

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2016

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INDEPENDENT SCHOOL DISTRICT NO. 656
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INTRODUCTORY SECTION

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**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
BOARD OF EDUCATION AND ADMINISTRATION
FISCAL YEAR 2015 – 2016**

BOARD OF EDUCATION

	Term on Board Expires December 31,	Position on Board During 2015-2016
Thomas Casper	2017	Chair
Jerry Robicheau	2016	Vice Chair
Yvette Marthaler	2016	Treasurer
Richard Olson	2017	Clerk
Jason Engbrecht	2016	Director
Andrea Vogelsberg	2017	Director
Chad Wolff	2017	Director

ADMINISTRATION

Todd Sesker	Superintendent
Colleen Mertesdorf *	Director of Finance and Operations

*Resigned effective August 31, 2016 and replaced by Andi Johnson.

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 656
Faribault, 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. 656, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656 as of June 30, 2016, and the respective changes in financial position and, the respective budgetary comparisons for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 656 as of and for the year ended June 30, 2015, and we expressed unmodified opinions on those audited financial statements in our report dated November 13, 2015. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Postemployment Benefit Plan, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of the District's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 656's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as required by Minnesota Department of Education is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards Compliance Table 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 information is 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 December 12, 2016 on our consideration of Independent School District No. 656's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Independent School District No. 656's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
December 12, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

This section of Independent School District No. 656's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this letter.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2015-16 fiscal year include the following:

- Student enrollment – student enrollment decreased from the previous year, going from 3,846 in 2014-15 to 3,840 in 2015-16.
- The General Fund Unassigned Fund Balance decreased, going from \$7,455,757 at the end of 2014-15 to \$7,094,880 at the end of 2015-16
- The District finished construction of the Faribault Education Center addition to the High School and the District Office and Conference Center addition to the Middle School. This is reflected by the decrease in fund balance in the Building Construction Fund

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditors' Report, Required Supplementary Information which includes MD&A (this section), the basic financial statements, Single Audit and other required reports.

The basic financial statements include several statements that present different views of the District:

The ***government-wide financial statements***, including the *Statement of Net Position* and the *Statement of Activities*, provide both short-term and long-term information about the District's overall financial status. The government-wide statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have 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.

- 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 District's overall health, additional consideration should be given to non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District maintains two groups of fund financial statements. They are:

- ***Governmental funds statements*** tell how basic services were financed in the short term as well as what remains for future spending. The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 determines whether there are more or less financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statement that explains the relationship (or differences) between these two types of financial statement presentations.
- ***Fiduciary funds statements*** provide information about the financial relationships in which the District acts only as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$20.7 million on June 30, 2016, which is consistent with the prior year. (See Figure A-1 below). See Note 1 of the financial statements for more information.

**Figure A-1
Independent School District No. 656
Net Position – Governmental Activities
As of June 30, 2016 and 2015**

	Governmental Activities as of June		Percentage Change
	2016	2015	
Current and Other Assets	\$ 26,958,538	\$ 30,186,527	-10.69%
Capital and Non-Current Assets	59,244,541	56,787,652	4.33%
Total Assets	86,203,079	86,974,179	-0.89%
Deferred Outflows of Resources	5,660,858	4,239,305	33.53%
Current Liabilities	9,981,733	8,449,032	18.14%
Long Term Liabilities	49,628,930	46,334,314	7.11%
Total Liabilities	59,610,663	54,783,346	8.81%
Deferred Inflows of Resources	11,531,864	15,797,509	-27.00%
Net Position			
Net Investment in Capital Assets	38,638,934	35,056,211	10.22%
Restricted	1,849,348	4,069,339	-54.55%
Unrestricted	(19,766,872)	(18,492,921)	6.89%
Total Net Position	\$ 20,721,410	\$ 20,632,629	0.43%

Changes in net position. The District's total revenues were \$57.8 million and total expenses were \$57.7 million for the year ended June 30, 2016. (See Figure A-2 on the next page.) Unrestricted state aid and property taxes accounted for 60% of the total revenue for the year. Operating and capital grants and charges for services contributed 39%. (See Figure A-3 on page 9.) Student support services and instruction-related expenses accounted for 74% of the District's expenses. The District's administrative activities accounted for 3% of total costs. (See Figure A-4 on page 9.) Total revenues surpassed expenditures, increasing net position by \$88,781.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

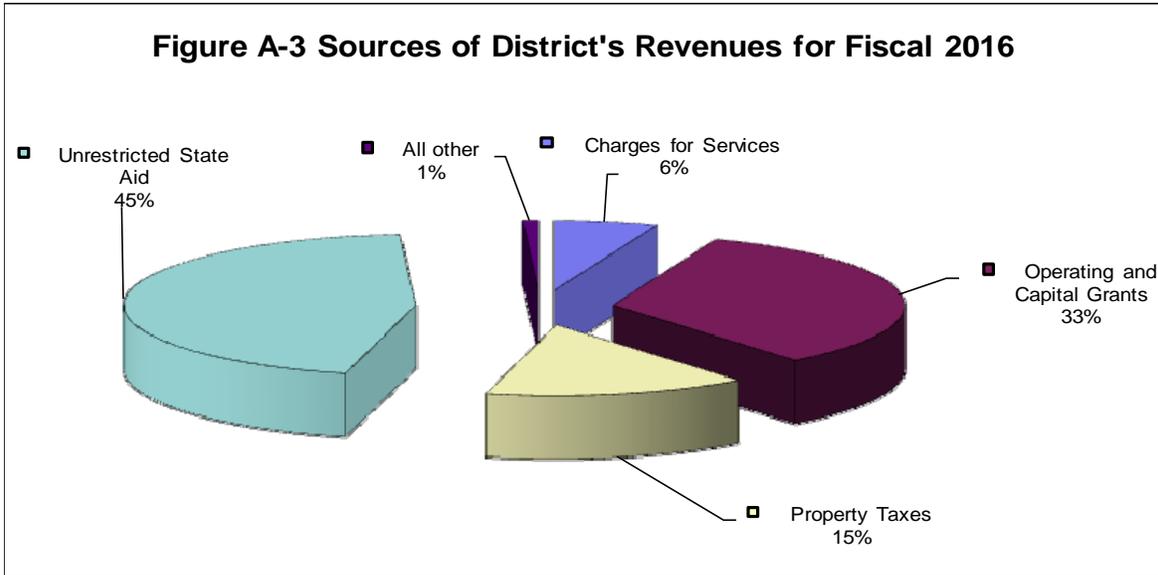
**Figure A-2
Independent School District No. 656
Change in Net Position
For the Years Ended June 30, 2016 and 2015**

	Governmental Activities for the fiscal year ended June 30,		Total % Change
	2016	2015	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 3,326,171	\$ 3,651,610	-8.91%
Operating Grants and Contributions	18,806,251	16,693,012	12.66%
Capital Grants and Contributions	587,649	591,215	-0.60%
<u>General Revenues</u>			
Property Taxes	8,410,153	10,734,227	-21.65%
Unrestricted State Aid	26,173,406	25,317,536	3.38%
Investment Earnings	37,650	7,529	400.07%
Other	474,050	119,256	297.51%
Total Revenues	57,815,330	57,114,385	1.23%
Expenses			
Administration	1,890,760	1,735,400	8.95%
District Support Services	1,559,861	1,287,629	21.14%
Regular Instruction	20,728,468	21,624,199	-4.14%
Vocational Education Instruction	337,303	346,356	-2.61%
Special Education Instruction	11,853,578	10,156,485	16.71%
Instructional Support Services	4,013,052	4,388,521	-8.56%
Pupil Support Services	4,339,492	3,956,813	9.67%
Sites and Buildings	7,742,976	4,482,619	72.73%
Fiscal and Other Fixed Cost Programs	162,078	149,490	8.42%
Food Service	2,484,562	2,168,608	14.57%
Community Service	2,118,540	1,629,144	30.04%
Interest and Fiscal Charges on Long-Term Liabilities	495,879	657,700	-24.60%
Total Expenses	57,726,549	52,582,964	9.78%
Increase in Net Position	88,781	4,531,421	-98.04%
Beginning Net Position	20,632,629	16,101,208	
Ending Net Position	\$ 20,721,410	\$ 20,632,629	0.43%

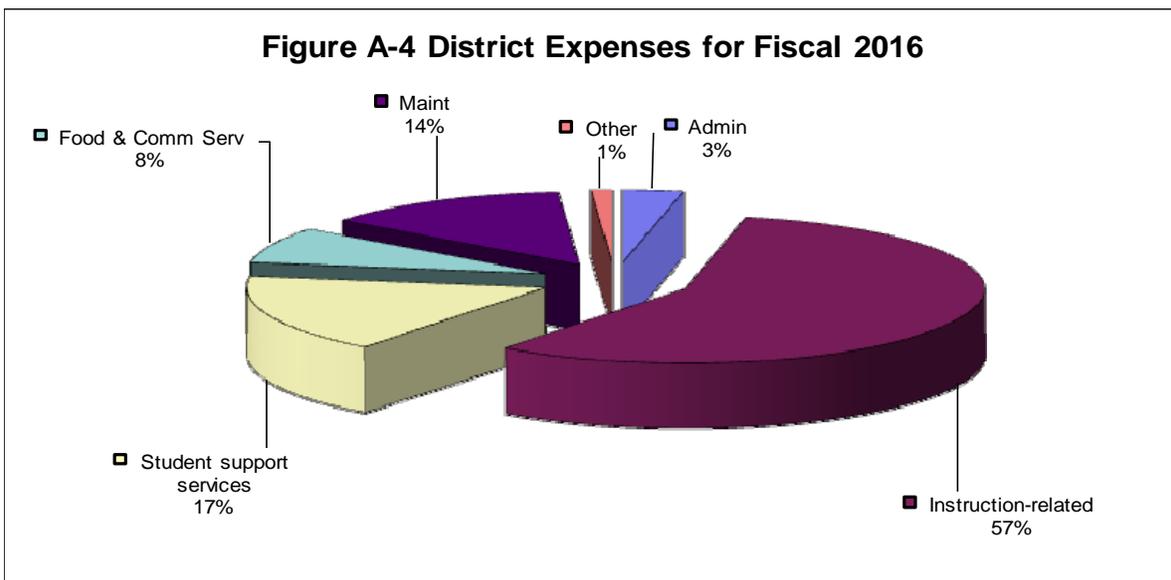
**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Figure A-3
Independent School District No. 656
Sources of Revenues
For Fiscal Year 2016**



**Figure A-4
Independent School District No. 656
Expenses
For Fiscal Year 2016**



**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities

Figure A-5, seen below, presents the cost of twelve major District activities such as instruction, pupil and instructional services, administration, maintenance and operations, transportation, and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The cost of all governmental activities this year was \$57.7 million. The net cost of all governmental activities this year was \$35 million.
- The users of the District's programs financed \$3.3 million of the cost of activities through various charges for services.
- The federal and state governments subsidized certain programs with grants and contributions of \$19.4 million.
- District property taxpayers financed \$8.4 million of governmental activities and state taxpayers financed \$26.2 million of unrestricted state aid based on the statewide education aid formula.

**Figure A-5
Independent School District No. 656
Net Cost of Governmental Activities
For the Years Ended June 30, 2016 and 2015**

	<u>Total Cost of Services</u>		Percentage Change	<u>Net Cost of Services</u>		Percentage Change
	2016	2015		2016	2015	
Administration	\$ 1,890,760	\$ 1,735,400	8.95%	\$ 1,890,760	\$ 1,735,400	8.95%
District Support Services	1,559,861	1,287,629	21.14%	1,553,407	1,278,119	21.54%
Regular Instruction	20,728,468	21,624,199	-4.14%	10,996,700	12,822,260	-14.24%
Vocational Education Instruction	337,303	346,356	-2.61%	327,657	338,831	-3.30%
Special Education Instruction	11,853,578	10,156,485	16.71%	4,181,142	2,849,697	46.72%
Instructional Support Services	4,013,052	4,388,521	-8.56%	3,566,114	3,972,291	-10.23%
Pupil Support Services	4,339,492	3,956,813	9.67%	4,123,169	3,762,006	9.60%
Sites and Buildings	7,742,976	4,482,619	72.73%	6,988,501	3,856,955	81.19%
Fiscal and Other Fixed Cost Programs	162,078	149,490	8.42%	162,078	149,490	8.42%
Food Service	2,484,562	2,168,608	14.57%	214,912	29,011	640.79%
Community Service	2,118,540	1,629,144	30.04%	506,159	195,367	159.08%
Interest and Fiscal Charges on Long-Term Liabilities	495,879	657,700	-24.60%	495,879	657,700	-24.60%
Total	<u>\$ 57,726,549</u>	<u>\$ 52,582,964</u>	9.78%	<u>\$ 35,006,478</u>	<u>\$ 31,647,127</u>	10.62%

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. The General Fund, Food Service Fund, Community Service Fund, Capital Projects – Building Construction Fund and Debt Service Fund all had expenditures in excess of revenues resulting in a decreased fund balance for the year ended, June 30, 2016.

The decrease in the General Fund was due to the use of fund balance to offset costs related to construction of the Faribault Education Center at the High School and the District Office at the Middle School. Actual expenditures over revenues came in under budget resulting in a smaller decrease to the General Fund than anticipated. A more detailed analysis will follow this general section.

The Food Service Fund decreased by \$136,207. The decrease in Food Service fund balance is attributed to the District allocating related lunchroom expenses normally paid for out of the General Fund to the Food Service Fund, as allowed by the Minnesota Department of Education.

The combined restricted fund balances for Community Education Programs, Early Childhood/Family Education, School Readiness, Adult Basic Education and Restricted for Other Purposes decreased in the 2015-2016 fiscal year. All programs will need to be closely monitored to maintain a continued balanced budget.

The Capital Projects – Building Construction Fund decreased due to the completion of the Faribault Education Center and the District Office and Conference Center.

The Debt Service Fund decreased \$264,699 due to payments made to outstanding debt.

At the end of the 2015-16 fiscal year, the District's governmental funds reported combined fund balances of \$12,034,231. This is a 29% decrease from the prior year, primarily due to the completion of the Faribault Education Center and District Office and Conference Center.

Revenues for the District's governmental funds were \$57,831,436 and total expenditures were \$62,826,445, resulting in a fund balance decrease of \$4,995,009.

General Fund

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

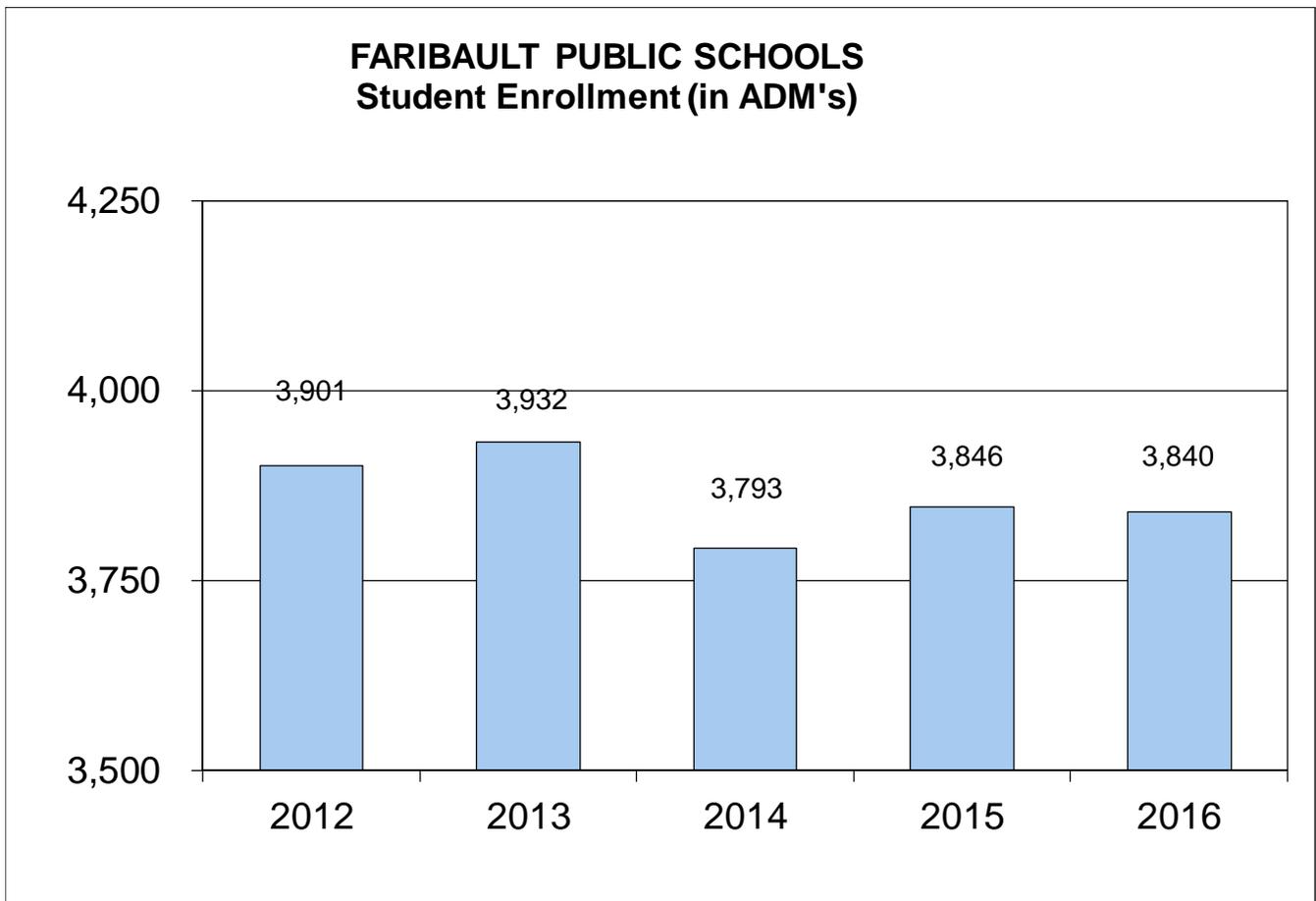
**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

Enrollment

Funding for Minnesota school districts is largely driven by enrollment. As seen in Figure A-6 below, there was a decrease in enrollment for the year of six students in comparison with the prior year.

**Figure A-6
Independent School District No. 656
Student Average Daily Membership**



**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund

A summary of General Fund revenues and expenditures is shown in Figure A-7 below.

**Figure A-7
Independent School District No. 656
Summary of General Fund Revenues and Expenditures
For the Years Ended June 30, 2016 and 2015**

Description	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Revenues:				
Local Sources				
Property Taxes	\$ 5,497,035	\$ 5,577,890	\$ (80,855)	-1.4%
Earnings on Investments	28,827	5,435	23,392	430.4%
Other	2,477,541	2,444,396	33,145	1.4%
State Sources	40,988,416	38,285,542	2,702,874	7.1%
Federal Sources	1,926,925	1,979,504	(52,579)	-2.7%
Total General Fund Revenue	<u>\$ 50,918,744</u>	<u>\$ 48,292,767</u>	<u>\$ 2,625,977</u>	5.4%
	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2016	June 30, 2015		
Expenditures:				
Salaries	\$ 28,308,046	\$ 26,591,439	\$ 1,716,607	6.5%
Employee Benefits	11,455,793	10,401,695	1,054,098	10.1%
Purchased Services	6,899,094	6,162,146	736,948	12.0%
Supplies and Materials	1,678,890	1,918,840	(239,950)	-12.5%
Capital Expenditures	3,497,485	3,706,810	(209,325)	-5.6%
Other Expenditures	137,235	151,242	(14,007)	-9.3%
Total Expenditures	<u>\$ 51,976,543</u>	<u>\$ 48,932,172</u>	<u>\$ 3,044,371</u>	6.2%

Revenues

Fiscal year 2015-16 saw a decrease in enrollment of six students. The formula allowance was at \$6,067 per adjusted marginal cost pupil unit for the 2015-16 year. Revenues totaled \$50,918,744 or an increase of \$2,625,977 over 2014-15. The 5.4% increase is due to increased state aid revenue.

Expenditures

Expenditures totaled \$51,976,543 which is an increase of \$3,044,371 over 2014-15. The increase was primarily due to increases in labor contracts and benefits, purchased services, and capital outlay, for 2015-16.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

General Fund (Continued)

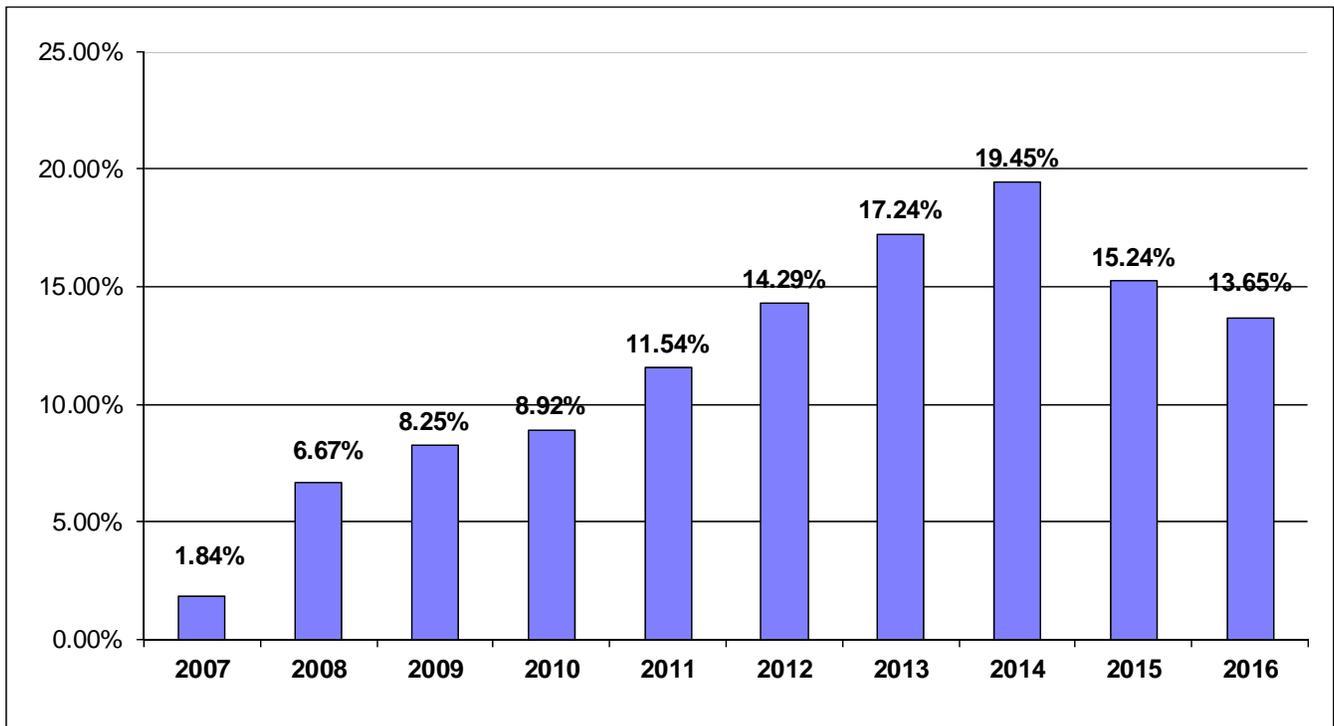
Fund Balance

The unassigned fund balance is \$7,094,880, committed fund balance for postemployment benefits is \$2,451,000, nonspendable fund balance is \$445,566 and the restricted fund balances for staff development, gifted and talented, health and safety, achievement and integration, teacher growth and development and operating capital total \$415,464.

The graph in Figure A-8, below, depicts the General Fund unassigned fund balance as a percentage of total expenditures for the 10 fiscal years ending June 30, 2007–2016. The District's unassigned fund balance offers the single best measure of the District's overall financial health. The unassigned fund balance on June 30, 2016 represents 13.7% of annual expenditures.

The District closely monitors the General Fund unassigned fund balance through the use of financial software spending controls, a detailed financial planning model, up to two budget revisions during the year, and monthly budget analysis. The Board of Education has adopted a fund balance policy to maintain a fund balance in the unassigned General Fund of not less than 9.5% of the annual operating budget for that fund.

**Figure A-8
Independent School District No. 656
General Fund Unassigned Fund Balance as a Percentage of Total Expenditures**



**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

BUDGETARY HIGHLIGHTS

The District revised the annual operating budget from the preliminary budget approved in June 2015 to the final budget approved in June of 2016.

General Fund

The District's final budget for the general fund anticipated that expenditures would exceed revenues and other financing sources by \$1,824,701. The actual results for the year show expenditures exceeding revenues and other financing sources by \$1,083,404.

- Actual revenues were \$287,684 above budget, with most of the difference in state general education aid and special education aid.
- Actual expenditures were \$464,218 under budget with salaries, supplies, and materials all under budget.

Food Service Fund

The Food Service Fund revenues and transfers for 2015-16 were \$2.3 million and expenditures were \$2.4 million. The fund balance as of June 30, 2016 is \$302,039, a decrease of \$136,207 from fiscal year 2014-2015. The District contracts with Sodexo for management of the District food service program. Sodexo continues to provide exemplary management services.

Community Service Fund

The Community Service Fund revenues for 2015-16 totaled \$2.0 million and expenditures were \$2.1 million. The fund balance as of June 30, 2016 is \$522,753, a decrease of \$86,565. The individual restricted accounts of Community Education, Early Childhood/Family Education, Adult Basic Education and Restricted for Other Purposes decreased during the year while School Readiness saw an increase.

Debt Service Fund

The Debt Service Fund is used to record revenues and expenditures for a school district's outstanding bonded indebtedness, whether for building construction, operating capital, or for initial or refunding bonds. The Debt Service Fund revenues for 2015-16 totaled \$2.6 million and expenditures were \$2.9 million. The fund balance as of June 30, 2016 is \$802,529, a decrease of \$264,699. Every year the Minnesota Department of Education calculates Debt Service excess fund balance amounts and uses those amounts to reduce future levies.

Capital Projects Fund

The Capital Projects Fund is used to account for revenues and expenditures for a school district's long term capital projects. As mentioned earlier, the activity in the fund related to the completed construction at the High School and Middle School. The revenues and capital lease proceeds for 2015-16 were \$2,565. Expenditures totaled \$3.4 million for fiscal year 2016.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2016, the District had invested \$59,244,541 in a broad range of capital assets, including school buildings, computer equipment, audio-visual equipment, and other equipment for various instructional programs. (See Figure A-9 below.) Accumulated depreciation totaled \$38,307,727 as of June 30, 2016. More detailed information about capital assets can be found in Note 4 of the financial statements.

**Figure A-9
Independent School District No. 656
Capital Assets
June 30, 2016 and 2015**

	2016	2015	Percentage Change
Land	\$ 1,913,554	\$ 1,913,554	0.0%
Construction in Progress	-	480,085	-100.0%
Land Improvements	6,944,711	6,918,984	0.4%
Buildings and Improvements	82,464,425	77,138,354	6.9%
Equipment	6,229,578	6,078,700	2.5%
Less: Accumulated Depreciation	<u>(38,307,727)</u>	<u>(35,742,025)</u>	7.2%
Total	<u>\$ 59,244,541</u>	<u>\$ 56,787,652</u>	4.3%

Long-Term Liabilities

For the fiscal year ended June 30, 2016, the District had \$15.9 million in general obligation bonds outstanding. (See Figure A-10 below.) The District also had \$2.5 million in health benefits, separation and severance payable as of June 30, 2016. More detailed information about the District's long-term liabilities is presented in Note 5 of the financial statements. More information about GASB No. 68 can be found in Note 1 and Note 7 of the financial statements.

**Figure A-10
Independent School District No. 656
Outstanding Long-Term Liabilities
June 30, 2016 and 2015**

	2016	2015	Percentage Change
General Obligation Bonds	\$ 15,935,000	\$ 18,230,000	-12.6%
Net Bond Premium and Discount	(19,835)	(22,381)	-11.4%
Lease Purchase Payable	3,782,186	3,904,200	-3.1%
Obligations Under Capital Leases	891,693	1,443,282	-38.2%
Retirement Benefits Payable	29,755,071	23,638,470	25.9%
Other Postemployment Benefits Payable	1,473,122	1,252,864	17.6%
Compensated Absences Payable	<u>1,045,101</u>	<u>897,290</u>	16.5%
Total	<u>\$ 52,862,338</u>	<u>\$ 49,343,725</u>	7.1%
Long-Term Liabilities:			
Due Within One Year	\$ 3,233,408	\$ 3,009,411	
Due in More Than One Year	<u>49,628,930</u>	<u>46,334,314</u>	
	<u>\$ 52,862,338</u>	<u>\$ 49,343,725</u>	

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The most recent legislative session did offer some minimal financial increases. However, in the most recent prior years, legislative revenue increases have been minimal or non-existent and have not been sufficient to meet our instructional needs and increased costs due to inflation. In the fall of 2013, the voters of our District approved an annual operating levy in the amount of approximately \$2,544,000 per year for a period of 10 years with an inflation factor change each year. This revenue began in the 2015-2016 school year and allowed us to restore cuts made in previous years, enhance our current educational experience and propel our students into the future.

Enrollments will be closely monitored and projections will be done using several models. Faribault Public Schools may see a decline in the numbers of students served. Declining enrollments significantly impact our state and federal revenue streams. If declining enrollments are anticipated, budget adjustments may be necessary to maintain a balanced budget.

The District will continue to seek all available sources of funding, balance revenues to expenditures, and maintain systems that ensure financial accountability and financial stability. With careful planning, regular monitoring and thoughtful adjusting, the District's good financial health can be maintained well into the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Andi Johnson, Director of Finance and Operations, at the ISD 656 District Office, 710 17th St. SW, P.O. Box 618, Faribault, MN 55021, ajohnson02@faribault.k12.mn.us or visit the District's website at www.faribault.k12.mn.us.

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BASIC FINANCIAL STATEMENTS

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 15,986,937	\$ 18,300,252
Cash and Investments Held by Trustee	-	1,842,200
Receivables		
Property Taxes	4,247,091	4,088,578
Other Governments	5,847,517	4,776,279
Other	431,427	40,871
Prepaid Items	391,826	1,078,966
Inventories	53,740	59,381
Capital Assets		
Land and Construction in Progress	1,913,554	2,393,639
Other Capital Assets, Net of Depreciation	57,330,987	54,394,013
Total Assets	86,203,079	86,974,179
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	5,660,858	4,239,305
Total Deferred Outflows of Resources	5,660,858	4,239,305
LIABILITIES		
Salaries and Wages Payable	4,950,765	4,082,011
Accounts and Contracts Payable	913,489	822,117
Accrued Interest	257,070	242,672
Due to Other Governmental Units	567,793	116,591
Unearned Revenue	59,208	176,230
Long-Term Liabilities		
Portion Due Within One Year	3,233,408	3,009,411
Portion Due in More Than One Year	49,628,930	46,334,314
Total Liabilities	59,610,663	54,783,346
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	8,307,679	7,818,859
Gain on Bond Refunding	13,113	18,540
Pension Related	3,211,072	7,960,110
Total Deferred Inflows of Resources	11,531,864	15,797,509
NET POSITION		
Net Investment in Capital Assets	38,638,934	35,056,211
Restricted for:		
Operating Capital Purposes	335,763	433,655
State-Mandated Reserves	79,163	103,627
Food Service	302,039	438,246
Community Service	527,561	614,629
Debt Service	601,372	897,248
Capital Projects - Building Construction	3,450	1,581,934
Unrestricted	(19,766,872)	(18,492,921)
Total Net Position	\$ 20,721,410	\$ 20,632,629

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

2016			
Functions	Expenses	Charges for Services	Program Operating Grants and Contributions
Governmental Activities			
Administration	\$ 1,890,760	\$ -	\$ -
District Support Services	1,559,861	-	-
Regular Instruction	20,728,468	302,286	9,352,556
Vocational Education Instruction	337,303	-	9,646
Special Education Instruction	11,853,578	1,295,448	6,376,988
Instructional Support Services	4,013,052	18,916	375,633
Pupil Support Services	4,339,492	5,196	211,127
Sites and Buildings	7,742,976	281,967	20,628
Fiscal and Other Fixed Cost Programs	162,078	-	-
Food Service	2,484,562	491,153	1,778,497
Community Service	2,118,540	931,205	681,176
Interest and Fiscal Charges on Long-Term Liabilities	495,879	-	-
Total School District	\$ 57,726,549	\$ 3,326,171	\$ 18,806,251

General Revenues

Property Taxes Levied for:
 General Purposes
 Community Service
 Debt Service
 State Aid Not Restricted to Specific Purposes
 Earnings on Investments
 Miscellaneous
 Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

	2016	2015
	Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Revenues	Total	Total
Capital	Governmental Activities	Governmental Activities
Grants and Contributions		
\$ -	\$ (1,890,760)	\$ (1,735,400)
6,454	(1,553,407)	(1,278,119)
76,926	(10,996,700)	(12,822,260)
-	(327,657)	(338,831)
-	(4,181,142)	(2,849,697)
52,389	(3,566,114)	(3,972,291)
-	(4,123,169)	(3,762,006)
451,880	(6,988,501)	(3,856,955)
-	(162,078)	(149,490)
-	(214,912)	(29,011)
-	(506,159)	(195,367)
-	(495,879)	(657,700)
<u>\$ 587,649</u>	<u>(35,006,478)</u>	<u>(31,647,127)</u>

5,498,211	5,598,012
343,613	355,753
2,568,329	4,780,462
26,173,406	25,317,536
37,650	7,529
474,050	119,256
<u>35,095,259</u>	<u>36,178,548</u>
88,781	4,531,421
<u>20,632,629</u>	<u>16,101,208</u>
<u>\$ 20,721,410</u>	<u>\$ 20,632,629</u>

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 12,854,475	\$ 341,665	\$ 678,653
Cash and Investments Held by Trustee	-	-	-
Receivables			
Current Property Taxes	2,775,385	-	168,119
Delinquent Property Taxes	64,652	-	4,808
Due from Other Minnesota School Districts	186,944	-	62,793
Due from Minnesota Department of Education	4,456,873	1,934	34,609
Due from Federal through Minnesota Department of Education	1,036,481	50,159	12,897
Other Receivables	378,455	-	52,972
Prepaid Items	391,826	-	-
Inventory	53,740	-	-
Total Assets	<u>\$ 22,198,831</u>	<u>\$ 393,758</u>	<u>\$ 1,014,851</u>
LIABILITIES DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
Liabilities			
Salaries and Wages Payable	\$ 1,988,734	\$ -	\$ 88,557
Payroll Deductions and Employer Contributions Payable	2,873,474	-	-
Accounts and Contracts Payable	838,981	54,475	16,583
Due to Other Governmental Units	559,030	-	8,763
Unearned Revenue	3,555	37,244	18,409
Total Liabilities	<u>6,263,774</u>	<u>91,719</u>	<u>132,312</u>
Deferred Inflows of Resources			
Property Taxes Levied for Subsequent Year	5,463,495	-	354,978
Unavailable Revenue - Delinquent Property Taxes	64,652	-	4,808
Total Deferred Inflows of Resources	<u>5,528,147</u>	<u>-</u>	<u>359,786</u>
Fund Balance			
Nonspendable			
Prepays Items	391,826	-	-
Inventory	53,740	-	-
Restricted for			
Staff Development	78,674	-	-
Health and Safety	(2,139)	-	-
Operating Capital	335,763	-	-
Teacher Development	2,628	-	-
Achievement and Integration	538	-	-
Community Education Programs	-	-	235,486
Early Childhood and Family Education Programs	-	-	39,503
School Readiness	-	-	184,439
Adult Basic Education	-	-	57,393
Building Projects - COP	-	-	-
Other Purposes	-	302,039	5,932
Committed	2,451,000	-	-
Unassigned	7,094,880	-	-
Total Fund Balance	<u>10,406,910</u>	<u>302,039</u>	<u>522,753</u>
Total Liabilities Deferred Inflows of Resources and Fund Balance	<u>\$ 22,198,831</u>	<u>\$ 393,758</u>	<u>\$ 1,014,851</u>

See accompanying Notes to Basic Financial Statements.

Funds		Total Governmental	
Capital Projects	Debt Service	Funds	
		2016	2015
\$ 3,450	\$ 2,108,694	\$ 15,986,937	\$ 18,300,252
-	-	-	1,842,200
-	1,178,214	4,121,718	3,947,099
-	55,913	125,373	141,479
-	-	249,737	308,580
-	4,827	4,498,243	3,587,645
-	-	1,099,537	880,054
-	-	431,427	40,871
-	-	391,826	1,078,966
-	-	53,740	59,381
<u>\$ 3,450</u>	<u>\$ 3,347,648</u>	<u>\$ 26,958,538</u>	<u>\$ 30,186,527</u>
\$ -	\$ -	\$ 2,077,291	\$ 1,878,960
-	-	2,873,474	2,203,051
3,450	-	913,489	822,117
-	-	567,793	116,591
-	-	59,208	176,230
<u>3,450</u>	<u>-</u>	<u>6,491,255</u>	<u>5,196,949</u>
-	2,489,206	8,307,679	7,818,859
-	55,913	125,373	141,479
<u>-</u>	<u>2,545,119</u>	<u>8,433,052</u>	<u>7,960,338</u>
-	-	391,826	1,078,966
-	-	53,740	59,381
-	-	78,674	100,999
-	-	(2,139)	(87,724)
-	-	335,763	433,655
-	-	2,628	-
-	-	538	-
-	-	235,486	275,693
-	-	39,503	44,225
-	-	184,439	168,802
-	-	57,393	118,949
-	-	-	1,841,409
-	802,529	1,110,500	3,088,138
-	-	2,451,000	2,451,000
-	-	7,094,880	7,455,747
<u>-</u>	<u>802,529</u>	<u>12,034,231</u>	<u>17,029,240</u>
<u>\$ 3,450</u>	<u>\$ 3,347,648</u>	<u>\$ 26,958,538</u>	<u>\$ 30,186,527</u>

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**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	2016	2015
Total Fund Balance for Governmental Funds	\$ 12,034,231	\$ 17,029,240
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	1,913,554	1,913,554
Construction in Progress	-	480,085
Land Improvements, Net of Accumulated Depreciation	4,319,990	4,590,900
Buildings and Improvements, Net of Accumulated Depreciation	51,052,812	47,592,838
Equipment, Net of Accumulated Depreciation	1,958,185	2,210,275
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	125,373	141,479
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(257,070)	(242,672)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Net Pension Liability	(29,755,071)	(23,638,470)
Deferred Outflows of Resources - Pensions	5,660,858	4,239,305
Deferred Inflows of Resources - Pensions	(3,211,072)	(7,960,110)
Bonds Payable	(15,935,000)	(18,230,000)
Unamortized Premiums and Discounts	19,835	22,381
Lease Purchase Payable	(3,782,186)	(3,904,200)
Obligations Under Capital Leases	(891,693)	(1,443,282)
Unamortized Deferred Gain on Refunding	(13,113)	(18,540)
Compensated Absences Payable	(1,045,101)	(897,290)
Other Postemployment Benefits Payable	(1,473,122)	(1,252,864)
Total Net Position of Governmental Activities	\$ 20,721,410	\$ 20,632,629

See accompanying Notes to Basic Financial Statements

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	Major		
	General	Food Service	Community Service
REVENUES			
Local Sources			
Property Taxes	\$ 5,497,035	\$ -	\$ 344,116
Earnings on Investments	28,827	1,227	1,733
Other	2,477,541	501,057	1,116,357
State Sources	40,988,416	125,544	527,470
Federal Sources	1,926,925	1,643,049	12,897
Total Revenues	50,918,744	2,270,877	2,002,573
EXPENDITURES			
Current			
Administration	1,901,635	-	-
District Support Services	1,556,014	-	-
Regular Instruction	20,055,292	-	-
Vocational Education Instruction	327,871	-	-
Special Education Instruction	11,781,739	-	-
Instructional Support Services	4,323,024	-	-
Pupil Support Services	4,336,935	-	-
Sites and Buildings	4,034,470	-	-
Fiscal and Other Fixed Cost Programs	162,078	-	-
Food Service	-	2,318,965	-
Community Service	-	-	1,981,076
Capital Outlay	3,497,485	113,724	108,062
Debt Service			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	51,976,543	2,432,689	2,089,138
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,057,799)	(161,812)	(86,565)
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	-	-	-
Insurance Recovery Proceeds	-	-	-
Judgments for Districts	-	-	-
Transfers In	-	25,605	-
Transfers Out	(25,605)	-	-
Total Other Financing Sources (Uses)	(25,605)	25,605	-
NET CHANGE IN FUND BALANCES	(1,083,404)	(136,207)	(86,565)
Fund Balances - Beginning of Year	11,490,314	438,246	609,318
FUND BALANCES - END OF YEAR	\$ 10,406,910	\$ 302,039	\$ 522,753

See accompanying Notes to Basic Financial Statements

Funds		Total Governmental	
Capital Projects - Building Construction	Debt Service	Funds	
		2016	2015
\$ -	\$ 2,585,108	\$ 8,426,259	\$ 10,703,039
2,565	3,298	37,650	7,529
-	-	4,094,955	3,963,366
-	48,271	41,689,701	38,882,932
-	-	3,582,871	3,520,615
<u>2,565</u>	<u>2,636,677</u>	<u>57,831,436</u>	<u>57,077,481</u>
-	-	1,901,635	1,764,923
-	-	1,556,014	1,292,585
-	-	20,055,292	19,521,664
-	-	327,871	350,824
-	-	11,781,739	10,291,785
-	-	4,323,024	3,801,175
-	-	4,336,935	3,970,588
-	-	4,034,470	4,081,241
-	-	162,078	150,577
-	-	2,318,965	2,061,745
-	-	1,981,076	1,631,012
3,426,699	-	7,145,970	4,308,011
-	2,295,000	2,295,000	4,065,000
-	606,376	606,376	721,043
<u>3,426,699</u>	<u>2,901,376</u>	<u>62,826,445</u>	<u>58,012,173</u>
(3,424,134)	(264,699)	(4,995,009)	(934,692)
-	-	-	5,203,720
-	-	-	5,516
-	-	-	200
-	-	25,605	20,954
-	-	(25,605)	(20,954)
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,209,436</u>
(3,424,134)	(264,699)	(4,995,009)	4,274,744
<u>3,424,134</u>	<u>1,067,228</u>	<u>17,029,240</u>	<u>12,754,496</u>
<u>\$ -</u>	<u>\$ 802,529</u>	<u>\$ 12,034,231</u>	<u>\$ 17,029,240</u>

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016	2015
Net Change in Fund Balance-Total Governmental Funds	\$ (4,995,009)	\$ 4,274,744
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. Also, governmental funds report proceeds from sales of capital assets while, in the statement of activities, only the gain or loss is included.		
Capital Outlays	5,036,341	2,773,385
Depreciation Expense	(2,579,452)	(2,363,891)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.		
Other Financing Source - Capital Lease	-	(5,203,720)
Principal Payments - Capital Leases	551,589	71,878
Pension expenses on the governmental funds are measured by current year employee contributions. Pension expenditures on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.		
	53,990	823,133
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Repayment of Certificates of Participation Payable	122,014	-
Repayment of Bond Principal	2,295,000	4,065,000
Change in Accrued Interest Expense - General Obligation Bonds	(14,398)	5,671
Amortization of Deferred Gain on Refunding	5,427	5,427
Amortization of Bond Premium and Discount	(2,546)	52,245
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
	(16,106)	31,188
In the statement of activities, certain operating expenses - other post employment benefits, severance benefits, and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	(368,069)	(3,639)
Change in Net Position of Governmental Activities	\$ 88,781	\$ 4,531,421

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2016

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 5,454,023	\$ 5,506,085	\$ 5,497,035	\$ (9,050)	\$ 5,577,890
Earnings on Investments	5,000	5,000	28,827	23,827	5,435
Other	2,095,206	2,699,014	2,477,541	(221,473)	2,444,396
State Sources	38,822,721	40,178,980	40,988,416	809,436	38,285,542
Federal Sources	2,258,183	2,241,981	1,926,925	(315,056)	1,979,504
Total Revenues	<u>48,635,133</u>	<u>50,631,060</u>	<u>50,918,744</u>	<u>287,684</u>	<u>48,292,767</u>
EXPENDITURES					
Current:					
Administration	1,731,313	1,836,341	1,901,635	65,294	1,764,923
District Support Services	1,978,251	1,796,566	1,556,014	(240,552)	1,292,585
Regular Instruction	20,743,633	20,344,832	20,055,292	(289,540)	19,521,664
Vocational Education Instruction	354,780	324,847	327,871	3,024	350,824
Special Education Instruction	10,910,846	11,778,279	11,781,739	3,460	10,291,785
Instructional Support Services	3,330,812	3,969,778	4,323,024	353,246	3,801,175
Pupil Support Services	4,010,620	4,182,834	4,336,935	154,101	3,970,588
Sites and Buildings	3,987,591	3,931,279	4,034,470	103,191	4,081,241
Fiscal and Other Fixed Cost Programs	242,432	154,897	162,078	7,181	150,577
Capital Outlay	3,145,510	4,121,108	3,497,485	(623,623)	3,706,810
Total Expenditures	<u>50,435,788</u>	<u>52,440,761</u>	<u>51,976,543</u>	<u>(464,218)</u>	<u>48,932,172</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,800,655)	(1,809,701)	(1,057,799)	751,902	(639,405)
OTHER FINANCING SOURCES (USES)					
Capital Lease Proceeds	-	-	-	-	1,299,520
Insurance Recovery Proceeds	-	-	-	-	5,516
Judgments for Districts	-	-	-	-	200
Transfers Out	(15,000)	(15,000)	(25,605)	(10,605)	(20,954)
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(25,605)</u>	<u>(10,605)</u>	<u>1,284,282</u>
Net Change in Fund Balances	<u>\$ (1,815,655)</u>	<u>\$ (1,824,701)</u>	(1,083,404)	<u>\$ 741,297</u>	644,877
FUND BALANCE					
Beginning of Year			11,490,314		10,845,437
End of Year			<u>\$ 10,406,910</u>		<u>\$ 11,490,314</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2016**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Local Sources					
Earnings on Investments	\$ 500	\$ 500	\$ 1,227	\$ 727	\$ 253
Other - Primarily Meal Sales	568,864	517,110	501,057	(16,053)	510,038
State Sources	123,420	124,020	125,544	1,524	126,997
Federal Sources	1,506,642	1,505,300	1,643,049	137,749	1,502,562
Total Revenues	<u>2,199,426</u>	<u>2,146,930</u>	<u>2,270,877</u>	<u>123,947</u>	<u>2,139,850</u>
EXPENDITURES					
Current					
Food Service	2,117,875	2,178,460	2,318,965	140,505	2,061,745
Capital Outlay	96,880	113,755	113,724	(31)	94,181
Total Expenditures	<u>2,214,755</u>	<u>2,292,215</u>	<u>2,432,689</u>	<u>140,474</u>	<u>2,155,926</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,329)	(145,285)	(161,812)	(16,527)	(16,076)
OTHER FINANCING SOURCES					
Transfer in	15,000	25,000	25,605	605	20,954
Total Other Financing Sources	<u>15,000</u>	<u>25,000</u>	<u>25,605</u>	<u>605</u>	<u>20,954</u>
Net Change in Fund Balance	<u>\$ (329)</u>	<u>\$ (120,285)</u>	(136,207)	<u>\$ (15,922)</u>	4,878
FUND BALANCE					
Beginning of Year			438,246		433,368
End of Year			<u>\$ 302,039</u>		<u>\$ 438,246</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2016**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 349,826	\$ 343,281	\$ 344,116	\$ 835	\$ 354,863
Earnings on Investments	-	-	1,733	1,733	234
Other - Primarily Tuition and Fees	994,314	1,012,608	1,116,357	103,749	1,008,932
State Sources	474,288	560,492	527,470	(33,022)	421,521
Federal Sources	13,218	17,897	12,897	(5,000)	38,549
Total Revenues	<u>1,831,646</u>	<u>1,934,278</u>	<u>2,002,573</u>	<u>68,295</u>	<u>1,824,099</u>
EXPENDITURES					
Current					
Community Service	1,703,337	1,925,979	1,981,076	55,097	1,631,012
Capital Outlay	6,200	105,389	108,062	2,673	26,935
Total Expenditures	<u>1,709,537</u>	<u>2,031,368</u>	<u>2,089,138</u>	<u>57,770</u>	<u>1,657,947</u>
Excess of Revenues Over Expenditures	<u>\$ 122,109</u>	<u>\$ (97,090)</u>	<u>(86,565)</u>	<u>\$ 10,525</u>	<u>166,152</u>
FUND BALANCE					
Beginning of Year			<u>609,318</u>		<u>443,166</u>
End of Year			<u>\$ 522,753</u>		<u>\$ 609,318</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	<u>Private- Purpose Trust</u>
ASSETS	
Cash and Investments	\$ 2,500
Total Assets	<u>2,500</u>
NET POSITION	
Held in Trust	-
Total Net Position	<u>\$ -</u>

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016**

	<u>Private- Purpose Trust</u>
ADDITIONS	
Gifts and Donations	\$ -
Total Additions	<u>-</u>
DEDUCTIONS	
Scholarships Awarded	2,500
Total Deductions	<u>2,500</u>
CHANGE IN NET POSITION	(2,500)
Net Position - Beginning of Year	<u>2,500</u>
NET POSITION - END OF YEAR	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 656 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

B. Financial Reporting Entity

Independent School District No. 656 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

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

C. Basic Financial Statement Presentation

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 at the fund financial statement level.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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 not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for 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 each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

Fiduciary funds are presented in the fiduciary fund financial statements by type: private-purpose trust fund. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

D. Measurement Focus and Basis of Accounting

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

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered 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 U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

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

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities equipment purchases, and health and safety projects.

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees and reimbursements from the federal and state governments.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and state credits.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Capital Projects - Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

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

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for trust arrangements under which the income benefits individuals. This fund accounts for funds established for various annual scholarships that are awarded to students based on the requirements of the donor.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the Board of Education. All annual appropriations lapse at fiscal year end. Legal budgetary control is at the fund level.

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

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

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

F. Cash and Investments

Cash and investments consist of demand deposit accounts, deposits in the Minnesota School District Liquid Asset Fund (MSDLAF), and cash on hand.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments (Continued)

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled cash and investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of supplies on hand at June 30, 2016. Purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture. The District had no food or commodity inventory on hand at June 30, 2016.

I. Prepaid Items

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

J. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as a deferred inflow of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$329,972) for the District. The shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2016, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Capital assets not being depreciated include land.

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows of Resources

In addition to assets, the financial statements 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) until that time. The District has one item that qualifies for reporting as this element – pension related deferred outflows of resources. The pension related deferred outflows of resources will be recognized as expenditures in subsequent years.

M. Long-Term Liabilities

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

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 from the actual debt proceeds received, are reported as debt service expenditures.

N. 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.

O. Accrued Employee Benefits

Compensated Absences Payable

The District compensates substantially all full-time classified employees for vacation benefits at various rates based on length of service. The expenditure for vacation pay is recognized when payment is made. At June 30, 2016, unpaid vacation pay totaling \$146,779 is recorded in the financial statements.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits (Continued)

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. The District pays clerical, custodial and educational assistants for one quarter (1/4) of unused sick leave earned, above the maximum accumulation, during the contract year. The District also pays paraprofessionals for one quarter (1/4) of unused paid absence leave earned, above the maximum accumulation during the contract year. The District makes this payment during the month of July of each year.

Compensated absences payable also includes severance and early retirement incentives that are calculated based on unused sick leave days. The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. For substantially all employees, early retirement incentive benefits are eliminated if retirement occurs at the normal retirement age of 65 as specified in their contracts. In addition, certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

The District has recorded a liability for accrued convertible sick leave based on the sick leave accumulated at June 30, 2016 by employees currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. Under this "vesting method", accruals for those employees expected to become eligible in the future are based on assumptions concerning the probability that the employees will become eligible to receive termination payments (vest) at some point in the future. The District's policy is to record a liability for the teachers lump sum payment for those individuals that are eligible to receive the payments.

During fiscal year 2016, total expenditures for early retirement incentive payments and convertible sick leave were \$816,400. At June 30, 2016, a liability for early retirement incentive payments and convertible sick leave totaling \$1,034,403 is recorded on the Statement of Net Position.

Other Postemployment Health Care Benefits

Under the terms of certain collectively bargained employment contracts, the District is required to pay a portion of health insurance premiums for substantially all retired employees until they reach age 65. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has three types of items which occur related to revenue recognition. The first occurs because property tax receivables and pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year end) under the modified accrual basis of accounting. The third type of deferred inflow of resources is a gain on bond refunding, which is being amortized over the life of the bonds.

Q. Unearned Revenues

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has recorded unearned revenue in the General Fund for unspent grants. The District has reported unearned revenues for 2016-2017 school lunch deposits in the Food Service Fund. The District also recorded unearned revenue in the Community Service Fund in an amount equal to prepaid account balances and enrichment deposits.

R. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Director of Finance and Operations the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of 9.5% of the annual expenditure budget.

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation.

The District has joined together with other school districts in Minnesota in the Southeast Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

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

U. Summarized Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following fund:

	Budget	Expenditures	Excess
Food Service Fund	\$ 2,292,215	\$ 2,432,689	\$ 140,474
Community Service Fund	2,031,368	2,089,138	57,770

B. Interfund Transfers

	Transfer In:
	Food Service Fund
Transfer Out: General Fund	\$ 25,605

The Food Service Fund wrote-off uncollectible student accounts during the year ended June 30, 2016; to cover these write-offs an operating transfer from the General Fund was made.

NOTE 3 CASH AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's Board.

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

The District’s deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

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

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes, as follows:

- direct obligations or obligations guaranteed by the United States or its agencies
- shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- general obligations of a state or local government with taxing powers rated “A” or better; revenue obligations rated “AA” or better
- general obligations of the Minnesota Housing Finance Agency rated “A” or better
- bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System
- commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories
- repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2016, the District had the following investments:

	Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MDSLAF+)	\$ 386,185
Minnesota School District LAF MAX Series (MSDMAX)	15,765,110
	\$ 16,151,295

The MSDLAF and MSDMAX are external investment pools not registered with the Securities Exchange Commission (SEC). The fair value of the position of the pools is the same as the value of the pool shares.

Credit Risk – The MSDLAF+ and MSDMAX pools are rated AAAM by Standard & Poor’s.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

C. Balance Sheet Presentation

Deposits and investments are presented on the combined balance sheet as follows:

Cash and Investments - Statement of Net Position	\$ 15,986,937
Cash and Investments - Statement of Fiduciary Net Position	2,500
Total Cash and Investments	<u>\$ 15,989,437</u>

Total cash and investments at June 30, 2016 consisted of the following:

Deposits	\$ (164,503)
Cash on Hand	2,645
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	15,765,110
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	386,185
	<u>\$ 15,989,437</u>

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

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

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

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

The District did not have any investments subject to fair value levels.

Investments Measured at Net Asset Value (NAV) \$ 16,151,295

The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

The District reports its investments in the Pool at the NAV per share, the fair value established by the Pool.

The District’s investment in the Pool is included in two share classes, as follows:

	Net Asset Value	Unfunded Commitments
Minnesota School District Liquid Asset Fund Plus (MDSLAF+)	\$ 386,185	\$ -
Minnesota School District LAF MAX Series (MSDMAX)	15,765,110	-

The Liquid Class has no redemption requirements. The Max Class may not be redeemed for at least 14 days, and a 24 hour hold is placed on redemption requests. Redemption prior to 14 days may be subject to penalty.

**FARIBAUT PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Transfers and Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,913,554	\$ -	\$ -	\$ 1,913,554
Construction in Progress	480,085	-	(480,085)	-
Total Capital Assets, Not Being Depreciated	2,393,639	-	(480,085)	1,913,554
Capital Assets, Being Depreciated				
Land Improvements	6,918,984	25,727	-	6,944,711
Buildings and Improvements	77,138,354	5,326,071	-	82,464,425
Equipment	6,078,700	164,628	(13,750)	6,229,578
Total Capital Assets, Being Depreciated	90,136,038	5,516,426	(13,750)	95,638,714
Accumulated Depreciation for				
Land Improvements	(2,328,084)	(296,637)	-	(2,624,721)
Buildings and Improvements	(29,545,516)	(1,866,097)	-	(31,411,613)
Equipment	(3,868,425)	(416,718)	13,750	(4,271,393)
Total Accumulated Depreciation	(35,742,025)	(2,579,452)	13,750	(38,307,727)
Total Capital Assets, Being Depreciated, Net	54,394,013	2,936,974	-	57,330,987
Governmental Activities Capital Assets, Net	<u>\$ 56,787,652</u>	<u>\$ 2,936,974</u>	<u>\$ (480,085)</u>	<u>\$ 59,244,541</u>

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Administration	\$ 400
District Support Services	1,660
Regular Instruction	2,473,063
Vocational Education Instruction	8,583
Special Education Instruction	1,369
Instructional Support Services	1,751
Pupil Support Services	2,200
Sites and Buildings	38,075
Food Service	51,954
Community Service	397
Total Depreciation Expense, Governmental Activities	<u>\$ 2,579,452</u>

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
4/15/2009	3.00% - 4.125%	\$ 15,000,000	2/1/2024	\$ 1,270,000	\$ 13,420,000
6/19/2012	0.40% - 1.40%	5,500,000	12/1/2019	1,065,000	2,515,000
Total General Obligation Bonds				2,335,000	15,935,000
Bond Discounts - Net				(2,546)	(19,835)
Capital Lease Payable				510,158	891,693
Lease Purchase Payable				276,972	3,782,186
Net Pension Liability				-	29,755,071
Other Postemployment Benefits Payable				-	1,473,122
Compensated Absences Payable				113,824	1,045,101
				<u>\$ 3,233,408</u>	<u>\$ 52,862,338</u>

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire General Obligation Bonds payable are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2017	\$ 2,335,000	\$ 549,936
2018	2,385,000	495,651
2019	1,655,000	444,636
2020	1,710,000	382,856
2021	1,845,000	320,066
2022 - 2024	6,005,000	500,780
Total	<u>\$ 15,935,000</u>	<u>\$ 2,693,925</u>

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities

General Obligation Bonds

On April 15, 2009, the District issued \$15,000,000 of General Obligation School Building Bonds, Series 2009A. The proceeds of this issue were used to finance the construction and betterment of various school sites and facilities. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On June 19, 2012, the District issued \$5,500,000 of General Obligation Refunding Bonds, Series 2012B to refund the General Obligation School Building Refunding Bonds, Series 2003A and 2005A, which were scheduled to mature in 2013 through 2020, respectively. Future ad valorem tax levies are dedicated to the retirement of these bonds.

Lease Purchase Payable

On June 18, 2015, the District entered into two lease-purchase agreements for \$2,062,000 and \$1,842,000. The debt was issued to help fund the construction of the new district office and adult basic education building project. The district will use General Fund levy and operating capital revenues in future years to pay for the debt payments.

Minimum annual principal and interest payments necessary to retire Lease Purchase Payable are as follows:

<u>Year Ending June 30,</u>	Leases Purchase Payable	
	Principal	Interest
2017	\$ 276,972	\$ 109,565
2018	284,986	101,552
2019	293,234	93,303
2020	301,724	84,814
2021	310,461	76,077
2022 - 2026	1,586,843	240,112
2027 - 2031	727,966	59,849
Total	\$ 3,782,186	\$ 765,272

Capital Leases

The District has entered into a capital lease for the purchase of iPads. The individual assets relating to the lease are under the District's capitalization threshold and therefore were not capitalized.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Liabilities (Continued)

Capital Leases (Continued)

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of June 30, 2016:

<u>Year Ending June 30,</u>	<u>Lease Payments</u>
2017	\$ 488,561
2018	416,680
Total Minimum Lease Payments	905,241
Less Amounts Representing Interest	13,548
Present Value of Net Minimum Lease Payments	<u>\$ 891,693</u>

Compensated Absences Payable

At June 30, 2016, compensated absences payable consists of unused vacation and severance and convertible sick leave payable to employees upon retirement. In the past, compensated absences payable has been liquidated by the General Fund, the Food Service Fund, and the Community Service Fund.

D. Changes in Long-Term Liabilities

	June 30,			June 30,
	2015			2016
	<u>As Restated</u>	<u>Additions</u>	<u>Retirements</u>	
Bonds Payable	\$ 18,230,000	\$ -	\$ 2,295,000	\$ 15,935,000
Bond Discounts	(22,381)	-	(2,546)	(19,835)
Lease Purchase Payable	3,904,200	-	122,014	3,782,186
Lease Purchase Obligations	1,443,282	-	551,589	891,693
Other Postemployment Benefits Payable	1,252,864	754,587	534,329	1,473,122
Compensated Absences Payable	897,290	1,195,672	1,047,861	1,045,101
	<u>\$ 25,705,255</u>	<u>\$ 1,950,259</u>	<u>\$ 4,548,247</u>	<u>\$ 23,107,267</u>

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 RESTRICTED AND COMMITTED FUND BALANCES

Fund Equity

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. The following is a summary of the restricted fund balances for the governmental funds:

A. Restricted for Staff Development

In accordance with state statute, 2% of basic General Education revenue is allocated to staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

B. Restricted for Health and Safety

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this restriction generates specific future levy authority.

C. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

D. Restricted for Teacher Development and Evaluation

Restricted for teacher development and evaluation represents resources available for teacher development and evaluation uses.

E. Restricted for Achievement and Integration

The fund balance restriction represents unspent resources available to from the Achievement and Integration program.

F. Restricted for Community Education Programs

The fund balance restriction represents accumulated resources available to provide general community education programming.

G. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood family education programming.

H. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 RESTRICTED AND COMMITTED FUND BALANCES (CONTINUED)

I. Restricted for Adult Basic Education

Represents accumulated resources available to provide services for adult basic education programs.

J. Restricted for Building Projects – COP

This restricted fund balance represents resources set aside from the proceeds of a certificate of participation. These resources will be to help in a building project.

K. Restricted for Other Purposes

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

L. Committed for Separation/Retirement Benefits

This commitment represents resources segregated by the District for the payment of retirement benefits.

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Fund (TRA). PERA and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA) (Continued)

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

B. Benefits Provided

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

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

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2.0%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier 1 Benefits

<u>Tier 1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service 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 Services Years are July 1, 2006 or After	1.9% per Year

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits (Continued)

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. 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.

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

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

C. Contributions

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar years 2015 and 2016. In calendar years 2015 and 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2016, were \$529,416. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

	<u>Ending June 30, 2014</u>		<u>Ending June 30, 2015</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	10.5 %	11.0 %	11.0 %	11.5 %
Coordinated	7.0	7.0	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016, were \$1,590,750. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$5,716,318 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 0.1103%. The District's proportionate share at June 30, 2014 was 0.1181%.

For the year ended June 30, 2016, the District recognized pension expense of \$510,969 for its proportionate share of GERF's pension expense.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 53,012	\$ 288,200
Changes in Actuarial Assumptions	355,993	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	508,858
Changes in Proportion and Differences in Contributions made and the District's Proportionate Share		316,517
District Contributions Subsequent to the Measurement Date	529,416	-
Total	<u>\$ 938,421</u>	<u>\$ 1,113,575</u>

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$529,416 reported as deferred outflows of resources will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	Pension Expenses Amount
2016	\$ (211,784)
2017	(211,784)
2018	(416,286)
2019	135,284

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$24,038,753 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.3886% at the end of the measurement period and 0.3926% for the beginning of the period.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 24,038,753

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.

For the year ended June 30, 2016, the District recognized pension expense of \$1,480,012. It also recognized \$521,313 as pension expense for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,231,742	\$ -
Changes in Actuarial Assumptions	1,847,942	
Net Difference Between Projected and Actual Investment Earnings	-	1,838,535
Changes in Proportion and Differences Between Contributions Made and the District's Proportionate Share of Contributions	52,003	258,963
District Contributions Subsequent to the Measurement Date	1,590,750	-
Total	\$ 4,722,437	\$ 2,097,498

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,590,750 reported as deferred outflows of resources 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 will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expenses Amount</u>
2016	\$ (156,495)
2017	(156,495)
2018	(156,495)
2019	1,214,951
2020	288,723

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

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

	<u>6/30/14 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	\$ 24,901,612,000	\$ 25,299,564,000
Plan Fiduciary Net Position (B)	20,293,684,000	20,519,756,000
Net Pension Liability (A-B)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>

F. Actuarial Assumptions

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

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.75% Based on Year:

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.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

The following changes in actuarial assumptions for GERP occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by .25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

There was a change in actuarial assumptions that affected the measurement of the total liability for TRA since the prior measurement date. Postretirement benefit adjustments are now assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria are met. This is estimated to occur July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.9% for GERP and 8.00% for TRA. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45%	5.50%
International Equity	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	<u>100%</u>	

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.00% for TRA. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

GERF AND TRA PENSION LIABILITY

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 8,988,084	\$ 5,716,318	\$ 3,014,342
<u>TRA Discount Rate</u>	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 36,590,094	\$ 24,038,753	\$ 13,564,297

I. Pension Plan Fiduciary Net Position

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

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2016, 2015, and 2014 are \$229,809, \$214,039, and \$204,627, respectively. The related employee contributions were \$450,166, \$522,540, and \$497,090, for the years ended June 30, 2016, 2015, and 2014, respectively.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's self-insured health insurance plan. There are 555 active participants and 39 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to \$400 per month of the cost of current year premiums for eligible retired plan members. For fiscal year 2016, the District contributed \$534,329 to the plan.

C. Annual OPEB Cost and Net OPEB Obligation

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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 over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the District's net OPEB obligation.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

Annual Required Contribution	\$ 777,695
Interest on Net OPEB Obligation	42,708
Adjustment to Annual Required Contribution	(65,816)
Annual OPEB Cost (Expense)	754,587
Contributions Made	(534,329)
Increase in Net OPEB Obligation	220,258
Net OPEB Obligation - Beginning of Year	1,252,864
Net OPEB Obligation - End of Year	\$ 1,473,122

The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 754,587	70.8%	\$ 1,473,122
6/30/2015	1,002,395	69.5%	1,252,864
6/30/2014	1,004,897	67.9%	947,537

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the District's unfunded actuarial accrued liability (UAAL) was \$6,161,124. The annual payroll for active employees covered by the plan in the actuarial valuation was \$24,753,940 for a ratio of UAAL to covered payroll of 24.9%.

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

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.25%, reduced by decrements to an ultimate rate of 5.00% after nine years. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at June 30, 2016 doesn't exceed 30 years.

NOTE 10 FLEXIBLE BENEFIT PLAN

The District has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

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

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

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

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 LEASE COMMITMENTS

A. As Lessee

The District has entered into various operating leases for vehicles, office equipment and buildings. Rent expense under annual operating leases for the year ending June 30, 2016 was \$800,674.

Minimum rental commitments on leases in effect at June 30, 2016 are as follows:

<u>Year Ending June 30,</u>	<u>Annual Lease Payments</u>
2017	\$ 189,697
2018	187,661
2019	183,589
2020	183,589
2021	183,589
Total	<u>\$ 928,125</u>

B. As Lessor

The District entered into an agreement with Nerstrand Elementary School to lease a 17,700 square foot building located at 205 South Second Street, Nerstrand, Minnesota. The lease is renewed on an annual basis. The District received \$158,775 of rent for this building during the year ended June 30, 2016, as per the terms of the lease agreement. In addition to the lease of the building, the District also has in place agreements with Nerstrand Elementary School to provide food service and custodial service.

NOTE 12 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 13 JOINT POWERS AGREEMENTS

Wind Energy

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the Cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a Board of Education member, and the superintendent or another district employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs or other obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2016.

NOTE 14 JOINTLY GOVERNED ORGANIZATION

The District is a member of the Rice County Family Services Collaborative (Collaborative). The Collaborative was established to provide comprehensive services to strengthen family functioning. As a result, the Collaborative members share certain costs related to social workers and split related time study revenues. The District received \$27,910 to reimburse it for certain salaries and benefits expenditures that the District may not otherwise have incurred.

REQUIRED SUPPLEMENTARY INFORMATION

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2011	\$ -	\$ 7,998,988	\$ 7,998,988	0.0%	\$ 21,703,390	36.9%
7/1/2013	-	7,722,703	7,722,703	0.0%	19,993,402	38.6%
7/1/2015	-	6,161,124	6,161,124	0.0%	24,753,940	24.9%

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TWO FISCAL YEARS**

Fiscal Year	<u>2016</u>	<u>2015</u>
Measurement Date	June 30, 2015	June 30, 2014
PERA		
District's Proportion of the Net Pension Liability	0.1103%	0.1181%
District's Proportionate Share of the Net Pension Liability	\$ 5,716,318	\$ 5,547,747
District's Covered-Employee Payroll	\$ 6,470,650	\$ 6,210,057
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	88.34%	89.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%	78.70%
TRA		
District's Proportion of the Net Pension Liability	0.3886%	0.3926%
District's Proportionate Share of the Net Pension Liability	\$ 24,038,753	\$ 18,090,723
State's Proportionate Share of the Net Pension Liability	2,948,815	1,272,601
Total	<u>\$ 26,987,568</u>	<u>\$ 19,363,324</u>
District's Covered-Employee Payroll	\$ 19,928,650	\$ 17,921,366
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	120.62%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.80%	81.50%

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST THREE FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA			
Contractually Required Contribution	\$ 529,416	\$ 478,407	\$ 450,622
Contributions in Relation to the Contractually Required Contribution	(529,416)	(478,407)	(450,622)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 7,066,457	\$ 6,470,650	\$ 6,210,057
Contributions as a Percentage of Covered Employee Payroll	7.49%	7.39%	7.26%
TRA			
Contractually Required Contribution	\$ 1,590,750	\$ 1,494,653	\$ 1,259,840
Contributions in Relation to the Contractually Required Contribution	(1,590,750)	(1,494,653)	(1,259,840)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 21,206,580	\$ 19,928,650	\$ 17,921,366
Contributions as a Percentage of Covered Employee Payroll	7.50%	7.50%	7.03%

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SINGLE AUDIT AND OTHER REQUIRED REPORTS

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures
US Department of Agriculture			
Pass-Through Minnesota Department of Education			
Non-Cash Assistance (Commodities):			
National School Lunch Program	a 10.555	1-656-000	\$ 119,772
Total Non-Cash Assistance			\$ 119,772
Cash Assistance:			
School Breakfast Program	a 10.553	1-656-000	405,689
National School Lunch Program - Commodities Rebate	a 10.555	1-656-000	39,039
National School Lunch Program	a 10.555	1-656-000	1,008,003
After School Snack	a 10.555	1-656-000	15,520
Special Milk Program	a 10.556	1-656-000	1,189
Cash in Lieu Commodities	10.558	1-656-000	1,168
Summer Food	a 10.559	1-656-000	52,669
Total Cash Assistance			<u>1,523,277</u>
Total US Department of Agriculture			<u>1,643,049</u>
US. Department of Education			
Pass-Through Minnesota Department of Education			
Cash Assistance:			
Title I, Part A - Grants to Local Education Agencies	84.010	**	772,630
Special Education - Grants to States	b 84.027	**	884,329
Special Education - Preschool Incentive	b 84.173	**	13,672
Special Education - Grants for Infants and Families with Disabilities	84.181	**	30,765
Title IV, Part B - 21st Century Community Learning Centers	84.287	**	-
Title III - English Language Acquisition Grants	84.365A	**	97,536
Title III. Part A - Immigrant Grant	84.186	**	8,232
Title II, Part A - Improving Teacher Quality	84.367	**	103,734
Total Pass-Through Minnesota Department of Education			1,910,898
Pass-Through Southern MN ABE Consortium			
Adult Basic Education	84.002	**	12,897
Total Pass-Through Southern MN ABE Consortium			12,897
Pass-Through Region 10			
Special Education - Discretionary Low Incidence	b 84.027	**	6,378
Total Region 10			6,378
Pass-Through South Central Cooperative			
Carl Perkins	84.048A	**	9,646
Total Pass-Through South Central Cooperative			9,646
Total US Department of Education - Cash Assistance			<u>1,939,819</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENDED			<u>\$ 3,582,868</u>

a Child Nutrition Cluster = \$1,643,049
b Special Education Cluster = \$904,379
** Not Available

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Independent School District No. 656 under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Independent School District No. 656, it is not intended to and does not present the financial position, changes in net position, or cash flows of Independent School District No. 656.

NOTE 2 TOTALS BY CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBERS

Program Title	Federal CFDA Number	Total Expenditures
National School Lunch Program	10.555	\$ 1,182,334
Special Education - Grants to States	84.027	884,329

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Independent School District No. 656 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**INDEPENDENT AUDITORS' 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**

Board of Education
Independent School District No. 656
Faribault, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Independent School District No. 656's basic financial statements, and have issued our report thereon dated December 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 656'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 Independent School District No. 656's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 656's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 656'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*.

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.



CliftonLarsonAllen LLP

Austin, Minnesota
December 12, 2016

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

Board of Education
Independent School District No. 656
Faribault, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 656's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 656's major federal programs for the year ended June 30, 2016. Independent School District No. 656's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 656'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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 656's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 656's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 656 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of Independent School District No. 656 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 Independent School District No. 656'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 Independent School District No. 656's internal control over compliance.

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

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

Independent School District No. 656's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Independent School District No. 656's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Education
Independent School District No. 656

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 cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
December 12, 2016

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 656
Faribault, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 656, as of June 30, 2016, and the related notes to the financial statements and have issued our report thereon dated December 12, 2016.

The *Minnesota Legal Compliance Audit Guide for School Districts* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards. Our study included all of the listed categories

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 656 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 Independent School District No. 656's noncompliance with the above-referenced provisions.

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



CliftonLarsonAllen LLP

Austin, Minnesota
December 12, 2016

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

PART I: SUMMARY OF AUDITORS' RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ no
 - Significant deficiency(ies) identified? _____ yes _____ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.556, and 10.559 84.010	Child Nutrition Cluster Title I, Part A

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? _____ yes _____ no

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

None

**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS:

FINDING: 2016-001 **CHILD NUTRITION CLUSTER – CFDA #10.553, 10.555, 10.556, AND 10.559
ALL GRANT YEARS
UNITED STATES DEPARTMENT OF AGRICULTURE
PASS THROUGH MINNESOTA DEPARTMENT OF EDUCATION
INTERNAL CONTROL AND COMPLIANCE WITH VERIFICATION PROCEDURES**

Compliance Area: Special Provisions

Condition: One of two free and reduced eligibility applications tested for verification were misclassified to receive free or reduced meals for the remainder of the 2015-16 school year.

Criteria: District's participating in the school nutrition programs are required to verify a percentage of approved Applications for Educational Benefits by contacting selected households toward the beginning of each school year. The Department of Agriculture, Food and Nutrition Services provides income eligibility guidelines for Child Nutrition Programs.

Questioned Costs: \$62

Context: The weakness appears to be systematic.

Effect: The District received improper reimbursement for meals served to ineligible students.

Cause: Omitted or incorrect data entry in computer system.

Recommendation: We recommend that someone independent of the verification process review and approve the verification result data entry into the computer software.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The District will immediately implement the recommendation.

Official Responsible for Ensuring CAP:

Andi Johnson, Director of Finance and Operations, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:

The planned completion date is December 31, 2016.

Plan to Monitor Completion of CAP:

The Board of Education and administration will monitor this corrective action plan.

FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE
None

**FARIBAULT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

2015-001

Corrective action was taken in the current year.

2015-002

Corrective action was taken in the current year.

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**FARIBAUT PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 656
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2016**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 50,918,744	\$ 50,918,742	\$ 2	Total Revenue	\$ 2,565	\$ 2,566	\$ (1)
Total Expenditures	\$ 51,976,543	\$ 51,976,540	\$ 3	Total Expenditures	\$ 3,426,699	\$ 3,426,700	\$ (1)
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable	\$ 445,566	\$ 445,566	\$ -	460 Nonspendable	\$ -	\$ -	\$ -
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	\$ 78,674	\$ 78,674	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -	409 Alternative Facility Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ (2,139)	\$ (2,139)	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	419 Encumbrances	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	464 Other Purposes	\$ -	\$ -	\$ -
409 Deferred Maintenance	\$ -	\$ -	\$ -	<i>Unreserved:</i>			
411 Severance	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
414 Operating Debt	\$ -	\$ -	\$ -				
416 Levy Reduction	\$ -	\$ -	\$ -	07 DEBT SERVICE			
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Revenue	\$ 2,636,677	\$ 2,636,678	\$ (1)
424 Operating Capital	\$ 335,763	\$ 335,763	\$ -	Total Expenditures	\$ 2,901,376	\$ 2,901,376	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Restricted:</i>			
427 Disabled Accessibility	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
428 Learning & Development	\$ -	\$ -	\$ -	451 QZAB Payments	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	464 Other Purposes	\$ 802,529	\$ 802,529	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
436 State Approved Alt. Program	\$ -	\$ -	\$ -	463 Unassigned	\$ -	\$ -	\$ -
438 Gifted & Talented	\$ -	\$ -	\$ -				
440 Teacher Development & Evaluation	\$ 2,628	\$ 2,628	\$ -	08 TRUST			
441 Basic Skills Programs	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
446 First Grade Preparedness	\$ -	\$ -	\$ -	Total Expenditures	\$ 2,500	\$ 2,500	\$ -
448 Achievement and Integration	\$ 538	\$ 538	\$ -	<i>Unassigned:</i>			
449 Safe Schools Levy	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
450 Prekindergarten	\$ -	\$ -	\$ -				
451 QZAB Payments	\$ -	\$ -	\$ -	09 AGENCY			
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	<i>Unreserved: Should Always Be -0-</i>			
453 Unfunded Sev & Retirement Levy	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
464 Other Purposes	\$ -	\$ -	\$ -				
<i>Committed:</i>				20 INTERNAL SERVICE			
418 Severance - Ins. Premium	\$ 2,451,000	\$ 2,451,000	\$ -	Total Revenue	\$ -	\$ -	\$ -
461 Committed	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Assigned:</i>				<i>Unassigned:</i>			
462 Assigned	\$ -	\$ -	\$ -	422 Unassigned	\$ -	\$ -	\$ -
<i>Unassigned:</i>							
422 Unassigned	\$ 7,094,880	\$ 7,094,882	\$ (2)	25 OPEB REVOCABLE TRUST			
				Total Revenue	\$ -	\$ -	\$ -
02 FOOD SERVICE				Total Expenditures	\$ -	\$ -	\$ -
Total Revenue	\$ 2,270,877	\$ 2,270,874	\$ 3	<i>Unassigned:</i>			
Total Expenditures	\$ 2,432,689	\$ 2,432,685	\$ 4	422 Unassigned	\$ -	\$ -	\$ -
<i>Nonspendable:</i>							
460 Nonspendable	\$ -	\$ -	\$ -	45 OPEB IRREVOCABLE TRUST			
<i>Restricted:</i>				Total Revenue	\$ -	\$ -	\$ -
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
464 Other Purposes	\$ 302,039	\$ 302,039	\$ -	<i>Unassigned:</i>			
<i>Unassigned:</i>				422 Unassigned	\$ -	\$ -	\$ -
463 Unassigned	\$ -	\$ -	\$ -				
				47 OPEB DEBT SERVICE			
04 COMMUNITY SERVICE				Total Revenue	\$ -	\$ -	\$ -
Total Revenue	\$ 2,002,573	\$ 2,002,570	\$ 3	Total Expenditures	\$ -	\$ -	\$ -
Total Expenditures	\$ 2,089,138	\$ 2,089,133	\$ 5	<i>Restricted:</i>			
<i>Nonspendable:</i>				464 Other Purposes	\$ -	\$ -	\$ -
460 Nonspendable	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
<i>Restricted:</i>				463 Unassigned	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -				
431 Community Education	\$ 235,486	\$ 235,486	\$ -				
432 E.C.F.E.	\$ 39,503	\$ 39,503	\$ -				
444 School Readiness	\$ 184,439	\$ 184,439	\$ -				
447 Adult Basic Education	\$ 57,393	\$ 57,393	\$ -				
452 OPEB Liab Not In Trust	\$ -	\$ -	\$ -				
464 Other Purposes	\$ 5,932	\$ 5,931	\$ 1				
<i>Unassigned:</i>							
463 Unassigned	\$ -	\$ -	\$ -				

