEB DEBT SERVICE FUND | | | |
| 463 Unassigned Fund Balance | | | | Total Revenue | 1,359,538 | 1,359,538 | |
| Reconciliation of Food Service | 2,025,440 | 2,025,443 | (3) | Total Expenditures | 1,298,510 | 1,298,510 | |
| | | | | <i>Non Spendable:</i> | | | |
| 04 COMMUNITY SERVICE | | | | 460 Non Spendable Fund Balance | | | |
| Total Revenue | 431,272 | 431,271 | 1 | <i>Restricted:</i> | | | |
| Total Expenditures | 424,945 | 424,945 | | 464 Restricted Fund Balance | 115,237 | 115,236 | 1 |
| <i>Non Spendable:</i> | | | | <i>Unassigned:</i> | | | |
| 460 Non Spendable Fund Balance | | | | 463 Unassigned Fund Balance | | | |
| <i>Restricted/Reserve:</i> | | | | Reconciliation of OPEB Debt Service | 2,773,285 | 2,773,284 | 1 |
| 426 \$25 Taconite | | | | | | | |
| 431 Community Education | 25,569 | 25,569 | | | | | |
| 432 E.C.F.E. | 35,730 | 35,729 | 1 | | | | |
| 440 Teacher Development and Eval | | | | | | | |
| 444 School Readiness | 3,623 | 3,624 | (1) | | | | |
| 447 Adult Basic Education | | | | | | | |
| 452 OPEB Liab Not In Trust | | | | | | | |
| <i>Restricted:</i> | | | | | | | |
| 464 Restricted Fund Balance | 18,735 | 18,735 | | | | | |
| <i>Unassigned:</i> | | | | | | | |
| 463 Unassigned Fund Balance | | | | | | | |
| Reconciliation of Community Service | 939,874 | 939,873 | 1 | | | | |