

**Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota**

Financial Statements

June 30, 2016



Independent School District No. 750
ROCORI Schools
Table of Contents

Board of Education and Administration	1
Independent Auditor's Report	2
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	18
Statement of Activities	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	24
Statement of Fiduciary Net Position	25
Statement of Changes in Fiduciary Net Position	25
Notes to Financial Statements	27
Required Supplementary Information	
Schedule of Funding Progress – Other Post Employment Benefits	64
Schedule of Employer Contributions – Other Post Employment Benefits	64
Schedule of District's and Non-Employer Proportionate Share (if applicable) of Net Pension Liability Last Ten Years GERS Retirement Funds	65
Schedule of District's and Non-Employer Proportionate Share (if applicable) of Net Pension Liability Last Ten Years TRA Retirement Funds	65
Schedule of District Contributions GERS Retirement Funds Last Ten Years	66
Schedule of District Contributions TRA Retirement Funds Last Ten Years	66
Notes to the Required Supplementary Information	67
Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	70
Uniform Financial Accounting and Reporting Standards Compliance Table	71
Schedule of Expenditures of Federal Awards	72
Notes to the Schedule of Expenditures of Federal Awards	73

**Independent School District No. 750
ROCORI Schools
Table of Contents**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	75
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required By the Uniform Guidance	77
Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance	79
Report on Legal Compliance	83

**Independent School District No. 750
ROCORI Schools
Board of Education and Administration
June 30, 2016**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Nadine Schnettler	Chairperson	December 31, 2016
Lynn Schurman	Vice Chairperson	December 31, 2016
Lisa Demuth	Clerk	December 31, 2018
Kara Habben	Treasurer	December 31, 2018
Mike Austreng	Director	December 31, 2016
Open	Director	December 31, 2018
<u>Administration</u>		
Scott Staska	Superintendent	
Beth Bertram	Director of Business Services	



Independent Auditor's Report

BerganKDV, Ltd.

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, 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. 750, Cold Spring, Minnesota, as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com



Opinions

In our opinion, the financial statements referred to in the first paragraph 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. 750, Cold Spring, Minnesota, as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Government 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 Matters

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 accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 O.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 financial statements.



Other Matters

Other Information

The accompanying supplementary information identified in the Table of Contents and the 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 accompanying supplementary information and the 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 September 30, 2016, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, slightly slanted script.

St. Cloud, Minnesota
September 30, 2016

Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016

This section of Independent School District No. 750 – ROCORI Schools' (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model that is required by the Governmental Accounting Standards Board (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* issued in June 1999.

FINANCIAL HIGHLIGHTS

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

- Net position increased by \$680,577 for current year activity
- Overall governmental fund revenues were \$26,517,201 while overall expenditures totaled \$26,263,874
- General Fund balance increased \$84,637
- General Fund unassigned fund balance increased \$38,657

OVERVIEW OF THE FINANCIAL STATEMENTS

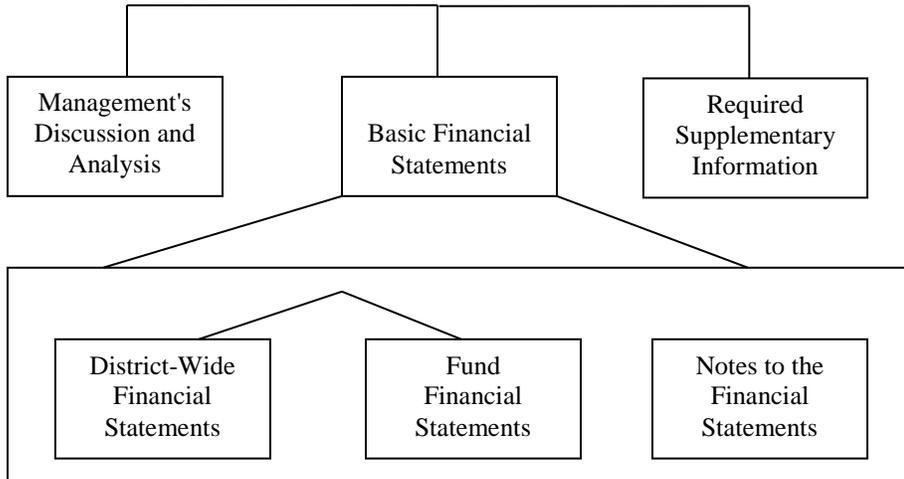
The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the MD&A (this section), the basic financial statements, and the supplementary information. The basic financial statements include two kinds of statements 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 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. The diagram on the following page shows how the various parts of this annual report are arranged and related to one another.

**Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)



Summary < ----- > Detail

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

**Independent School District No. 750
 ROCORI Schools
 Management's Discussion and Analysis
 June 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements			
	District Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as funds set aside for future other post employment benefits (OPEB) payments
Required Financial Statements	<ul style="list-style-type: none"> ❖ Statement of Net Position ❖ Statement of Activities 	<ul style="list-style-type: none"> ❖ Balance Sheet ❖ Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> ❖ Statement of Fiduciary Net Position ❖ Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus
Type of Assets/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds to not currently contain capital assets, although they can.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and dedications during the year, regardless of when cash is received or paid

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current year 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 and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the District's financial health or position.

Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District you need to consider additional 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, administration, food services and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

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

The OPEB Trust Fund is a fiduciary fund. The District is the trustee, or fiduciary, for assets that belong to others, such as money set aside to pay future OPEB liabilities. The District is responsible for ensuring that the assets in this fund are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016**

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

Net Position

The District's combined net position was \$(4,984,487) on June 30, 2016 (see details in Table A-1). This is an increase of \$680,377 from \$(5,664,864), the restated beginning net position as shown in Table A-2. Beginning net position for 2014-2015 was restated due to the implementation of GASB Statements No. 68 and No. 71. Pension liabilities and related deferred outflows and inflows of resources are recorded in 2015 with the implementation of GASB Statements No. 68 and No. 71.

Table A-1

	2014-2015	2015-2016
Current and other assets	\$ 12,792,798	\$ 15,553,105
Capital assets	37,556,028	36,194,041
Total assets	\$ 50,348,826	\$ 51,747,146
 Deferred outflows of resources	 \$ 1,897,357	 \$ 2,439,142
Long-term liabilities	\$ 44,755,965	\$ 45,225,004
Other liabilities	4,329,783	6,488,167
Total liabilities	\$ 49,085,748	\$ 51,713,171
 Deferred inflows of resources	 \$ 8,825,299	 \$ 7,457,604
Net position		
Net investment in capital assets	\$ 5,868,526	\$ 5,789,788
Restricted for other purposes	1,004,680	1,104,874
Unrestricted	(12,538,070)	(11,879,149)
Total net position	\$ (5,664,864)	\$ (4,984,487)

Change in Net Position

The increase of current assets is largely due to an increase in cash and investments as the District issued an advance refunding of debt. Cash is held with a fiscal agent until the refunded bond is fully paid in February of 2017. This increase in current assets is offset by an increase in current liabilities for the bonds that are due within one year. There was a decrease in capital assets which resulted from the current year's depreciation of assets and minimal asset additions. A summary of the revenue and expense is presented in Table A-2 on the next page.

**Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016**

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

Change in Net Position (Continued)

Table A-2

	2014-2015	2015-2016
Revenues		
Program revenues		
Charges for services	\$ 2,011,271	\$ 1,985,293
Operating grants and contributions	5,230,929	5,220,104
Capital grants and contributions	325,845	418,557
General revenues		
Property taxes	4,953,748	5,361,395
Aids and payments from state and other	12,553,310	13,514,237
Other sources	5,583	11,797
Total revenues	\$ 25,080,686	\$ 26,511,383
Expenses		
Administration	\$ 1,396,490	\$ 1,461,944
District support services	379,529	486,388
Elementary and secondary regular instruction	7,674,061	8,478,981
Vocational instruction	121,040	123,091
Special education instruction	2,654,772	3,298,142
Instructional support services	1,515,500	1,512,625
Pupil support services	2,156,443	2,194,674
Site, buildings and equipment	2,305,578	2,311,873
Fiscal and other fixed cost programs	129,983	126,294
Student activities	1,172,930	1,342,280
Food service	1,244,714	1,203,872
Community education and services	620,629	566,781
Unallocated depreciation	1,103,934	1,096,712
Interest and fiscal charges on long-term debt	1,618,181	1,627,349
Total expenses	24,093,784	25,831,006
Change in net position	986,902	680,377
Net position- beginning	6,030,736	(5,664,864)
Change in accounting principle	(12,682,502)	-
Net position- beginning, restated	(6,651,766)	(5,664,864)
Net position - ending	\$ (5,664,864)	\$ (4,984,487)

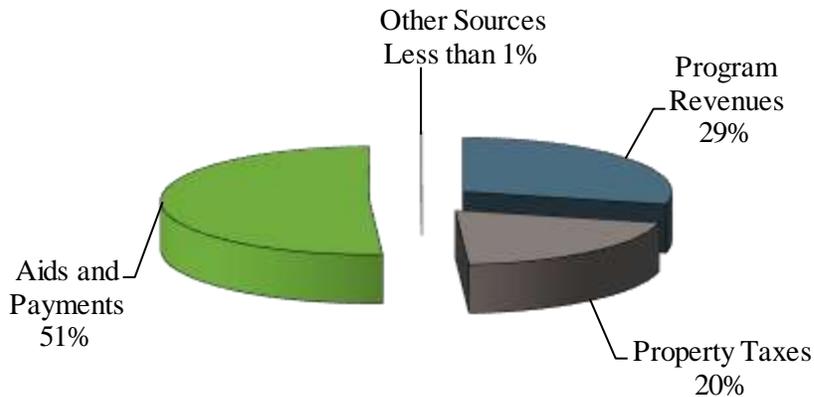
**Independent School District No. 750
 ROCORI Schools
 Management's Discussion and Analysis
 June 30, 2016**

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

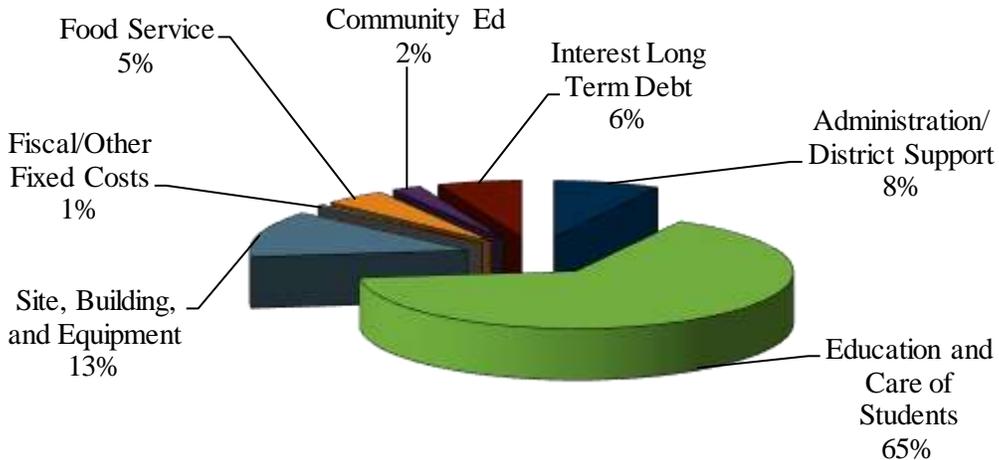
Change in Net Position (Continued)

The District's total revenue consisted of program revenues of \$7,623,954, property taxes of \$5,361,395, aid, and payments from the state of \$13,514,237 and \$11,797 from investment income. Expenses totaling \$25,831,006 consisted mainly of regular, vocational and special education instruction costs of \$11,900,214. Other areas of cost included: support services (District, administrative, instructional and pupil) \$5,655,631, student activities \$1,342,280, site, buildings and equipment (including unallocated depreciation) \$3,408,585, fiscal and other fixed cost program \$126,294, food service \$1,203,872, community education and services \$566,781 and interest and fiscal charges on long-term debt \$1,627,349.

2015-2016 Revenues - Table A-3



2015-2016 Expenses - Table A-4



Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016

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

Change in Net Position (Continued)

The net cost of governmental activities is their total costs less program revenues applicable to each category. Table A-5 presents these costs.

Table A-5

	Total Cost of Services			Net Cost of Services		
	2014-2015	2015-2016	Percent Change	2014-2015	2015-2016	Percent Change
Administration	\$ 1,396,490	\$ 1,461,944	5%	\$ 1,383,629	\$ 1,444,722	4%
District support services	379,529	486,388	28%	379,529	486,388	28%
Elementary and secondary regular instruction	7,674,061	8,478,981	10%	6,215,202	7,088,213	14%
Vocational education instruction	121,040	123,091	2%	99,890	112,206	12%
Special education instruction	2,654,772	3,298,142	24%	690,925	1,351,029	96%
Instructional support services	1,515,500	1,512,625	0%	1,164,578	1,194,539	3%
Pupil support services	2,156,443	2,194,674	2%	1,080,150	1,098,644	2%
Sites and buildings	2,305,578	2,311,873	0%	1,901,145	1,989,634	5%
Fiscal and other fixed-cost programs	129,983	126,294	-3%	129,983	126,294	-3%
Student activities	1,172,930	1,342,280	14%	585,804	658,006	12%
Food service	1,244,714	1,203,872	-3%	(26,814)	(160,489)	499%
Community education and services	620,629	566,781	-9%	199,603	123,805	-38%
Unallocated depreciation	1,103,934	1,096,712	-1%	1,103,934	1,096,712	-1%
Interest and fiscal charges on Long term debt	1,618,181	1,627,349	1%	1,618,181	1,627,349	1%
Total expense	\$ 24,093,784	\$ 25,831,006		\$ 16,525,739	\$ 18,237,052	

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$5,577,793. This is up \$2,402,502 from the June 30, 2015, combined fund balance total, which was \$3,175,291. The difference is largely due to the issuance of the refunding bond, as the revenue is recognized in the 2016 fiscal year, but the refunded bond will not be repaid and the expense recorded until fiscal year 2017. If this activity is removed, the governmental funds experienced an overall increase of \$253,327 as a result of positive operation in the General Fund and Food Service Fund.

Revenue and Expenditures

Revenues of the District's governmental funds totaled \$26,517,201. In addition, the District reported bond proceeds of \$2,149,175. Total expenditures were \$26,263,874. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 on the following page.

**Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016**

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

Revenues and Expenditures – Governmental Funds

Table A-6

	Revenue	Expenditures	Net Other Financing Sources	Fund Balance Increase (Decrease)
General	\$ 21,642,721	\$ 21,558,084	\$ -	\$ 84,637
Debt service	2,508,055	2,542,508	2,149,175	2,114,722
Other funds	2,366,425	2,163,282	-	203,143
Total	<u>\$ 26,517,201</u>	<u>\$ 26,263,874</u>	<u>\$ 2,149,175</u>	<u>\$ 2,402,502</u>

General Fund Budgetary Highlights

During the year ended June 30, 2016, the District revised its operating budget in June. The revision is necessary because when the initial budget is prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollments, staffing levels and other significant information items are estimates. When these items become known, the budget is then revised. A similar revision is made each year for the same reasons.

The District's final General Fund budget anticipated that expenditures would exceed revenues by just \$2,887. The actual result was \$84,637 revenues over expenditures. While the net variance was small, both the revenues and expenditures were significantly over budget. Part of the variance is a result of an adjustment required by GASB reporting which recorded an additional \$219,000 in both state revenue and employee benefit expenditure. The remaining revenue variance is due to conservative revenue estimates for state special education funding and enrollment for state general education aid, as well as large local donations. The remaining expenditure variance is a result of spending down the capital outlay fund balance, as well as not transferring the implicit costs of other health insurance post-employment benefits from the trust fund, which had been budgeted as a decrease to expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District decreased capital assets by a net of \$1,361,987. Depreciation of \$1,581,931 was offset against new additions of \$220,944. Detail of capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

At year-end, the District had \$36,296,396 of long-term debt. This consisted of bonded indebtedness of \$34,560,000, an unamortized bond premium of \$407,704, capital leases of \$1,021,549 and compensated absences of \$307,143. Detail regarding long-term debt can be found in Note 5 to the financial statements.

Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The ROCORI District had been experiencing declining enrollment for more than a decade. The rate of decline has slowed and the district has more stable conditions with improved overall economic conditions, the condition of district buildings and facilities, and continued emphasis on academic development. The District has begun to witness this stabilization as enrollment for the past several years has been holding at about 2000 students, and even growing by approximately 2% in the past year. The District has projected, annually, greater losses of students but the enrollment each year has proven to be better than expected.
- The political environment at the state level has a significant effect on future finances. The State Legislature sets the amount of basic revenue Minnesota school districts are able to secure from foundation aid payments and through various levies. Because state revenues are the single most important source of District operating funds, developments at the state level have a significant influence on the financial condition of the District. Over the last two legislative sessions, several significant financial bills were enacted into law. The District has seen positive effects from local optional revenue and integration aid. The 2016 legislative session offered a shift from health and safety and deferred maintenance aid to long term facilities maintenance revenue, which is expected to provide ROCORI with funding resources that have not previously been available.
- The State Legislature has increased the foundation formula for several fiscal years. While the increases were helpful, they did not keep up with inflationary pressures and forced the district to continually make reductions to stay within a balanced budget. This has been a financial pattern for more than a decade. The State Legislature approved increases to the general funding formula, increasing by 2% each year for the 2016 and 2017 fiscal years. With the increases in general funding for fiscal year 2016, the ROCORI District has seen a stronger financial base and has been able to grow fund balance. The District is hopeful that the increase to the formula for the 2017 fiscal year will once again allow the general fund unassigned fund balance to grow.
- In addition to changes to the basic formula, the State Legislature has created a new funding formula for special education expenditures. Historically expenditures had been funded on a current year basis, but beginning with fiscal year 2016 state special education aids were based on prior fiscal year costs. While this change is not anticipated to decrease overall funding, it does cause a potential cash flow and fund balance issue as contract settlement increases and inflationary costs are recognized before the revenue increase is seen.
- For the past several years the District has seen decreased funding for its intervention services, specifically the Title programs that are federally funded. The District applied for additional state special education dollars as a way to mitigate the effect of the federal budget sequestration. Much like a Title I program, the State's Alternative Delivery of Special Education Services (ADSIS) is a program designed to help those students who have not yet been identified as needing special education services and intervene before that designation would occur. The ADSIS program was approved for fiscal year 2016, but as it is a part of special education funding, the revenue generated from the program will not be received until fiscal year 2017.

Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The state's actions over the past years to deal with state budget shortfalls involved shifts in the metered payment schedule for a period of time. The shifts resulted in a negative cash flow situation requiring the district to borrow as much as \$3,500,000 to accommodate a cash flow shortage. As the state budget has improved and the ability to return to a more consistent metered payment, the district's need to borrow for cash flow purposes has also improved. Fiscal year 2015 was the last year in which the district needed to secure aid anticipation certificates.
- An operating referendum of \$344 per pupil unit for six years was approved by the voters in November 2007 and was renewed in the fall of 2012. This had allowed the District to generate approximately \$800,000 per year. In the 2014 legislative session, the State Legislature approved Local Optional Revenue for all districts, which had been previously available only to districts in the seven county metro area. The Local Optional Revenue allowed the District to convert the voter approved levy to Local Optional Revenue, up to \$424 per pupil unit. The State also allowed an additional Board approved levy authority of up to \$300 per pupil unit. The District decided to participate in both these legislative actions to more securely anticipate future funding. The levies have helped to maintain class size as well as provide licensed pupil support staff and equipment purchases. The goals outlined for referendum resources included strengthening math and reading instruction in order to improve student performance and better meet standards of adequate yearly progress. The resources continue to help meet the goals of maintaining class size, enhancing student performance, and strengthening math and reading performance with a focus on the primary grades.
- The District strategic roadmap provides a planning process to more clearly and directly focus the efforts and energy of the District. The roadmap continues to have financial implications regarding priorities in allocation and distribution of resources for short and long-term planning. The roadmap directs resources toward key efforts in student learning, culture shift, professional learning communities, reputation management, and funding and facilities.
- The District stabilized the General Fund expenditures for retiree insurance obligations through the implementation of a \$4,500,000 bond. This allows the district a tool to fund Other Post-Employment Benefits (OPEB) obligations. The funds have been placed into an irrevocable trust with the express purpose of helping meet the OPEB obligations.
- The District has contracted with Center for Efficient School Operations (CESO) for transportation consulting services for a number of years. This arrangement has resulted in changes in bus contractor pay structure, a shift from a two-tier transportation system to a single-tier system, movement to an electronic routing system, fuel escalator efficiencies, budget savings, and overall system efficiencies.
- The District has applied and been accepted to the State's Q Comp program for the 2017 fiscal year. It is a voluntary program that allows local districts and exclusive representatives of the teachers to design and collectively bargain a plan that meets the five components of the law. The five components under Q Comp include Career Ladder/Advancement Options, Job-embedded Professional Development, Teacher Evaluation, Performance Pay, and an Alternative Salary Schedule. The District will receive up to \$260 per student (\$169 per student in state aid and \$91 per student in board-approved levy) for the program.

Independent School District No. 750
ROCORI Schools
Management's Discussion and Analysis
June 30, 2016

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- District voters approved a \$29.9 million bond construction project in 2009. The construction project provided a middle school addition at the existing ROCORI High School site, expand senior high school facilities at that site, include extensive remodeling of the existing high school site, include demolition of the oldest parts of the current middle school site, and remodel parts of the remaining middle school site as a District Education Facility. In the fall of 2011, the District changed to a K-5 elementary configuration, moved sixth grade students to the 6-12 site to allow a sixth through eighth grade middle school, and continued services of a 9-12 senior high setting at the 6-12 site. The new configuration of grades has allowed the District to see increased efficiencies in its operations. The changes have allowed some consolidation of services, permits some issues of reassignment of personnel and encourages shared resources in areas that otherwise can be costly to maintain separately (industrial technology, art and family, and consumer science classrooms, for example). The final steps of facility improvement were completed in calendar year 2015 to close out the construction project and resources. A renovation of the heating system at Cold Spring Elementary (changing from a series of heat pumps to a boiler-based system) required some of the remaining construction funds. The other element was completing the renovation steps at the District Education Facility to provide classroom spaces for Community Education and Early Childhood programming.
- The District has examined and implemented means of increasing efficiency and deployment of resources to take advantage of the consolidated physical locations. Efforts have been made to streamline positions and increase efficiency in operations. Secretarial, custodial, and other support positions have been consolidated, restructured, or eliminated. Other efficiencies in operations (physical operations, utilities, energy savings and the like) are still being realized.
- Over the past several years, a number of positions have been established in the ROCORI School District. These positions were based on the District's referendum campaign promise to the community to bring a more specific focus in reading and math skills. The positions have been developed with the goal of helping teachers more directly meet the needs of students in the ROCORI District. The District wants to use data appropriately to identify and serve students. It is important to be able to use data and information to more directly meet student needs. The District continues to monitor, evaluate, and adjust these positions and assignments in effort to most efficiently provide the services students and staff need.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Beth Bertram, Director of Business Services, at the District Office 534 N 5th Avenue, Cold Spring, Minnesota 56320.

BASIC FINANCIAL STATEMENTS

**Independent School District No. 750
ROCORI Schools
Statement of Net Position
June 30, 2016**

	<u>Governmental Activities</u>
Assets	
Cash and investments	\$ 5,698,046
Cash with fiscal agent	2,098,154
Current property taxes receivable	2,629,847
Delinquent property taxes receivable	38,883
Accounts receivable	93,664
Due from Department of Education	2,095,066
Due from Federal Government through Department of Education	199,790
Due from other Minnesota school districts	271,428
Inventory	26,480
Prepaid items	117,534
Net OPEB asset	2,284,213
Capital assets	
Capital assets not being depreciated	
Land	1,085,737
Capital assets being depreciated (net of depreciation)	
Land improvements	406,749
Buildings	33,827,210
Equipment	874,345
Total assets	<u>51,747,146</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	<u>2,439,142</u>
Total assets and deferred outflows of resources	<u>\$ 54,186,288</u>
Liabilities	
Accounts payable	\$ 119,694
Salaries and benefits payable	1,724,274
Interest payable	643,810
Due to other Minnesota school districts	191,321
Due to other governmental units	196
Unearned revenue	50,686
Bond principal payable - net	
Payable within one year	3,460,000
Payable after one year	31,507,704
Capital lease payable	
Payable within one year	166,744
Payable after one year	854,805
Compensated absences payable	
Payable within one year	131,442
Payable after one year	175,701
Net pension liability	<u>12,686,794</u>
Total liabilities	<u>51,713,171</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	5,469,254
Deferred inflows of resources related to pensions	<u>1,988,350</u>
Total deferred inflows of resources	<u>7,457,604</u>
Net Position	
Net investment in capital assets	5,789,788
Restricted	1,104,874
Unrestricted	<u>(11,879,149)</u>
Total net position	<u>(4,984,487)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 54,186,288</u>

Independent School District No. 750
ROCORI Schools
Statement of Activities
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental activities					Governmental Activities
Administration	\$ 1,461,944	\$ 16,703	\$ 519	\$ -	\$ (1,444,722)
District support services	486,388	-	-	-	(486,388)
Elementary and secondary regular instruction	8,478,981	254,955	1,135,813	-	(7,088,213)
Vocational education instruction	123,091	-	10,885	-	(112,206)
Special education instruction	3,298,142	52,529	1,894,584	-	(1,351,029)
Instructional support services	1,512,625	13,096	304,990	-	(1,194,539)
Pupil support services	2,194,674	3,483	1,092,547	-	(1,098,644)
Sites and buildings	2,311,873	24,892	-	327,347	(1,959,634)
Fiscal and other fixed cost programs	126,294	-	-	-	(126,294)
Student activities	1,342,280	593,064	-	91,210	(658,006)
Food service	1,203,872	785,312	579,049	-	160,489
Community education and services	566,781	241,259	201,717	-	(123,805)
Unallocated depreciation	1,096,712	-	-	-	(1,096,712)
Interest and fiscal charges on long-term debt	1,627,349	-	-	-	(1,627,349)
Total governmental activities	<u>\$ 25,831,006</u>	<u>\$ 1,985,293</u>	<u>\$ 5,220,104</u>	<u>\$ 418,557</u>	(18,207,052)
General revenues					
Taxes					
					2,334,237
					148,953
					2,878,205
					13,514,237
					11,797
					<u>18,887,429</u>
					680,377
					<u>(5,664,864)</u>
					<u>\$ (4,984,487)</u>

Independent School District No. 750
ROCORI Schools
Balance Sheet - Governmental Funds
June 30, 2016

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 3,141,024	\$ 1,710,561	\$ 846,461	\$ 5,698,046
Cash with fiscal agent	-	2,098,154	-	2,098,154
Current property taxes receivable	1,271,270	1,096,388	262,189	2,629,847
Delinquent property taxes receivable	16,146	18,506	4,231	38,883
Accounts receivable	93,664	-	-	93,664
Due from Department of Education	2,071,507	2,983	20,576	2,095,066
Due from Federal Government through Department of Education	199,790	-	-	199,790
Due from other Minnesota school districts	256,414	-	15,014	271,428
Inventory	-	-	26,480	26,480
Prepaid items	110,419	-	7,115	117,534
	<u>\$ 7,160,234</u>	<u>\$ 4,926,592</u>	<u>\$ 1,182,066</u>	<u>\$ 13,268,892</u>
Liabilities				
Accounts payable	\$ 110,576	\$ -	\$ 9,118	\$ 119,694
Salaries and benefits payable	1,693,794	-	30,480	1,724,274
Compensated absences payable	96,791	-	-	96,791
Due to other Minnesota school districts	191,321	-	-	191,321
Due to other governmental units	196	-	-	196
Unearned revenue	26,025	-	24,661	50,686
Total liabilities	<u>2,118,703</u>	<u>-</u>	<u>64,259</u>	<u>2,182,962</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	16,146	18,506	4,231	38,883
Property taxes levied for subsequent year's expenditures	2,608,262	2,308,863	552,129	5,469,254
Total deferred inflows of resources	<u>2,624,408</u>	<u>2,327,369</u>	<u>556,360</u>	<u>5,508,137</u>
Fund Balances				
Nonspendable	110,419	-	33,595	144,014
Restricted	622,677	2,599,223	534,293	3,756,193
Committed	208,857	-	-	208,857
Assigned	558,757	-	-	558,757
Unassigned	916,413	-	(6,441)	909,972
Total fund balances	<u>2,417,123</u>	<u>2,599,223</u>	<u>561,447</u>	<u>5,577,793</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,160,234</u>	<u>\$ 4,926,592</u>	<u>\$ 1,182,066</u>	<u>\$ 13,268,892</u>

**Independent School District No. 750
 ROCORI Schools
 Reconciliation of the Balance Sheet to
 the Statement of Net Position - Governmental Funds
 June 30, 2016**

Total fund balances - governmental funds \$ 5,577,793

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	56,745,907
Less accumulated depreciation	(20,551,866)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. long-term liabilities at year-end consist of:

Bond principal payable	(34,560,000)
Capital lease payable	(1,021,549)
Compensated absences payable	(210,352)
Net pension liability	(12,686,794)

Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.

Deferred outflows of resources related to pensions	2,439,142
Deferred inflows of resources related to pensions	(1,988,350)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

38,883

Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.

(643,810)

Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as an unamortized liability in the government-wide financial statements.

(407,704)

Net OPEB asset created through treatment of general obligation (G.O.) taxable OPEB bonds as an employer contribution to defined benefit OPEB plan. This contribution is not recognized in governmental funds.

2,284,213

Total net position - governmental activities

\$ (4,984,487)

See notes to financial statements.

Independent School District No. 750
ROCORI Schools
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2016

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	\$ 2,336,677	\$ 2,478,227	\$ 552,309	\$ 5,367,213
Other local and county revenues	970,580	-	284,313	1,254,893
Revenue from state sources	17,731,399	29,828	252,355	18,013,582
Revenue from federal sources	484,990	-	500,192	985,182
Sales and other conversion of assets	119,075	-	777,256	896,331
Total revenues	<u>21,642,721</u>	<u>2,508,055</u>	<u>2,366,425</u>	<u>26,517,201</u>
Expenditures				
Current				
Administration	1,476,217	-	-	1,476,217
District support services	441,158	-	-	441,158
Elementary and secondary regular instruction	9,731,198	-	-	9,731,198
Vocational education instruction	111,669	-	-	111,669
Special education instruction	3,332,685	-	-	3,332,685
Instructional support services	1,125,698	-	-	1,125,698
Pupil support services	2,203,136	-	-	2,203,136
Sites and buildings	1,764,649	-	-	1,764,649
Fiscal and other fixed cost programs	126,294	-	-	126,294
Food service	-	-	1,187,513	1,187,513
Community education and services	-	-	562,586	562,586
Capital outlay				
District support services	45,230	-	-	45,230
Elementary and secondary regular instruction	216,119	-	-	216,119
Vocational education instruction	5,012	-	-	5,012
Special education instruction	19,393	-	-	19,393
Instructional support services	388,688	-	-	388,688
Sites and buildings	351,646	-	-	351,646
Food service	-	-	2,618	2,618
Community education and services	-	-	7,127	7,127
Debt service				
Principal	170,964	1,165,000	170,000	1,505,964
Interest and fiscal charges	48,328	1,377,508	233,438	1,659,274
Total expenditures	<u>21,558,084</u>	<u>2,542,508</u>	<u>2,163,282</u>	<u>26,263,874</u>
Excess of revenues over (under) expenditures	84,637	(34,453)	203,143	253,327
Other Financing Sources				
Bond issuance	-	2,075,000	-	2,075,000
Premium on bond issuance	-	74,175	-	74,175
Total other financing sources	<u>-</u>	<u>2,149,175</u>	<u>-</u>	<u>2,149,175</u>
Net change in fund balances	84,637	2,114,722	203,143	2,402,502
Fund Balances				
Beginning of year	<u>2,332,486</u>	<u>484,501</u>	<u>358,304</u>	<u>3,175,291</u>
End of year	<u>\$ 2,417,123</u>	<u>\$ 2,599,223</u>	<u>\$ 561,447</u>	<u>\$ 5,577,793</u>

See notes to financial statements.

Independent School District No. 750
ROCORI Schools
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 2,402,502

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	220,944
Depreciation expense	(1,582,931)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.

20,926

Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in the differences between actual and expected contributions and earnings on plan investments as well as changes in proportion.

Pension expense	171,904
-----------------	---------

Proceeds of G.O. Taxable OPEB bonds issued during 2009 were contributed to the OPEB plan to retire part of the unfunded obligation. Governmental funds report such outlays as expenditures. However, the outlay is reported as an asset on the Statement of Net Position. The impact on the Statement of Activities is the creation of a net OPEB asset which is a combination of the OPEB bond issue and the amortization of the net OPEB obligation for the current year.

64,136

Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.

1,505,964

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 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.

10,465

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Bonds payable	(2,075,000)
---------------	-------------

Governmental funds report bond premiums as an other financing source at the time of issuance. Premiums are reported as a liability in the government-wide financial statements and amortized over the life of the bond.

(52,715)

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

(5,818)

Change in net position - governmental activities	<u>\$ 680,377</u>
--------------------------------------------------	-------------------

Independent School District No. 750
ROCORI Schools
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 2,346,395	\$ 2,346,395	\$ 2,336,677	\$ (9,718)
Other local and county revenues	703,050	747,050	970,580	223,530
Revenue from state sources	16,905,398	17,209,283	17,731,399	522,116
Revenue from federal sources	442,000	442,000	484,990	42,990
Sales and other conversion of assets	91,500	91,500	119,075	27,575
Total revenues	<u>20,488,343</u>	<u>20,836,228</u>	<u>21,642,721</u>	<u>806,493</u>
Expenditures				
Current				
Administration	1,416,599	1,474,946	1,476,217	1,271
District support services	444,380	481,158	441,158	(40,000)
Elementary and secondary regular instruction	9,853,850	9,523,542	9,731,198	207,656
Vocational education instruction	70,056	70,653	111,669	41,016
Special education instruction	2,670,161	2,996,011	3,332,685	336,674
Instructional support services	1,172,501	1,109,898	1,125,698	15,800
Pupil support services	2,193,085	2,192,539	2,203,136	10,597
Sites and buildings	1,764,101	1,819,748	1,764,649	(55,099)
Fiscal and other fixed cost programs	207,500	207,500	126,294	(81,206)
Capital outlay				
Administration	2,000	2,000	-	(2,000)
District support services	45,000	45,000	45,230	230
Elementary and secondary regular instruction	39,000	39,000	216,119	177,119
Vocational education instruction	-	-	5,012	5,012
Special education instruction	-	19,572	19,393	(179)
Instructional support services	103,000	403,000	388,688	(14,312)
Sites and buildings	185,600	249,600	351,646	102,046
Debt service				
Principal	146,248	146,248	170,964	24,716
Interest and fiscal charges	58,700	58,700	48,328	(10,372)
Total expenditures	<u>20,371,781</u>	<u>20,839,115</u>	<u>21,558,084</u>	<u>718,969</u>
Excess of revenues over (under) expenditures	116,562	(2,887)	84,637	87,524
Other Financing Sources (Uses)				
Transfers in	13,549	-	-	-
Total other financing sources (uses)	<u>13,549</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 130,111</u>	<u>\$ (2,887)</u>	84,637	<u>\$ 87,524</u>
Fund Balances				
Beginning of year			<u>2,332,486</u>	
End of year			<u>\$ 2,417,123</u>	

**Independent School District No. 750
ROCORI Schools
Statement of Fiduciary Net Position
Year Ended June 30, 2016**

	OPEB Trust Fund
Assets	
Current	
Investments	
Brokered money markets	\$ 354,240
Negotiable certificates of deposit	1,349,692
Interest receivable	10,484
Total assets	\$ 1,714,416
Liabilities	
Accounts payable	\$ 56,250
Net Position	
Held in trust for OPEB	\$ 1,658,166

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016**

	OPEB Trust Fund
Additions	
Investment income	
Interest revenue	\$ 21,979
Deductions	
Health insurance expense	56,250
Fees	250
Total deductions	56,500
Change in net position	(34,521)
Net Position Held in Trust for OPEB	
Beginning of year	1,692,687
End of year	\$ 1,658,166

See notes to financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a six member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under the School Board's control and are included within the General Fund activity. Separate audited financial statements have not been issued.

B. Basic Financial Statement Information

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 are not included among program revenues; instead they are properly reported as general revenues.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The OPEB Trust Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, this Fund is not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as 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 years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District applies unrestricted funds in this order if various levels of unrestricted fund balances exist: committed, assigned and unassigned.

Description of Funds:

Major Funds:

General Fund – This Fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This Fund is used to account for the accumulation of resources for, and payment of, G.O. bond principal, interest, and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This Fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this Fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services. The District receipts property tax and local and state revenues that were received for these specific purposes in this Fund.

Post Employment Benefits Debt Service Fund – This Fund is used to record levy proceeds and the payments of G.O. Taxable OPEB Bonds, principal, interest, and related costs.

Fiduciary Fund:

OPEB Trust Fund – This Fund is used to account for financial resources held by the District in a trustee capacity to be used by the District to pay OPEB benefits to employees.

D. Deposits and Investments

Cash and 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 individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investment held by a 2.a.7 and/or a 2.a.7 like investment pool are measured at amortized cost.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

The District's total cash and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below and on the following pages.

Cash and investments of the District governmental funds at June 30, 2016, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF). The MSDLAF is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

Minnesota Statutes require all deposits be protected by federal depository insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by FDIC insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase, and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

OPEB Trust Fund

These funds represent investments administered by the District's OPEB Trust Fund investment managers. As of June 30, 2016, they were comprised of brokered money markets and negotiable certificates of deposit.

Minnesota Statutes authorize the OPEB Trust Fund to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock, and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the liability section of the fund financial statements as deferred revenue because they are not available to finance the operations of the District in the current year.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2015, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in 2016. The remaining portion of the levy will be recognized when measurable and available. Property taxes levied for subsequent year's expenditures are reported as deferred inflows of resources.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

Property tax levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Stearns County is the collecting agency for the levy and remits the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of three years. Such 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 costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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 purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

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

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in the government-wide statement of net position. A deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Financial Position, and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to 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 which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows relating to pension activity and is a result of the net difference between projected and actual earnings on plan investments. A deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

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

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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

M. Compensated Absences

The District compensates certain employees upon termination of employment for unused vacation. Vacation days are to be used by September 1 of the next school year and are not cumulative for classified employees and principals. Administrative employees' and the Superintendent's vacation days are to be used by July 1 of the next school year and are not cumulative.

District regular employees are entitled to sick leave at various rates based on employee classification and related contracts. All employees receive sick leave based on the number of hours worked. The maximum number of hours that may be accumulated is based on individual contracts. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N. Sick leave pay is shown as an expenditure in the year paid.

Beginning July 1, 2005, the District started making matching contributions to 403(b) accounts for all licensed staff. The contribution amounts vary depending on the individual's employment group. Any amount contributed by the District to an individual's 403(b) account will be deducted from the total compensated absence and severance amounts paid out. All licensed staff hired after July 1, 2005, will only be eligible for the 403(b) matching program and not the existing severance pay plans.

Compensated absences payable, as reported in the Statement of Net Position, consists of the severance payments available to eligible employees based on their unused sick leave. See Note 1.N.

N. Severance

Teacher contracts provide for the accumulation of severance pay at the rate of 5 days for each year of full-time teaching in the District up to a maximum of 50 days subject to a proration formula. In addition, teachers are eligible to receive as severance pay, upon retirement, the amount obtained by multiplying one-third of the unused number of sick leave days, not to exceed 50 days, times teachers' daily rate of pay. Severance shall be paid by contributing 100% of the amount to a health care savings plan.

Administrative contracts provide for the accumulation of severance pay at the rate of 5 days for each year of service accumulative to 20 days for administrators prior to age 56 or less than 10 years of service. Administrators who are at least 56 years of age and have been employed by the District for not less than 10 years shall, upon retirement, be eligible for severance pay calculated at the rate of 5 days for each year of service accumulative to 50 days. In addition, administrators will receive, upon retirement, the amount obtained by multiplying one-third of unused sick leave days, not to exceed 50 days, times their daily rate of pay. Severance shall be paid by contributing 100% of the amount to a health care savings plan. The remaining two-thirds of the unused sick leave days and years of service over 50 days are applied to a health insurance bank to pay for family group health coverage.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis, and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. 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 TRA Note 7.

P. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2016.

Q. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include amounts set aside for inventory and prepaid items.
- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions by either a) creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balances – The District's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment is through a resolution.
- Assigned Fund Balances – The School Board delegates the Superintendent and the Director of Business Services the power to assign balances for specific purposes. Amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed are classified as assigned fund balances.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Fund Equity (Continued)

- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

The District's target General Fund balance is a minimum of 6% to 8% of the annual operating budget.

R. Net Position

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

S. Use of Estimates

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

T. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, and Debt Service Funds.
4. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balance

The Community Service Special Revenue Fund had a negative unassigned fund balance of \$6,441 at June 30, 2016.

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

District Governmental Funds

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* 118A.03 for any amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, FCUA, or other federal deposit coverage. As of June 30, 2016, the District's bank balances were not exposed to custodial credit risk because they were fully insured through FDIC and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2016, the District's governmental funds had the following deposits:

Checking	\$ 33,232
Savings	<u>1,050,891</u>
Total	<u><u>\$ 1,084,123</u></u>

B. Investments

District Governmental Funds

Investments at June 30, 2016, were comprised of shares in the MSDLAF, including certificates of deposit and government securities at MSDLAF.

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

Investment	Maturities	Fair Value
Pooled		
MSDLAF	N/A	\$ 237,363
MSDLAF + Max Class	N/A	<u>4,376,562</u>
Total pooled		4,613,925
Non-pooled		
U.S. Treasury S&L Time Deposits	N/A	<u>2,098,154</u>
Total		<u><u>\$ 11,326,004</u></u>

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

District Governmental Funds (Continued)

Interest Rate Risk: This is the risk related to managing exposure to fair value arising from increasing interest rates. The District's investment policy states their investments should be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires investments to be in instruments specified in *Minnesota Statutes* 118A.04 and 118A.05. As of June 30, 2016, the District's governmental fund investment in MSDLAF was rated AAAM by S&P.

Concentration of Credit Risk: This relates to the limit on the amount the District may invest in any one issuer. The District's policy states the District should diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires all investment securities to be held in third party safekeeping by an institution designated as custodial agent.

The District has the following recurring fair value measurements for non-pooled investments as of June 30, 2016:

- \$2,098,154 of \$2,098,154 are valued using a quoted market prices (Level 1 inputs)

OPEB Trust Fund

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

Investment	Maturities		Fair Value
	1 Year	1-3 Years	
MNTrust Money Markets	\$ 354,240	\$ -	\$ 354,240
Negotiable Certificates of Deposit	736,322	613,370	1,349,692
Total investments	\$ 1,090,562	\$ 613,370	\$ 1,703,932

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

OPEB Trust Fund (Continued)

Credit Risk: As of June 30, 2016, the District's OPEB Trust Fund investments in the MNTrust Money Market Account was rated AAAM by S&P. The brokered money market and negotiable certificates of deposit were unrated.

Concentration of Credit Risk: As of June 30, 2016, more than 5% of the trusts investments were in brokered certificates of deposit such as Onewest Bank (14.42%), Enerbank USA (14.44%), CFG Cmnty Bank (6.64%), Bmw Bank of North America (14.56%), Discover Bank (7.46%) Ally Bank (7.14%) and Bremer Bank (14.55%).

The District has the following recurring fair value measurements for the OPEB investments as of June 30, 2016:

- \$1,349,692 of \$1,349,692 are valued using a quoted market prices (Level 1 inputs)

C. Deposits and Investments

The following is a summary of deposits and investments as of June 30, 2016:

District governmental funds	
Deposits	\$ 1,084,121
Investments pooled	4,613,925
Investments non-pooled	<u>2,098,154</u>
OPEB Trust Fund	
Investments	<u>1,703,932</u>
Total deposits and investments	<u><u>\$ 9,500,132</u></u>

Deposits and investments are presented in the June 30, 2016, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 5,698,046
Cash with fiscal agent	2,098,154
Statement of Fiduciary Net Position	
Investments	
Brokered money markets	354,240
Negotiable certificates of deposit	<u>1,349,692</u>
Total deposits and investments	<u><u>\$ 9,500,132</u></u>

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,085,737	\$ -	\$ -	\$ 1,085,737
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,085,737</u>	<u>-</u>	<u>-</u>	<u>1,085,737</u>
Capital assets being depreciated				
Land improvements	1,587,005	27,083	-	1,614,088
Buildings	51,463,743	26,629	-	51,490,372
Equipment	<u>2,421,478</u>	<u>167,232</u>	<u>33,000</u>	<u>2,555,710</u>
Total capital assets being depreciated	<u>55,472,226</u>	<u>220,944</u>	<u>33,000</u>	<u>55,660,170</u>
Less accumulated depreciation for				
Land improvements	1,179,608	27,731	-	1,207,339
Buildings	16,301,108	1,362,054	-	17,663,162
Equipment	<u>1,521,219</u>	<u>193,146</u>	<u>33,000</u>	<u>1,681,365</u>
Total accumulated depreciation	<u>19,001,935</u>	<u>1,582,931</u>	<u>33,000</u>	<u>20,551,866</u>
Total capital assets being depreciated, net	<u>36,470,291</u>	<u>(1,361,987)</u>	<u>-</u>	<u>35,108,304</u>
Governmental activities, capital assets, net	<u>\$ 37,556,028</u>	<u>\$ (1,361,987)</u>	<u>\$ -</u>	<u>\$ 36,194,041</u>

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2016, was charged to the following governmental functions:

Administration	\$ 2,381
Elementary and secondary regular instruction	45,350
Special education	790
Instructional support services	63,899
Sites and buildings	360,988
Food service	12,811
Unallocated	<u>1,096,713</u>
 Total depreciation expense	 <u><u>\$ 1,582,932</u></u>

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One year</u>
Long-term liabilities						
G.O. bonds, including						
G.O. alternative facilities bonds, 2007A	07/05/07	3.90%-4.35%	\$ 3,340,000	02/01/27	\$ 2,240,000	\$ 2,240,000
G.O. taxable OPEB bonds, 2009A	01/08/09	5.00%-6.75%	4,500,000	02/01/29	3,510,000	180,000
G.O. school building bonds, 2009B	07/01/09	2.50%-5.00%	29,990,000	02/01/34	25,625,000	875,000
G.O. alternative facilities bonds, 2014A	04/16/14	1.00%-2.25%	1,445,000	02/01/22	1,110,000	165,000
G.O. alternative facilities bonds, 2016A	04/20/16	2.00%	2,075,000	02/01/27	2,075,000	-
Unamortized bond premium					407,704	-
Capital leases					1,021,549	170,964
Compensated absences					<u>307,143</u>	<u>131,442</u>
Total all long-term liabilities					<u><u>\$ 36,296,396</u></u>	<u><u>\$ 3,762,406</u></u>

The long-term bond liabilities listed above were issued to fund OPEB, finance acquisition, and construction of capital facilities. Other long-term liabilities, such as compensated absences, are typically liquidated through the General Fund.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2017	\$ 3,460,000	\$ 1,545,739	\$ 5,005,739
2018	1,455,000	1,420,657	2,875,657
2019	1,505,000	1,371,243	2,876,243
2020	1,545,000	1,319,070	2,864,070
2021	1,595,000	1,260,669	2,855,669
2022-2026	8,070,000	5,279,726	13,349,726
2027-2031	9,850,000	3,166,650	13,016,650
2032-2034	7,080,000	683,288	7,763,288
Total	<u>\$ 34,560,000</u>	<u>\$ 16,047,042</u>	<u>\$ 50,607,042</u>

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	\$ 33,820,000	\$ 2,075,000	\$ 1,335,000	\$ 34,560,000
Unamortized bond premium	354,989	74,175	21,460	407,704
Capital leases	1,192,513	-	170,964	1,021,549
Compensated absences	346,275	312,097	351,229	307,143
Total long-term liabilities	<u>\$ 35,713,777</u>	<u>\$ 2,461,272</u>	<u>\$ 1,878,653</u>	<u>\$ 36,296,396</u>

On April 20, 2016, the District issued \$2,075,000 G.O. Alternative Facilities Refunding Bonds, Series 2016A for the crossover refunding of the G.O. Alternative Facilities Bond, Series 2007A. The refunding was done to take advantage of lower interest rates. The refunding resulted in a decrease in debt service payments of \$286,430. The net present value cash flow savings was \$263,296. The call date of the 2007A bonds is February 1, 2017.

D. Capital Lease Obligations

On September 22, 2006, the District entered into a lease purchase agreement for energy capital improvements. The capital lease obligation totaled \$2,019,022. The capital lease agreement includes semiannual principal and interest payments of \$93,447 through 2022. At June 30, 2016, the book value of the energy improvements was \$630,253.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations

On December 5, 2007, the District entered into a lease purchase agreement for a telephone system. The capital lease obligation and corresponding equipment totaled \$145,000. The capital lease agreement includes semiannual principal and interest payments of \$10,948 through 2015. At June 30, 2016, the book value of the telephone system was \$11,157.

On July 21, 2014, the District entered into a lease purchase agreement for various technology equipment. The capital lease obligation and corresponding equipment totaled \$79,921. The capital lease agreement includes semiannual principal and interest payments of \$20,701 through 2018. The technology equipment was not capitalized as items are less than the District's capitalization threshold individually.

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,		
2017		\$ 207,594
2018		207,595
2019		186,893
2020		186,893
2021		186,892
2022		186,894
Total minimum lease payments		1,162,761
Less amount representing interest		(141,212)
Present value of net minimum lease payments		\$ 1,021,549

NOTE 6 – FUND BALANCES/NET POSITION

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

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances

Fund balances are classified below to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Nonmajor Funds	Total
Nonspendable				
Inventory	\$ -	\$ -	\$ 26,480	\$ 26,480
Prepaid items	110,419	-	7,115	117,534
Total nonspendable	<u>110,419</u>	<u>-</u>	<u>33,595</u>	<u>144,014</u>
Restricted for				
Deferred maintenance	45,284	-	-	45,284
Health and safety	54,039	-	-	54,039
Operating capital	457,072	-	-	457,072
Teacher development and evaluation	13,776	-	-	13,776
Gifted and talented	25,569	-	-	25,569
Achievement and integration	26,937	-	-	26,937
Debt service	-	2,599,223	86,827	2,686,050
Community education	-	-	33,153	33,153
Early childhood and family education	-	-	2,906	2,906
School readiness	-	-	485	485
Adult basic education	-	-	5,449	5,449
Food service	-	-	405,473	405,473
Total restricted	<u>622,677</u>	<u>2,599,223</u>	<u>534,293</u>	<u>3,756,193</u>
Committed for				
Separation/retirement benefits	208,857	-	-	208,857
Assigned for				
Staff development - curriculum	24,782	-	-	24,782
Staff development - district	41,378	-	-	41,378
Student activities	222,889	-	-	222,889
Targeted services	90,307	-	-	90,307
Repairs and maintenance	32,826	-	-	32,826
3rd party revenue	63,489	-	-	63,489
Supplies	30,000	-	-	30,000
Technology	53,086	-	-	53,086
Total assigned	<u>558,757</u>	<u>-</u>	<u>-</u>	<u>558,757</u>
Unassigned for				
General purposes	916,413	-	-	916,413
Community service*	-	-	(6,441)	(6,441)
Total unassigned	<u>916,413</u>	<u>-</u>	<u>(6,441)</u>	<u>909,972</u>
 Total fund balance	 <u>\$ 2,417,123</u>	 <u>\$ 2,599,223</u>	 <u>\$ 561,447</u>	 <u>\$ 5,577,793</u>

* Negative restricted fund balances have been reclassified as unassigned.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

Restricted/Reserved for Deferred Maintenance – Districts that qualified for deferred maintenance revenue (aid and levy) but have not spent the proceeds must restrict the balance in this code. An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy program under *Minnesota Statutes* 123B.59, subd. 1. para (a) is eligible to receive deferred maintenance revenue per *Minnesota Statutes* 123B.591.

Restricted/Reserved for Health and Safety – This balance represents available resources to be used for health and safety projects in accordance with an approved health and safety plan.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

Restricted/Reserved for Debt Service – This balance represents the balances of the Debt Service Fund and the Post Employment Benefits Debt Service Fund available for future debt principal and interest payments.

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balances (Continued)

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences and OPEB (as defined in GASB Statements Nos. 16 and 45).

Assigned Fund Balances – These balances represent amounts segregated from the unassigned fund balance for various purposes as determined by the Superintendent and the Director of Business Services in accordance with the District's Fund Balance Policy.

Unassigned for Community Service – This balance represents the negative remaining fund balance of the Community Service Fund.

B. Net Position

Net position restricted for other purposes on the Statement of Net Position is comprised of the total positive net position of the Food Service and Community Service Funds and the total positive position of the restricted fund balance portion of the General Fund.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association

A. 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 school, 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.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

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

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits (Continued)

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

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

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

C. Contribution Rate

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

	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.5%
Coordinated	7.5%	7.5%

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate (Continued)

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 340,207,590
Deduct Employer contributions not related to future contribution 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>
Total contributions reported in schedule of employer and non-employer pension allocations	<u><u>\$ 380,654,366</u></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.

D. Merger of DTRFA

Legislation enacted in 2014 merged the 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>6/30/14 CAFR</u>	<u>Restated</u>
Total pension liability	\$ 24,901,612,000	\$ 25,299,564,000
Plan fiduciary net position	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net pension liability	<u><u>\$ 4,607,928,000</u></u>	<u><u>\$ 4,779,808,000</u></u>

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. 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
Actuarial assumptions	
Investment rate of return	8.00%
Wage inflation	3.00%
Projected salary increase	3.5-12%, based on years of service
Cost of living adjustment	2.00%

Mortality Assumption

Pre-retirement	RP 2000 non-annuitant generational mortality, white collar adjustment, male rates set back five years and female rates set back seven years
Post-retirement	RP 2000 annuitant generational mortality, white collar adjustment, male rates set back two years and female rates set back three 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.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target	Long-Term Expected Real Rate of Return
Domestic stocks	45 %	5.50 %
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Unallocated cash	2	0.50
	<u>100 %</u>	
Total	<u>100 %</u>	

The TRA actuary has determined the average of the expected remaining services 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.

F. Discount Rate

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

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Net Pension Liability

On June 30, 2016, the District reported a liability of \$10,095,534 for its proportionate share of the net pension liability. The net pension liability was measure 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 0.1632% at the end of the measurement period and 0.1775% 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	\$ 10,095,534
State's proportionate share of the net pension liability associated with the district	1,238,192

A change in benefit provisions that affected the measurement of the total pension liability since the prior measurement date was an increase of the contribution rates for both the member and employer. Section C contains the rate information.

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

For the year ended June 30, 2015, the District recognized pension expense of \$722,100. It also recognized \$218,896 as an increase to pension expense for the support provided by direct aid.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 561,780	\$ -
Net difference between projected and actual earnings on plan investments	-	927,499
Changes of assumptions	776,078	
Changes in proportion	-	520,535
District's contribution to TRA subsequent to the measurement date	<u>670,599</u>	<u>-</u>
Total	<u>\$ 2,008,457</u>	<u>\$ 1,448,034</u>

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

H. Net Pension Liability (Continued)

An amount of \$670,599 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

2017	\$ (202,257)
2018	(202,257)
2019	(202,255)
2020	422,065
2021	74,528

I. Pension Liability Sensitivity

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 8.0% as well as the liability measured using 1% lower and 1% higher.

District proportionate share of NPL		
1% decrease (7.0%)	Current (8.0%)	1% increase (9.0%)
\$ 15,366,710	\$ 10,095,534	\$ 5,696,586

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.

J. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That can be obtained at www.MinnesotaTRA.org, or 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.

Public Employees' Retirement Association

A. Plan Description

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

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

General Employees Retirement Fund (GERF)

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded status, or have fallen below 80%, are given 1% increases.

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

GERF Benefits

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

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5% of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for the Coordinated Plan. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2015, were \$230,447. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

GERF Pension Costs

At June 30, 2016, the District reported a liability of \$2,591,260 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.0500 %, which was a decrease of .004% from its proportion measured as of June 30, 2015.

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

The discount rate used to calculate liabilities for the June 30, 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 \$225,938 for its proportionate share of GERF's pension expense.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

GERF Pension Costs

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 25,953	\$ 130,644
Changes in actuarial assumptions	174,285	-
Difference between projected and actual investments earnings	-	268,747
Changes in proportion	-	140,925
District's contributions to GERF subsequent to the measurement date	<u>230,447</u>	<u>-</u>
Total	<u><u>\$ 430,685</u></u>	<u><u>\$ 540,316</u></u>

An amount of \$230,447 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2017	\$ (100,428)
2018	(100,428)
2019	(200,547)
2020	61,325

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

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

GERF

Assumptions	GERF
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 30, 2008, with an update of economic assumptions in 2014.

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:

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

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. 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 employee and employer contributions will be made at the rates 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.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
District's proportionate share of the GERS net pension liability	\$ 4,074,381	\$ 2,591,260	\$ 1,366,429

H. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Funding Policy

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Health Partners. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2016, the District contributed \$414,169 to the plan. As of July 1, 2014, there were approximately 47 retirees and dependents receiving health benefits from the District's health plan. The plan has a total of 295 active participants and dependents.

C. Annual Other Post Employment Benefits Cost and Net Other Post Employment Benefits Costs Obligation

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

ARC	\$ 309,086
Interest on net OPEB obligation	(77,703)
Amortization of net OPEB obligation with interest	118,650
Annual OPEB cost	<u>350,033</u>
Employer contributions	<u>(414,169)</u>
Decrease in net OPEB obligation	(64,136)
Net OPEB obligation - beginning of year	<u>(2,220,077)</u>
 Net OPEB obligation - end of year	 <u><u>\$ (2,284,213)</u></u>

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

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
06/30/16	\$ 350,033	\$ 414,169	118.3%	\$ (2,284,213)
06/30/15	364,909	277,556	76.1%	(2,220,077)
06/30/14	347,583	278,913	80.2%	(2,307,430)

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the District had \$1,977,110 of plan assets deposited to fund the plan. The actuarial accrued liability for benefits was \$4,418,679 and the actuarial value of assets was \$1,977,110, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,441,569. The covered payroll (annual payroll of active employees covered by the plan) was \$10,306,544, and the ratio of the UAAL to the covered payroll was 23.7%. In January 2009, the District issued G.O. Taxable OPEB Bonds, established an irrevocable trust, and contributed \$4,401,700 of bond proceeds into the trust to fund the plan. As of June 30, 2016, the ending market value of these assets was \$1,714,416.

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

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

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

On July 1, 2014, the actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate. The District partially funded the ARC by issuing \$4.5 million OPEB Bonds on January 9, 2009. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.5% initially, reduced incrementally to an ultimate rate of 5% after 10 years. Both rates included a 2.5% inflation assumption. Salaries are projected to increase at 3%. The UAAL is being amortized as a level dollar of projected payroll on a closed basis. The remaining amortization period at July 1, 2014 was 30 years.

**Independent School District No. 750
ROCORI Schools
Notes to Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Condensed Financial Statements

The financial statements for the OPEB Plan are reported below because the OPEB Plan does not issue a separate report.

**Statement of Plan Net Position - OPEB Plan
June 30, 2016**

Assets	
Investments, at fair value	\$ 1,703,932
Interest receivable	10,484
	<u> </u>
Total assets	<u><u>\$ 1,714,416</u></u>
 Liabilities	
Accounts payable	\$ 56,250
	<u> </u>
 Net Position	
Held in trust for OPEB	<u><u>\$ 1,658,166</u></u>

**Statement of Changes in Plan Net Position
Year Ended June 30, 2016**

Additions	
Investments income	\$ 21,979
 Deductions	
Health insurance expense	56,500
	<u> </u>
Change in net position	(34,521)
 Net Position Held in Trust for OPEB	
Beginning of the year	<u>1,692,687</u>
End of year	<u><u>\$ 1,658,166</u></u>

1. Notes to the Condensed Financial Statements

A. Plan Provisions

The Plan is described in detail on the previous pages, including Plan provisions and the authority for Plan changes.

Independent School District No. 750
ROCORI Schools
Notes to Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Condensed Financial Statements (Continued)

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The financial statements shown on the previous page are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which the employee services are performed. Benefits are recognized when due and payable.

B. Investments

The details of the investments and the investment policy are described in Note 3. of the District's financial statements.

C. 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 various estimates. Actual results could differ from those estimates.

NOTE 9 – SUBSEQUENT EVENT

On September 12, 2016, the District issued G.O. Taxable OPEB Refunding Bonds, Series 2016B in the amount of \$3,460,000 with an interest rate of 1.3% to 3.0%.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

**Independent School District No. 750
ROCORI Schools
Schedule of Funding Progress –
Other Post Employment Benefits**

Acturial Valuation Date	Acturial Value of Assets (a)	Acturial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/10	\$ 3,577,732	\$ 6,151,146	\$ 2,573,414	58.16%	\$ 10,083,867	25.52%
07/01/12	2,572,794	4,775,211	2,202,417	53.88%	9,995,068	22.04%
07/01/14	1,977,110	4,418,679	2,441,569	44.74%	10,306,544	23.69%

**Schedule of Employer Contributions –
Other Post Employment Benefits**

Year Ended June 30,	Annual OPEB Cost	Total Contributions	Percentage Contributed	Net OPEB Obligation (Asset)
2016	\$ 350,033	\$ 414,169	118.32%	\$ (2,284,213)
2015	364,909	277,556	76.06%	(2,220,077)
2014	347,583	278,913	80.24%	(2,307,100)

Independent School District No. 750
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years GERS Retirement Funds

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0540%	\$ 2,536,649	\$ 2,833,103	89.5%	78.7%
2016	0.0500%	2,591,260	2,892,480	89.6%	78.2%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Funds

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of	District's Covered- Employee Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.1775%	\$ 8,179,072	\$ 575,427	\$ 8,754,499	\$ 8,101,857	101.0%	81.5%
2016	0.1632%	10,095,534	1,238,192	11,333,726	8,283,160	121.9%	76.8%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 750
Schedule of District Contributions
GERF Retirement Funds
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 205,400	\$ 205,400	\$ -	\$ 2,833,103	7.25%
2016	216,936	216,936	-	2,892,480	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District Contributions
TRA Retirement Funds
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2015	\$ 567,130	\$ 567,130	\$ -	\$ 8,101,857	7.0%
2016	621,237	621,237	-	8,283,160	7.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 750
ROCORI Schools
Notes to the Required Supplementary Information

TRA Retirement Funds

Changes of benefit terms

The DTRFA was merged into TRA on June 30, 2015.

Changes of assumptions

The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 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.

SUPPLEMENTARY INFORMATION

Independent School District No. 750
ROCORI Schools
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds			Post Employment Benefits Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
Assets					
Cash and investments	\$ 440,399	\$ 107,396	\$ 547,795	\$ 298,666	\$ 846,461
Current property taxes receivable	-	70,194	70,194	191,995	262,189
Delinquent property taxes receivable	-	1,136	1,136	3,095	4,231
Due from Department of Education	-	20,091	20,091	485	20,576
Due from other Minnesota school districts	-	15,014	15,014	-	15,014
Inventory	26,480	-	26,480	-	26,480
Prepaid items	7,115	-	7,115	-	7,115
	<u>473,994</u>	<u>213,831</u>	<u>687,825</u>	<u>494,241</u>	<u>1,182,066</u>
Total assets	<u>\$ 473,994</u>	<u>\$ 213,831</u>	<u>\$ 687,825</u>	<u>\$ 494,241</u>	<u>\$ 1,182,066</u>
Liabilities					
Accounts payable	\$ 8,803	\$ 315	\$ 9,118	\$ -	\$ 9,118
Salaries and benefits payable	1,462	29,018	30,480	-	30,480
Unearned revenue	24,661	-	24,661	-	24,661
Total liabilities	<u>34,926</u>	<u>29,333</u>	<u>64,259</u>	<u>-</u>	<u>64,259</u>
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	-	1,136	1,136	3,095	4,231
Property taxes levied for subsequent year's expenditures	-	147,810	147,810	404,319	552,129
Total deferred inflows of resources	<u>-</u>	<u>148,946</u>	<u>148,946</u>	<u>407,414</u>	<u>556,360</u>
Fund Balances					
Nonspendable	33,595	-	33,595	-	33,595
Restricted	405,473	41,993	447,466	86,827	534,293
Unassigned	-	(6,441)	(6,441)	-	(6,441)
Total fund balances	<u>439,068</u>	<u>35,552</u>	<u>474,620</u>	<u>86,827</u>	<u>561,447</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 473,994</u>	<u>\$ 213,831</u>	<u>\$ 687,825</u>	<u>\$ 494,241</u>	<u>\$ 1,182,066</u>

Independent School District No. 750
ROCORI Schools
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2016

	Special Revenue Funds			Post Employment Benefits Debt Service	Total Nonmajor Funds
	Food Service	Community Service	Total		
Revenues					
Local property taxes	\$ -	\$ 149,223	\$ 149,223	\$ 403,086	\$ 552,309
Other local and county revenues	13,056	271,257	284,313	-	284,313
Revenue from state sources	73,857	173,647	247,504	4,851	252,355
Revenue from federal sources	500,192	-	500,192	-	500,192
Sales and other conversion of assets	777,256	-	777,256	-	777,256
Total revenues	1,364,361	594,127	1,958,488	407,937	2,366,425
Expenditures					
Current					
Food service	1,187,513	-	1,187,513	-	1,187,513
Community education and services	-	562,586	562,586	-	562,586
Capital outlay					
Food service	2,618	-	2,618	-	2,618
Community education and services	-	7,127	7,127	-	7,127
Debt service					
Principal	-	-	-	170,000	170,000
Interest and fiscal charges	-	-	-	233,438	233,438
Total expenditures	1,190,131	569,713	1,759,844	403,438	2,163,282
Excess of revenues over expenditures	174,230	24,414	198,644	4,499	203,143
Fund Balances					
Beginning of year	264,838	11,138	275,976	82,328	358,304
End of year	\$ 439,068	\$ 35,552	\$ 474,620	\$ 86,827	\$ 561,447

Independent School District No. 750
ROCORI Schools
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2016

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 General Fund							
Total revenue	\$ 21,642,721	\$ 21,642,724	\$ (3)		\$ -	\$ -	\$ -
Total expenditures	21,558,084	21,558,087	(3)		-	-	-
<i>Nonspendable:</i>							
460 Nonspendable fund balance	110,419	110,419	-		-	-	-
<i>Restricted/Reserved:</i>							
403 Staff Development	-	-	-		-	-	-
405 Deferred Maintenance	45,284	45,284	-		-	-	-
406 Health and Safety	54,039	54,039	-		-	-	-
407 Capital Projects Levy	-	-	-		-	-	-
409 Alternative Facility Program	-	-	-		-	-	-
408 Cooperative Programs	-	-	-		-	-	-
413 Building Projects Funded by COP/LP	-	-	-		-	-	-
414 Operating Debt	-	-	-		-	-	-
416 Levy Reduction	-	-	-		-	-	-
417 Taconite Building Maintenance	-	-	-		-	-	-
424 Operating Capital	457,072	457,072	-		-	-	-
426 \$25 Taconite	-	-	-		-	-	-
427 Disabled Accessibility	-	-	-		-	-	-
428 Learning and Development	-	-	-		-	-	-
434 Area Learning Center	-	-	-		-	-	-
435 Contracted Alternative Programs	-	-	-		-	-	-
436 State Approved Alternative Program	-	-	-		-	-	-
438 Gifted and Talented	25,569	25,569	-		-	-	-
440 Teacher Development and Evaluation	13,776	13,776	-		-	-	-
441 Basic Skills Programs	-	-	-		-	-	-
445 Career Technical Programs	-	-	-		-	-	-
448 Achievement and Integration Revenue	26,937	26,937	-		-	-	-
449 Safe School Crime	-	-	-		-	-	-
450 Transition for Pre-kindergarten	-	-	-		-	-	-
451 QZAB and QSCB Payments	-	-	-		-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-		-	-	-
453 Unfunded Severance and Retirement Levy	-	-	-		-	-	-
<i>Restricted:</i>							
464 Restricted fund balance	-	-	-		-	-	-
<i>Committed:</i>							
418 Committed for separation	208,857	208,857	-		-	-	-
461 Committed	-	-	-		-	-	-
<i>Assigned:</i>							
462 Assigned fund balance	558,757	558,757	-		-	-	-
<i>Unassigned:</i>							
422 Unassigned fund balance (net position)	916,413	916,412	1		-	-	-
02 Food Services Fund							
Total revenue	\$ 1,364,361	\$ 1,364,359	\$ 2		\$ -	\$ -	\$ -
Total expenditures	1,190,131	1,190,132	(1)		-	-	-
<i>Nonspendable:</i>							
460 Nonspendable fund balance	33,595	33,595	-		-	-	-
<i>Restricted/Reserved:</i>							
452 OPEB liabilities not held in trust	-	-	-		-	-	-
<i>Restricted:</i>							
464 Restricted fund balance	405,473	405,473	-		-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-		-	-	-
04 Community Service Fund							
Total revenue	\$ 594,127	\$ 594,130	\$ (3)		\$ -	\$ -	\$ -
Total expenditures	569,713	569,712	1		-	-	-
<i>Nonspendable:</i>							
460 Nonspendable fund balance	-	-	-		-	-	-
<i>Restricted/Reserved:</i>							
426 \$25 Taconite	-	-	-		-	-	-
431 Community Education	33,153	33,153	-		-	-	-
432 ECFE	2,906	2,906	-		-	-	-
440 Teacher Development and Evaluations	-	-	-		-	-	-
444 School Readiness	485	485	-		-	-	-
447 Adult Basic Education	5,449	5,449	-		-	-	-
452 OPEB Liabilities not Held in Trust	-	-	-		-	-	-
<i>Restricted:</i>							
464 Restricted fund balance	-	-	-		-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	(6,441)	(6,440)	(1)		-	-	-
06 Building Construction Fund							
Total revenue	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Total expenditures	-	-	-		-	-	-
<i>Nonspendable:</i>							
460 Nonspendable Fund Balance	-	-	-		-	-	-
<i>Restricted/Reserved:</i>							
407 Capital Projects Levy	-	-	-		-	-	-
409 Alternative Facility Program	-	-	-		-	-	-
413 Building Projects Funded by COP/LP	-	-	-		-	-	-
<i>Restricted:</i>							
464 Restricted fund balance	-	-	-		-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-		-	-	-
07 Debt Service Fund							
Total revenue	\$ 2,508,055	\$ 2,508,055	\$ -		\$ -	\$ -	\$ -
Total expenditures	2,542,508	2,542,506	2		-	-	-
<i>Nonspendable:</i>							
460 Nonspendable fund balance	-	-	-		-	-	-
<i>Restricted/Reserved:</i>							
425 Bond refunding	2,098,154	2,098,154	-		-	-	-
451 QZAB and QSCB payments	-	-	-		-	-	-
<i>Restricted:</i>							
464 Restricted fund balance	501,069	501,069	-		-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-		-	-	-
08 Trust Fund							
Total revenue	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Total expenditures	-	-	-		-	-	-
<i>Unassigned:</i>							
422 Unassigned fund balance (net position)	-	-	-		-	-	-
20 Internal Service Fund							
Total revenue	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Total expenditures	-	-	-		-	-	-
<i>Unassigned:</i>							
422 Unassigned fund balance (net position)	-	-	-		-	-	-
25 OPEB Revocable Trust							
Total revenue	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -
Total expenditures	-	-	-		-	-	-
<i>Unassigned:</i>							
422 Unassigned fund balance (net position)	-	-	-		-	-	-
45 OPEB Irrevocable Trust							
Total revenue	\$ 21,979	\$ 21,979	\$ -		\$ -	\$ -	\$ -
Total expenditures	56,500	56,500	-		-	-	-
<i>Unassigned:</i>							
422 Unassigned fund balance (net position)	1,658,166	1,658,166	-		-	-	-
47 OPEB Debt Service							
Total revenue	\$ 407,937	\$ 407,937	\$ -		\$ -	\$ -	\$ -
Total expenditures	403,438	403,438	-		-	-	-
<i>Nonspendable:</i>							
460 Nonspendable fund balance	-	-	-		-	-	-
<i>Restricted:</i>							
425 Bond refundings	-	-	-		-	-	-
464 Restricted fund balance	86,827	86,827	-		-	-	-
<i>Unassigned:</i>							
463 Unassigned fund balance	-	-	-		-	-	-

Independent School District No. 750
ROCORI Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Funding Source	Federal CFDA Number	Grant Name	Expenditures
Through Minnesota Department of Education			
Department of Agriculture	10.553	School Breakfast Program	\$ 80,149
Department of Agriculture	10.555	Commodities Programs	8,085
Department of Agriculture	10.555	Commodities Programs (Noncash Assistance)	93,827
Department of Agriculture	10.555	Child Nutrition Type A Lunch	317,689
Department of Agriculture	10.556	Special Milk	442
		Total Child Nutrition Cluster	<u>500,192</u>
Department of Education	84.010	Title I, Part A	157,056
Department of Education	84.365	Title III, Part A - English Language Acquisition	6,904
Department of Education	84.367	Title II, Part A - Improving Teacher Quality	52,307
Through Wright Technical Center District No. 966			
Department of Education	84.048A	Carl Perkins	8,726
Through Benton Stearns Education District			
Department of Education	84.027	Special Education	<u>200,000</u>
		Total Federal Expenditures	<u>\$ 925,185</u>

Independent School District No. 750
ROCORI Schools
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

(THIS PAGE LEFT BLANK INTENTIONALLY)



**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***

BerganKDV, Ltd.

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com

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. 750, Cold Spring, Minnesota, as of and for the year ending June 30, 2016, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 30, 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 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.



Internal Control over Financial Reporting

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified a certain deficiency in internal control described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency in internal control which is listed as audit finding 01-01.

Compliance and Other Matters

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

District's Response to the Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

A handwritten signature in black ink that reads "BergankDV, Ltd." in a cursive, slightly slanted script.

St. Cloud, Minnesota
September 30, 2016

**Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance
Required by the Uniform Guidance**

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 750, Cold Spring, Minnesota 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, in Accordance with the Uniform Guidance.

Management's Responsibility

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

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 legal determination of the compliance of Independent School District No. 750.

BerganKDV, Ltd.

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com



Opinion on Each Major Federal Program

In our opinion, Independent School District No. 750 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.

Report on Internal Control over Compliance

Management of the District 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in black ink that reads "BerganKDV, Ltd." in a cursive, stylized script.

St. Cloud, Minnesota
September 30, 2016

**Independent School District No. 750
ROCORI Schools
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Findings 01-01
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No.:	10.553, 10.555, 10.556
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 750
Rocori Schools
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 01-01

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended June 30, 2016, the District had a lack of segregation of accounting duties due to a limited number of office employees. The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the School Board, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

**Independent School District No. 750
Rocori Schools
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 01-01 (Continued)

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Internal control is always a consideration when duties within the District Office are assigned. Steps are being taken to have more internal control in receipting deposits and issuing payments. The District Office will review the job duties of the office staff to improve the internal controls of the District.
3. Official Responsible for Ensuring CAP
Scott Staska, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is June 30, 2016.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

(THIS PAGE LEFT BLANK INTENTIONALLY)



Report on Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 750
ROCORI Schools
Cold Spring, 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. 750, Cold Spring, Minnesota, as of and for the year ended June 30, 2016, and the related notes to financial statements, and have issued our report thereon dated September 30, 2016.

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

The purpose of this report is 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.

St. Cloud, Minnesota
September 30, 2016

BerganKDV, Ltd.

Cedar Falls
602 Main Street
Suite 100
P.O. Box 489
Cedar Falls, IA
50613-0026
T 319.268.1715
F 319.268.1720

Cedar Rapids
2720 1st Avenue NE
Suite 300
P.O. Box 10200
Cedar Rapids, IA
52402-0200
T 319.294.8000
F 319.294.9003

Coralville
2530 Corridor Way
Suite 301
P.O. Box 5267
Coralville, IA
52241-0267
T 319.248.0367
F 319.248.0582

Des Moines
9207 Northpark Drive
Johnston, IA
50131-2933
T 515.727.5700
F 515.727.5800

Minneapolis
3800 American Blvd W
Suite 1000
Bloomington, MN
55431-4420
T 952.563.6800
F 952.563.6801

St. Cloud
220 Park Avenue S.
P.O. Box 1304
St. Cloud, MN
56302-3713
T 320.251.7010
F 320.251.1784

Waterloo
100 East Park Avenue
Suite 300
P.O. Box 2100
Waterloo, IA
50704-2100
T 319.234.6885
F 319.234.6287

bergankdv.com