

INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2017

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Lindstrom, Minnesota
Annual Financial Report
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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

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Independent School District No. 2144
Lindstrom, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2017

BOARD OF EDUCATION

Name	Title
Mark Leigh	Chairperson
Lori Berg	Vice-Chairperson
Danielle Strenke	Clerk
Thomas Lawlor	Treasurer
Brenda Carlson	Director
Jerry Vitalis	Director

ADMINISTRATION

Joe Thimm	Superintendent
Heide Miller	Director of Business Services

OTHER SCHOOL DATA

	Pupil Unit Number	Average Daily Membership
Handicapped - pre-kindergarten	88.31	70.65
Kindergarten	102.34	167.22
Elementary	1,369.07	1,483.14
Secondary	2,098.69	1,614.38
Totals as of November 21, 2017	<u>3,658.41</u>	<u>3,335.39</u>

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Independent School District No. 2144
Lindstrom, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the District as June 30 2017, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions for defined benefit plans, and the Schedules of Funding Progress and Employer Contributions for Other Post-Employment Benefit Plan starting on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

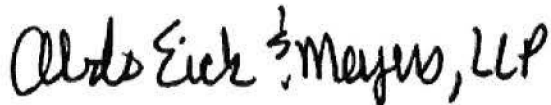
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining and individual fund financial statements, schedules and table are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, schedules and 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 combining and individual fund financial statements, schedules and table and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 29, 2017

People
+ Process.
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

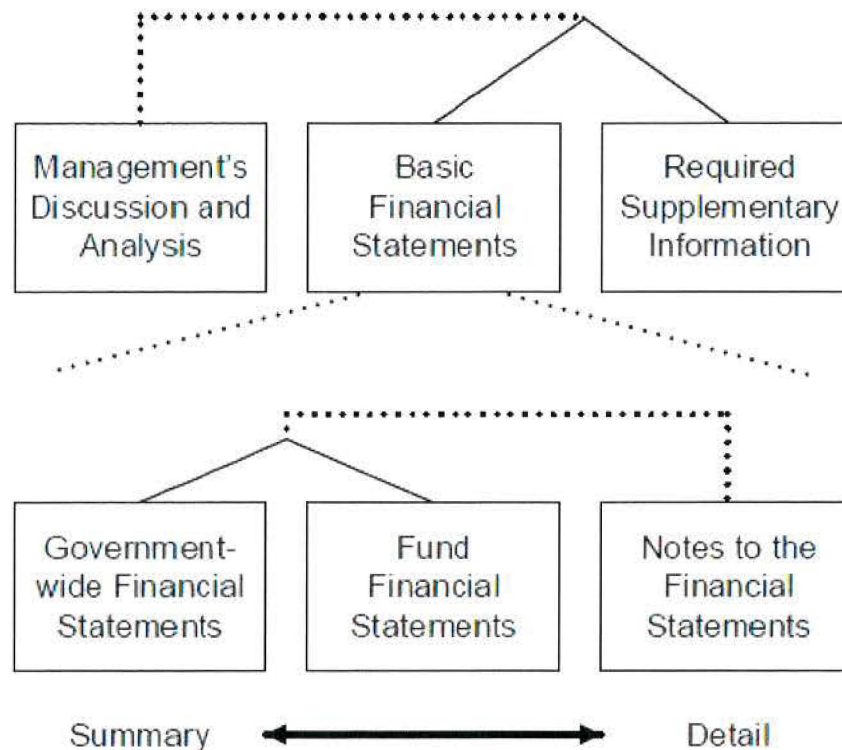
Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,005,209 (*net position*).
- The District's total net position decreased by \$9,550,858. This decrease can be attributed to a large increase in pension expense.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,741,530, a decrease of \$713,761 in comparison with the prior year. The overall decrease is primarily the result of greater amount of special education expenditures over budget. Of the total fund balance amount, \$85,718 represents the unassigned balance.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$95,573.
- The District's total noncurrent liabilities decreased \$3,007,053 during the current fiscal year. This decrease was primarily the result of scheduled bond principal payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 2144 Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

Governmental Activities: The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The district-wide financial statements start on page 30 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General and Debt Service funds, both of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 39 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 41 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 72 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 76 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,005,209 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings, machinery and equipment); reflects its net book value less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Independent School District No. 2144's Net Position

	Governmental Activities		Increase (Decrease)
	2017	2016	
Assets			
Current and other assets	\$ 17,049,363	\$ 17,424,657	\$ (375,294)
Capital assets (net of depreciation)	42,754,394	44,650,119	(1,895,725)
Total Assets	<u>59,803,757</u>	<u>62,074,776</u>	<u>(2,271,019)</u>
Deferred Outflows of Resources	<u>48,571,975</u>	<u>4,490,512</u>	<u>44,081,463</u>
Liabilities			
Noncurrent liabilities outstanding	91,328,266	38,832,927	52,495,339
Other liabilities	4,394,353	4,280,313	114,040
Total Liabilities	<u>95,722,619</u>	<u>43,113,240</u>	<u>52,609,379</u>
Deferred Inflows of Resources	<u>8,647,904</u>	<u>9,895,981</u>	<u>(1,248,077)</u>
Net Position			
Net investment in capital assets	34,025,654	32,914,326	1,111,328
Restricted	1,383,230	1,384,634	(1,404)
Unrestricted	<u>(31,403,675)</u>	<u>(20,742,893)</u>	<u>(10,660,782)</u>
Total Net Position	<u>\$ 4,005,209</u>	<u>\$ 13,556,067</u>	<u>\$ (9,550,858)</u>

A portion of the District's net position (\$1,383,230) represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

At the end of the current fiscal year, the District is able to report positive balances in two out of three categories of net position with the unrestricted balance reporting a deficit of \$31,403,675.

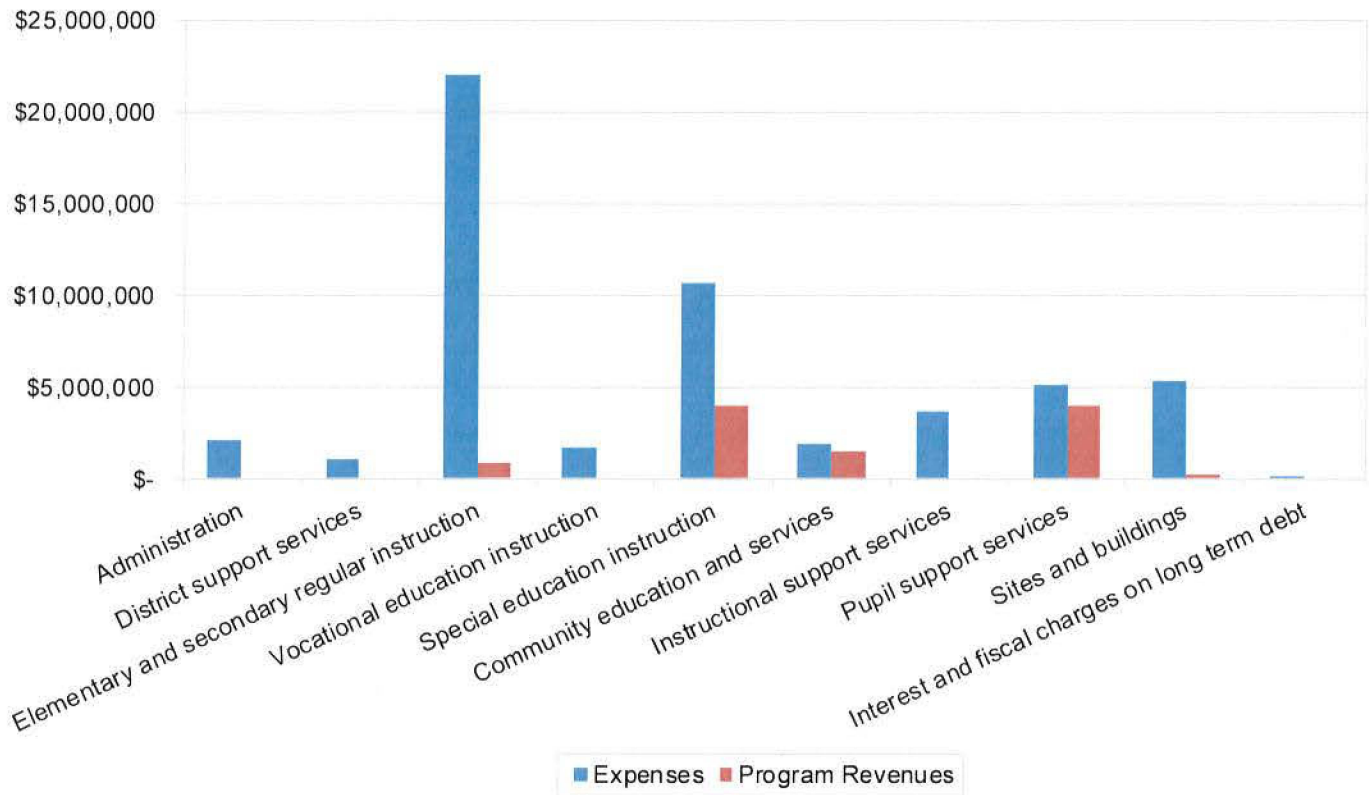
The District's net position decreased \$9,550,858 during the current fiscal year. The following table summarizes the changes in net position.

Independent School District No. 2144's Changes in Net Position

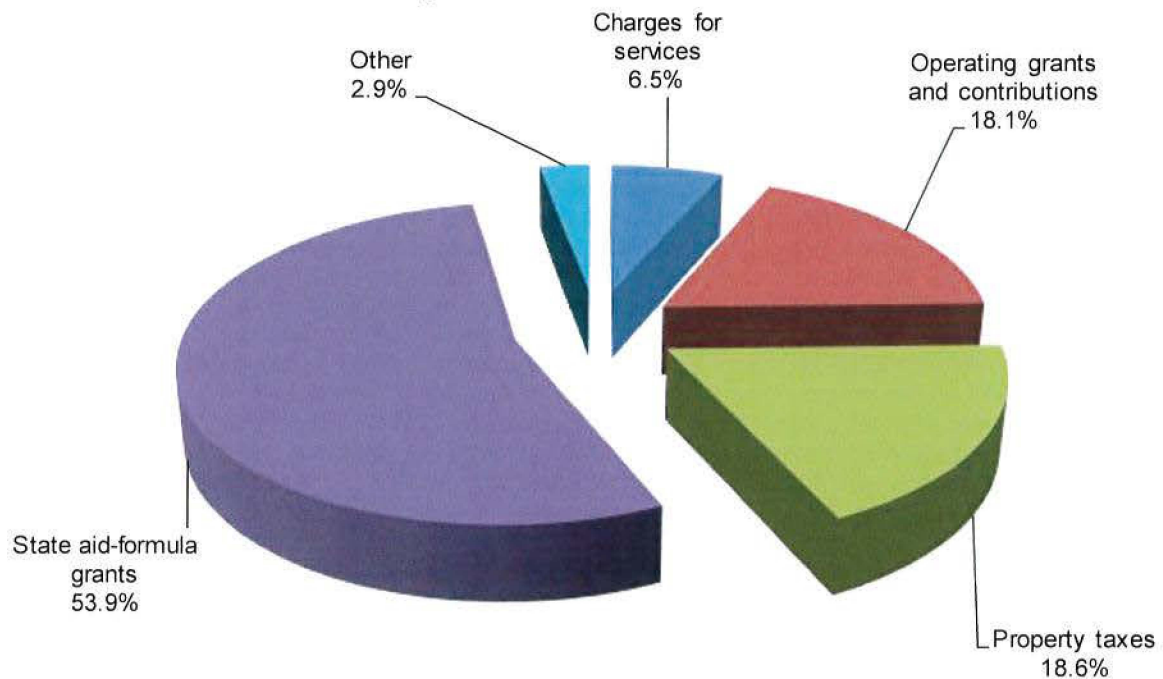
	Governmental activities		
	2017	2016	Increase (Decrease)
Revenue			
Program revenue			
Charges for services	\$ 2,935,006	\$ 2,901,392	\$ 33,614
Operating grants and contributions	8,132,736	8,048,926	83,810
General revenue			
Property taxes	8,345,310	8,155,591	189,719
State aid-formula grants	24,211,103	24,355,175	(144,072)
Other general revenues and investment earnings	1,281,691	22,734	1,258,957
Total Revenue	<u>44,905,846</u>	<u>43,483,818</u>	<u>1,422,028</u>
Expenses			
Administration	2,160,930	1,530,446	630,484
District support services	1,170,642	1,165,025	5,617
Elementary and secondary regular instruction	22,110,849	15,259,977	6,850,872
Vocational education instruction	1,765,167	1,207,995	557,172
Special education instruction	10,678,844	8,293,386	2,385,458
Community education and services	1,974,433	1,678,586	295,847
Instructional support services	3,733,251	3,267,056	466,195
Pupil support services	5,203,811	4,867,189	336,622
Sites and buildings	5,446,625	4,999,953	446,672
Interest and fiscal charges on long term debt	212,152	332,832	(120,680)
Total Expenses	<u>54,456,704</u>	<u>42,602,445</u>	<u>11,854,259</u>
Change in Net Position	(9,550,858)	881,373	(10,432,231)
Net Position, July 1	<u>13,556,067</u>	<u>12,674,694</u>	<u>881,373</u>
Net Position, June 30	<u>\$ 4,005,209</u>	<u>\$ 13,556,067</u>	<u>\$ (9,550,858)</u>

- The increase in other general revenues can be attributed to the recognition of the direct pension aid, \$1,017,675, received from the State of Minnesota. The direct pension aid was recognized in relation to pension expense recorded in the various programs.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,741,530, a decrease of \$713,761 in comparison with the prior year. Approximately 1.8 percent or \$85,718 constitutes unassigned fund balance. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$525,251), 2) restricted (\$1,430,561), or 3) assigned (\$2,700,000). Additional information on the purposes of the District's fund balances can be found in Note 3F starting on page 51 of this report.

The General fund is the chief operating fund of the District. The fund balance of the District's General fund decreased \$848,254 during the current fiscal year. The budget variances are further explained below. At the end of the current year, unassigned fund balance of the General fund was \$95,573, while total fund balance ended at \$3,284,366. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 0.3 percent of total General fund expenditures, while total fund balance represents 8.6 percent of that same amount.

The Debt Service fund has a total fund balance of \$655,581. The net decrease in fund balance during the current year was \$11,730.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operation budget once during the school year.

- The District received \$304,047 additional in its General Fund revenues than what was budgeted. This was mainly in the area of property taxes and revenue from federal sources. The district's property tax valuations increased by 2.4% from the previous year. The district's enrollment was very flat from FY16 to FY17. In fact, enrollment dropped by 3.18 pupil units during that period. An enrollment calculation error was made that increased the student count by 100 students for the metered payment system for general education aid and it was not discovered until well into the FY18 school year. The district assumed they were going to receive more general education revenue based on the revenue that was already received and the 10% holdback that the district thought would be their accounts receivable. Although the district did not have to pay any money back to the Minnesota Department of Education, the accounts receivable amount was \$607,000 less than what the district anticipated. In the future, the district will reconcile the general education aid confirmation report at least three times so that no errors are made. This resulted in a \$607,000 deficit in the general fund revenue since the district based their revised budget on what had actually been received and the 10% accounts receivable. The district has had an enrollment increase from the last day of school in June 2017. The district started the 2017-18 school year with an increase of 83 students compared to June 2017. As of the December 2017 enrollment count the district still has an increase of 73 students. The district did increase their general education aid calculation by 43 pupil units for the 2017-18 school year. The district has also had a significant increase in special education expenditures due to the additional needs of current students and students that enrolled in the district at the beginning and throughout the school year that generated more special education state aid.
- The District spent an additional \$1,494,451 than what was originally budgeted in its General Fund expenditures. This was mainly due to an increase of \$378,548 in special education expenditures over what was budgeted. There were greater expenditures in special education instruction due to the hiring of additional certified and non-certified staff at all of our schools due to transitioning students from one building to another. Student are enrolling in the district with more severe needs require additional services in their IEP. Students that transition from the elementary schools to the Middle School had more severe needs than in previous years. Students moved into the district with more severe needs which created the need for more extensive and specialized special education services. The district also started a shared program for severely autistic students in our district and also neighboring districts. This program is expensive but it is more cost effective than sending these students to another program outside of the district.

- The district spent \$8,558,885 in special education in 2016-2017. This was an increase of \$404,155 or 4.96% over what was spent in special education in 2015- 2016. The district also spent \$685,000 in special needs transportation for the 2015-2016 school year. For the 2015-2016 school year, all special education expenditures total 24% of the district's general fund budget. This is an increase of 2% from the 2014-2015 school year. The reimbursement rate from MDE for these special education is approximately 49% of what the district spends. Therefore the district is supplementing special education costs out of the General Fund by over \$4,000,000.
- Overall, the district was projecting a \$158,785 increase in the Fund Balance for the General Fund. However, due to the increased expenditures in special education and instructional support and the calculation error on the general education calculation, there was a decrease in the Fund Balance for the General Fund in the amount of \$848,351. The Community Service Fund Balance increased by \$105,128 due to increases in programs such as Kid's Club, Preschool and increased after school programs for youth and adults.
- For the 2017-2018 school year the district will be reviewing its budget at least three times during the school year. Additional staff have been hired in the District Office so the new Director of Business Services can devote additional time to the budget and trying to contact the rising special education costs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$42,754,394 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 4.4 percent. The total depreciation expense for the year was \$2,345,424. The following is a schedule of capital assets as of June 30, 2017.

Independent School District No. 2144's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land	\$ 2,573,403	\$ 2,573,403	\$ -
Land Improvements	1,132,911	1,119,830	13,081
Buildings	37,859,514	39,409,154	(1,549,640)
Equipment	1,188,566	1,547,732	(359,166)
Total	<u>\$ 42,754,394</u>	<u>\$ 44,650,119</u>	<u>\$ (1,895,725)</u>

Additional information on the District's capital assets can be found in Note 3C on page 52 of this report.

Noncurrent Liabilities. At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

Independent School District No. 2144's Noncurrent Liabilities

	Governmental Activities		
	2017	2016	Increase (Decrease)
Bonds Payable	\$ 8,728,740	\$ 11,501,590	\$ (2,772,850)
Capital Lease Payable	-	234,203	(234,203)
Total	<u>\$ 8,728,740</u>	<u>\$ 11,735,793</u>	<u>\$ (3,007,053)</u>

The District's total noncurrent liabilities decreased \$3,007,053 (26.0 percent).

Additional information on the District's noncurrent liabilities can be found in Note 3D on page 53 of this report.

Factors Bearing on the District's Future

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

- The basic general education aid amount per pupil was increased from \$6,067 to \$6,188 or a 2% increase for the 2017-2018. There will be a 2% increase from \$6,188 to \$6,312 in the 2018-2019 school year. The pupil unit weightings are as follows: PK - is 1.00; HK is 1.00; Grade K-6 is 1.00 and Grades 7-12 is 1.20. The increase in basic general education aid amount per pupil is \$121 per pupil unit. Teacher's Retirement Association (TRA) is requesting an employer share increase from 7.5% to 9.5% over two years. TRA is stating that this will be funded through general education aid increases. This employer contribution increase would be a hardship on many school districts.
- The 2013 Legislature instituted two board approved operating levy referendums - the \$300 per pupil board approved referendum that replaced the District's existing \$400.96 per pupil operating levy and the \$424 per pupil board approved Local Option Revenue (LOR). The 2014 Legislature made the \$424 per pupil unit (LOR) available to all school districts in the state. School Boards must opt out of the program if they do not want to receive the \$424 per pupil unit of LOR. Both of the board approved referendums can be renewed every three to five years.
- Chisago Lakes participates in the Q Comp or Alternative Teacher Professional Pay System program (ATPPS) through the Minnesota State Department of Education. The District received \$878,800 in revenue for 2016-2017 for the purpose of teacher professional growth and will receive approximately \$882,700 in revenue for 2017-2018. This is based on \$169 per pupil unit in state aid and \$91 per pupil unit in local levy. The MARSS student count for the previous October is used to calculate the Q Comp aid. Q comp is a project with an emphasis on compensating teachers for best practices and professional growth. This is the ninth year that Chisago Lakes teachers have participated in Q Comp. Teachers received an additional \$3,071 for the 2016-2017 school year. Teachers will receive an additional \$3,071 for the 2017-2018 school year if the following performance criteria are met. Teachers need to actively participate in a Professional Learning Committee (PLCs) (measures of student achievement), participate in Peer Coaching (individual teacher evaluation) and their building must have School Wide Achievement Gains (achieving your site goal).

- The District's enrollment has been flat with regard to ADM (Average Daily Membership). The District's total ADM (Average Daily Membership) for 2014-2015 was 3,267.20 and the total ADM (Average Daily Membership) for 2015-2016 was 3,336.78. The District's total PUN (Pupil Units) for 2014-2015 was 3,585.84 and the total PUN (Pupil Units) for 2015-2016 was 3,661.95 an increase of 76.11 pupil units. Enrollment for 2016-2017 was very flat. The total pupil units for 2016-17 was 3658.41 which was a decrease of 3.54 students. To date for the 2017-18 school year, the District is seeing a slight increase in student numbers. Our December 2017 enrollment is 73 more students than our June 2017 enrollment. The lower enrollment in the elementary grades will have an effect on the District's revenues in the future due to the pupil unit weighting factor once the smaller class sizes in the elementary school reach Grade 7. The pupil unit weighting factors are 1.0 for students in Grades K-6 and 1.2 for students in Grades 7-12. The District continues to review enrollment each month and may need to make additional staff changes if enrollment declines significantly. Currently, the District is still able to offer quality programs and have class sizes at the elementary schools under 30 students per class. The two elementary attendance areas - Primary School and Lakeside on the west side of the district and Taylors Falls on the east side of the district create some challenges when it comes to class size.
- In addition, the Food Service fund had a deficit of \$9,857 in its Unassigned Balance at the end of the 2016-2017. There were some costs that should have been paid out of the Food Service Fund for payroll services, food service clerical services, food service delivery expenses and food service custodial services that were paid from the General Fund. For the 2017-2018 school year, the Food Service Fund must absorb these expenses as well as other costs due to higher food costs due to the new nutrition guidelines and higher labor costs that affected both the regular breakfast and lunch program and also the ala carte program. There needs to be a fund balance in the Food Service fund since larger, more expensive equipment at all the buildings is aging and needs replacement. The District has already instituted expenditure reductions for the 2017-2018 school year and is looking at ways to increase participation by holding food and labor costs down. Contract negotiations for the 2017-2018 and 2018-2019 school year will begin in the winter of 2017 and salary increases for Food Services staff will need to be minimal if there are any increases at all in order to establish a fund balance in the Food Services fund again.

These factors were considered in preparing the District's budget for the 2018 fiscal year and are already being considered when preparing the budget for the 2019 and 2020 fiscal years.

Requests for Information

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. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2144, 13750 Lake Boulevard, Lindstrom, Minnesota 55045.

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DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash and temporary investments	\$ 8,514,871
Receivables	
Taxes	5,150,116
Accounts and interest	70,538
Due from other school districts	306,450
Due from Minnesota Department of Education	2,302,566
Due from Federal government	179,571
Inventories	48,417
Prepaid items	476,834
Capital assets	
Land	2,573,403
Depreciable assets, net of accumulated depreciation	40,180,991
Total Assets	<u>59,803,757</u>
Deferred Outflows of Resources	
Deferred pension resources	<u>48,571,975</u>
Liabilities	
Accrued salaries payable	3,631,901
Accounts and other payables	288,009
Due to other governments	56,853
Accrued interest payable	140,125
Unearned revenue	277,465
Noncurrent liabilities	
Due within one year	2,774,187
Due in more than one year	88,554,079
Total Liabilities	<u>95,722,619</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	7,960,285
Deferred pension resources	687,619
Total Deferred Inflows of Resources	<u>8,647,904</u>
Net Position	
Net investment in capital assets	34,025,654
Restricted for	
Educational purposes	790,302
Debt service	551,904
Food service	41,024
Unrestricted	<u>(31,403,675)</u>
Total Net Position	<u>\$ 4,005,209</u>

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

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Activities
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 2,160,930	\$ 82	\$ -	\$ -	\$ (2,160,848)
District support services	1,170,642	-	-	-	(1,170,642)
Elementary and secondary					
regular instruction	22,110,849	615,344	307,997	-	(21,187,508)
Vocational education instruction	1,765,167	-	149,616	-	(1,615,551)
Special education instruction	10,678,844	-	4,055,411	-	(6,623,433)
Community education and services	1,974,433	1,196,831	376,394	-	(401,208)
Instructional support services	3,733,251	-	-	-	(3,733,251)
Pupil support services	5,203,811	1,122,474	2,956,116	-	(1,125,221)
Sites and buildings	5,446,625	275	287,202	-	(5,159,148)
Interest and fiscal charges on long term debt	212,152	-	-	-	(212,152)
Total Governmental Activities	<u>\$ 54,456,704</u>	<u>\$ 2,935,006</u>	<u>\$ 8,132,736</u>	<u>\$ -</u>	<u>(43,388,962)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					5,085,183
Property taxes, levied for community service					281,713
Property taxes, levied for debt service					2,978,414
State aid-formula grants					24,211,103
Other general revenues					1,218,633
Unrestricted investment earnings					63,058
Total General Revenues					<u>33,838,104</u>
Change in Net Position					(9,550,858)
Net Position, July 1					<u>13,556,067</u>
Net Position, June 30					<u>\$ 4,005,209</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

Independent School District No. 2144
Lindstrom, Minnesota
Balance Sheet
Governmental Funds
June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 5,634,511	\$ 1,853,707	\$ 1,026,653	\$ 8,514,871
Receivables				
Taxes	3,117,791	1,862,185	170,140	5,150,116
Accounts and interest	55,247	879	14,412	70,538
Due from other school districts	304,962	-	1,488	306,450
Due from Minnesota Department of Education	2,275,700	2,336	24,530	2,302,566
Due from the Federal government	166,708	-	12,863	179,571
Inventories	4,769	-	43,648	48,417
Prepaid items	457,739	-	19,095	476,834
Total Assets	\$ 12,017,427	\$ 3,719,107	\$ 1,312,829	\$ 17,049,363
Liabilities				
Accrued salaries payable	\$ 3,582,144	\$ -	\$ 49,757	\$ 3,631,901
Accounts and other payables	272,492	-	15,517	288,009
Due to other governments	56,853	-	-	56,853
Unearned revenue	111,536	-	165,929	277,465
Total Liabilities	4,023,025	-	231,203	4,254,228
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	53,414	36,448	3,458	93,320
Property taxes levied for subsequent year	4,656,622	3,027,078	276,585	7,960,285
Total Deferred Inflows of Resources	4,710,036	3,063,526	280,043	8,053,605
Fund Balances				
Nonspendable	462,508	-	62,743	525,251
Restricted	26,285	655,581	748,695	1,430,561
Assigned	2,700,000	-	-	2,700,000
Unassigned	95,573	-	(9,855)	85,718
Total Fund Balances	3,284,366	655,581	801,583	4,741,530
Total Liabilities, Deferred Inflows Of Resources and Fund Balances	\$ 12,017,427	\$ 3,719,107	\$ 1,312,829	\$ 17,049,363

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

Independent School District No. 2144
Lindstrom, Minnesota
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Funds
June 30, 2017

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

Total Fund Balances - Governmental Funds	\$ 4,741,530
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	99,265,125
Less: accumulated depreciation	(56,510,731)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(2,274,821)
Other postemployment benefits payable	(1,971,587)
Bond payable, net of premium	(8,728,740)
Net pension liability	(78,353,118)
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 unavailable in the funds.	93,320
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	48,571,975
Deferred inflows of pension resources	(687,619)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(140,125)</u>
Total Net Position - Governmental Activities	<u><u>\$ 4,005,209</u></u>

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

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Local property tax levies	\$ 5,113,870	\$ 2,978,414	\$ 281,713	\$ 8,373,997
Other local and county revenue				
Interest earned on investments	41,197	13,801	8,060	63,058
Other	865,789	-	1,379,291	2,245,080
Revenue from state sources	30,772,400	23,355	338,228	31,133,983
Revenue from federal sources	368,484	-	616,285	984,769
Sales and other conversion of assets	25,424	-	1,090,547	1,115,971
Total Revenues	37,187,164	3,015,570	3,714,124	43,916,858
Expenditures				
Current				
Administration	1,602,787	-	-	1,602,787
District support services	1,144,679	-	-	1,144,679
Elementary and secondary				
regular instruction	15,205,565	-	59,864	15,265,429
Vocational education instruction	1,277,354	-	-	1,277,354
Special education instruction	8,796,588	-	-	8,796,588
Community education and services	-	-	1,736,070	1,736,070
Instructional support services	2,514,792	-	-	2,514,792
Pupil support services	3,112,145	-	1,750,749	4,862,894
Sites and buildings	3,218,945	-	-	3,218,945
Capital outlay				
District support services	12,197	-	-	12,197
Elementary and secondary				
regular instruction	165,818	-	15,259	181,077
Vocational education instruction	9,621	-	-	9,621
Special education instruction	957	-	-	957
Community education and services	-	-	1,432	1,432
Instructional support services	199,270	-	-	199,270
Pupil support services	-	-	4,527	4,527
Sites and buildings	578,554	-	-	578,554
Debt service				
Principal	234,203	2,575,000	-	2,809,203
Interest and other charges	10,919	452,300	-	463,219
Total Expenditures	38,084,394	3,027,300	3,567,901	44,679,595
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (897,230)	\$ (11,730)	\$ 146,223	\$ (762,737)
Other Financing Sources				
Insurance recovery	48,976	-	-	48,976
Net Change in Fund Balances	(848,254)	(11,730)	146,223	(713,761)
Fund Balances, July 1	4,132,620	667,311	655,360	5,455,291
Fund Balances, June 30	\$ 3,284,366	\$ 655,581	\$ 801,583	\$ 4,741,530

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

Independent School District No. 2144
Lindstrom, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
For the Year Ended June 30, 2017

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

Total Net Change in Fund Balances - Governmental Funds	\$ (713,761)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	458,716
Depreciation expense	(2,345,424)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(74,239)
Depreciation on disposals	65,222
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	
Bonds	2,575,000
Capital lease	234,203
Amortization of premiums on bonds	197,850
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	53,217
Long-term pension activity is not reported in governmental funds.	
Pension expense	(10,801,043)
Direct aid contributions	1,017,675
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 unavailable in the funds.	(28,687)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(112,297)
Other postemployment benefits	(77,290)
Change in Net Position - Governmental Activities	<u>\$ (9,550,858)</u>

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

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 4,378,893	\$ 4,378,893	\$ 5,113,870	\$ 734,977
Other local and county revenue				
Interest earned on investments	10,500	12,800	41,197	28,397
Other	1,012,559	1,013,148	865,789	(147,359)
Revenue from state sources	30,959,278	31,039,689	30,772,400	(267,289)
Revenue from federal sources	281,994	281,994	368,484	86,490
Sales and other conversion of assets	218,450	218,450	25,424	(193,026)
Total Revenues	36,861,674	36,944,974	37,187,164	242,190
Expenditures				
Current				
Administration	1,630,215	1,640,945	1,602,787	38,158
District support services	1,093,077	1,122,450	1,144,679	(22,229)
Elementary and secondary				
regular instruction	15,647,193	15,010,186	15,205,565	(195,379)
Vocational education instruction	938,316	1,247,332	1,277,354	(30,022)
Special education instruction	8,019,477	8,180,337	8,796,588	(616,251)
Instructional support services	2,094,200	2,186,631	2,514,792	(328,161)
Pupil support services	3,022,101	3,151,448	3,112,145	39,303
Sites and buildings	2,967,993	2,970,743	3,218,945	(248,202)
Capital outlay				
District support services	17,000	17,000	12,197	4,803
Elementary and secondary				
regular instruction	157,600	157,600	165,818	(8,218)
Vocational education instruction	-	-	9,621	(9,621)
Special education instruction	-	-	957	(957)
Instructional support services	161,000	161,000	199,270	(38,270)
Sites and buildings	604,787	604,787	578,554	26,233
Debt service				
Principal	149,731	149,731	234,203	(84,472)
Interest and other charges	35,282	35,282	10,919	24,363
Total Expenditures	36,537,972	36,635,472	38,084,394	(1,448,922)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	323,702	309,502	(897,230)	(1,206,732)
Other Financing Sources				
Insurance recovery	-	-	48,976	48,976
Net Change in Fund Balances	323,702	309,502	(848,254)	(1,157,756)
Fund Balances, July 1	4,132,620	4,132,620	4,132,620	-
Fund Balances, June 30	\$ 4,456,322	\$ 4,442,122	\$ 3,284,366	\$ (1,157,756)

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

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2017

	<u>Agency</u>
Assets	
Cash and temporary investments	<u>\$ 284,054</u>
Liabilities	
Accounts payable	<u>\$ 284,054</u>

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

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Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 2144 (the District), Lindstrom, Minnesota was incorporated under the laws of the State of Minnesota. The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of six members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

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. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, taxes, state aid formula grants, and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Description of Funds

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

Major Governmental Funds

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Non-major Governmental Funds

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

The *Community Service special revenue fund* accounts for services provided to and fees collected from residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs or other similar services.

Fiduciary Funds

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in agency capacity, specifically student activity accounts.

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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase 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.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Investments for the District are reported at cost. The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under the SEC under rule 2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

Property Taxes

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the general and special revenue funds. This revenue is divided between property taxes and state aids by the legislature based on education funding priorities.

Current property taxes receivable is the uncollected portion of the taxes levied in 2016 and collectible in 2017. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2016 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

Receivables

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is current property taxes receivable.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Buildings	20 - 40
Improvements other than Buildings	15 - 20
Equipment and Machinery	5 - 20

Other Postemployment Benefits (OPEB) Obligation

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at July 1, 2016.

Pensions

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and fund 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 of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has an additional item which qualifies for reporting in this category on the statement of net position. The item, deferred pension resources, is reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

Compensated Absences Payable

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Teachers are not eligible for vacation pay.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance Pay - The District maintains severance pay plans for eligible employees. The benefit plan formulas are based on years of service (10 years) and minimum age requirements (age 55). The potential benefits payable are computed as follows:

Option A - Eligible teachers, upon retirement, shall receive as severance pay an amount representing five days of pay for each full year of full-time service, but not to exceed a total of 100 days of pay.

Option B - Eligible teachers, upon retirement, shall receive a severance pay based on the teacher's accrued unused disability leave up to a maximum of 100 days at the teacher's daily rate of pay.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 1: Summary of Significant Accounting Policies (Continued)

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items or inventories.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the Board of Education delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Director of Business Services and/or Superintendent.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of three months of operating expenditures.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Budgets are prepared for District funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds for the General, special revenue, and the Debt Service funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the Board of Education.
2. Budgets for all General, special revenue, and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2017, expenditures exceeded appropriations in the following funds:

Fund	Budget Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Major			
General	\$ 36,635,472	\$ 38,084,394	\$ 1,448,922
Nonmajor			
Food Service	1,593,106	1,755,276	162,170
Community Service	1,638,914	1,812,625	173,711

The excess of expenditures over appropriations were funded with actual revenues in excess of budget and available fund balance.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Board of Education.

At year end, the District's carrying amount of deposits was \$40,021 and the bank balance was \$43,743. The bank balance was covered by federal depository insurance and by national credit union share insurance.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

Investments

The District's investment balances were as follows for June 30, 2017:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	June 30, 2017
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Assets Funds	N/A	Less than 6 months	\$ 8,731,056
Edward Jones Money Market Mutual Fund	N/A	Less than 6 months	27,848
Total Investments			<u>\$ 8,758,904</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicated not applicable or available.

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 43 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not currently have an investment policy that addresses the risks described above.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

	Amount
As Reported in the Basic Financial Statements	
Statement of net position	\$ 8,514,871
Statement of fiduciary net position	284,054
Total	<u>\$ 8,798,925</u>
Cash and Temporary Investments	
Deposits and petty cash	\$ 40,021
Investments	8,758,904
Total	<u>\$ 8,798,925</u>

B. Property Taxes Receivable

Current property taxes receivable are recorded for uncollected taxes levied in 2016 and payable in 2017. The total levy is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 3,021,256	\$ 1,796,315	\$ 163,890	\$ 4,981,461
Delinquent Taxes	96,535	65,870	6,250	168,655
Total Reported Taxes Receivable	<u>\$ 3,117,791</u>	<u>\$ 1,862,185</u>	<u>\$ 170,140</u>	<u>\$ 5,150,116</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated				
Land	\$ 2,573,403	\$ -	\$ -	\$ 2,573,403
Capital Assets being Depreciated				
Land improvements	3,613,467	150,314	-	3,763,781
Buildings	70,634,363	179,086	-	70,813,449
Equipment	22,059,415	129,316	(74,239)	22,114,492
Total Capital Assets being Depreciated	96,307,245	458,716	(74,239)	96,691,722
Less Accumulated Depreciation for				
Land improvements	(2,493,637)	(137,233)	-	(2,630,870)
Buildings	(31,225,209)	(1,728,726)	-	(32,953,935)
Equipment	(20,511,683)	(479,465)	65,222	(20,925,926)
Total Accumulated Depreciation	(54,230,529)	(2,345,424)	65,222	(56,510,731)
Total Capital Assets being Depreciated, net	42,076,716	(1,886,708)	(9,017)	40,180,991
Governmental Activities Capital Assets, net	<u>\$ 44,650,119</u>	<u>\$ (1,886,708)</u>	<u>\$ (9,017)</u>	<u>\$ 42,754,394</u>

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

Administration	\$ 1,041
District Support Services	340
Elementary and Secondary Regular Instruction	14,003
Vocational Education Instruction	667
Special Education Instruction	4,682
Community Education and Services	6,651
Instructional Support Services	327,655
Pupil Support Services	38,012
Sites and Buildings	1,952,373
Total Depreciation Expense - Governmental Activities	<u>\$ 2,345,424</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

D. Long-term Debt

General Obligation (G.O.) Bonds

The District issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. In addition, refunding G.O. bonds have been issued. G.O. bonds are direct obligations and pledge the full faith and credit of the District. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Building Bonds, Series 2007A	\$ 10,000,000	5.00 %	12/27/07	02/01/18	\$ 1,230,000	\$ 1,230,000
G.O. School Building Bonds, Series 2008A	4,200,000	4.00	01/09/08	02/01/18	520,000	520,000
G.O. School Building Refunding Bonds, 2013A	8,905,000	4.00	11/06/13	02/01/23	6,350,000	955,000
Total G.O. Bonds					<u>\$ 8,100,000</u>	<u>\$ 2,705,000</u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	\$ 2,705,000	\$ 336,300	\$ 3,041,300
2019	995,000	215,800	1,210,800
2020	1,035,000	176,000	1,211,000
2021	1,075,000	134,600	1,209,600
2022	1,120,000	91,600	1,211,600
2023	1,170,000	46,800	1,216,800
Total	<u>\$ 8,100,000</u>	<u>\$ 1,001,100</u>	<u>\$ 9,101,100</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 10,675,000	\$ -	\$ (2,575,000)	\$ 8,100,000	\$ 2,705,000
Unamortized premium	826,590	-	(197,850)	628,740	-
Net Bonds Payable	11,501,590	-	(2,772,850)	8,728,740	2,705,000
Capital Lease Payable	234,203	-	(234,203)	-	-
Net Pension Liability					
TRA	18,075,460	53,488,452	(1,151,669)	70,412,243	-
PERA	4,964,853	3,431,747	(455,725)	7,940,875	-
Other Postemployment Benefits Payable	1,894,297	173,243	(95,953)	1,971,587	-
Compensated Absences Payable	2,162,524	537,948	(425,651)	2,274,821	69,187
Governmental Activities Long-term Liabilities	<u>\$ 38,832,927</u>	<u>\$ 57,631,390</u>	<u>\$ (5,136,051)</u>	<u>\$ 91,328,266</u>	<u>\$ 2,774,187</u>

The Debt Service fund has typically been used to liquidate the general obligation bonds. The General fund has typically been used to liquidate the capital lease payable, pension liability, OPEB and compensated absences payable obligations.

E. Operating Leases

The District leases temporary classroom buildings and space for the family center, Pathways to Change program, and the Community Education program under several lease agreements. The District also pays a lease amount for space used by the TIES and St. Croix River Education District (SCRED) education cooperatives for services rendered in conjunction with District activities. Lease expense was \$285,743 for the year ended June 30, 2017. Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2018	\$ 288,513
2019	50,750
2020	24,000
Total	<u>\$ 363,263</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2017, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Nonspendable for				
Inventories	\$ 4,769	\$ -	\$ 43,648	\$ 48,417
Prepaid items	457,739	-	19,095	476,834
Total Nonspendable	<u>462,508</u>	<u>-</u>	<u>62,743</u>	<u>525,251</u>
Restricted for				
Staff development	26,285	-	-	26,285
Operating capital	-	-	-	-
Long-term facilities maintenance	-	-	-	-
Debt service	-	655,581	-	655,581
Community education	-	-	269,162	269,162
Early childhood and family education	-	-	88,187	88,187
School readiness	-	-	50,801	50,801
Community service	-	-	340,545	340,545
Total Restricted	<u>26,285</u>	<u>655,581</u>	<u>748,695</u>	<u>1,430,561</u>
Assigned to				
Separation/retirement benefits	2,700,000	-	-	2,700,000
Unassigned	<u>95,573</u>	<u>-</u>	<u>(9,855)</u>	<u>85,718</u>
Total Fund Balance	<u>\$ 3,284,366</u>	<u>\$ 655,581</u>	<u>\$ 801,583</u>	<u>\$ 4,741,530</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 3: Detailed Notes on All Funds (Continued)

Restricted for staff development - This amount represents unspent staff development revenues set aside from General Education revenues that were restricted for staff development.

Restricted for operating capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for long term facilities maintenance - This amount represents unspent long term facilities maintenance revenues from tax levies and State aids that were restricted for long term facilities maintenance.

Restricted for debt service - This amount represents available resources restricted exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest, and paying agent fees.

Restricted for community education - This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for early childhood and family education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for school readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program.

Restricted for community service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Note 4: Defined Benefit Pension Plans

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

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

2. Benefits Provided

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

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

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

With these provisions:

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

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. Beginning July 1, 2016, 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, which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

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

3. Contribution Rate

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

Plan	Ending June 30, 2017	
	Employee	Employer
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

The District's contributions for the years ending June 30 2017, 2016, and 2015 were \$1,214,665, \$1,151,569 and \$1,123,332, respectively, equal to the contractually required contributions for each year as set by Minnesota statute.

The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in schedule of employer and non-employer pension allocations.

Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Add Employer Contributions not Related to Future Contribution Efforts	26,356
Deduct TRA's Contributions not included in Allocation	<u>(442,978)</u>
Total Employer Contributions	354,544,518
Total Non-employer Contributions	<u>35,587,410</u>
Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	<u><u>\$ 390,131,928</u></u>

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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

4. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Measurement date	June 30, 2016
Valuation date	July 1, 2016
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	4.66%
Wage inflation	3.50%
Projected salary increase	3.50 - 9.50% - based on years of service
Cost of living adjustment	2.00%
Mortality Assumption	
Pre-retirement	RP 2014 white collar adjustment, male rates set back 6 years and female rates set back 5 years. Generation projection uses the MP-2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set years, with further adjustments of the rates. Generalational projection uses the MP-2015 scale.
Post-disability	RP 2014 disabled retiree mortality, without adjustment.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	45.00 %	5.50 %
International Stocks	15.00	6.00
Bonds	18.00	1.45
Alternative Assets	20.00	6.40
Unallocated cCsh	2.00	0.50
Total	<u>100.00 %</u>	

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

5. Discount Rate

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

6. Net Pension Liability

At June 30, 2017, the District reported a liability of \$70,412,243 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 0.2952 percent at the end of the measurement period and 0.2922 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 70,412,243
State's Proportionate Share of Net Pension Liability Associated with the District	7,066,891

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to be 2.0 percent annually. In the previous measurement, the COLA increased to 2.5 percent in 2034.

For the year ended June 30, 2017, the District recognized pension expense of \$9,238,827. It also recognized \$986,775 as an increase to pension expense for the support provided by direct aid.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

On June 30, 2017, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 708,179	\$ 1,963
Changes in Actuarial Assumptions	40,134,204	-
Net Difference Between Projected and Actual Earnings on Plan Investments	3,043,366	-
Changes in Proportion	297,336	-
Contributions to TRA Subsequent to the Measurement Date	1,214,665	-
Total	<u>\$ 45,397,750</u>	<u>\$ 1,963</u>

Deferred outflows of resources totaling \$1,214,665 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2018	\$ 8,784,898
2019	8,784,898
2020	9,780,593
2021	9,022,178
2022	7,808,555

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66 percent as well as the liability measured using one percent lower and one percent higher.

District Proportionate Share of NPL		
1 Percent Decrease (3.66%)	Current (4.66%)	1 Percent Increase (5.66%)
\$ 90,708,569	\$ 70,412,243	\$ 53,881,548

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

8. Pension Plan Fiduciary Net Position

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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (GERF)

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

2. Benefits Provided

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

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

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

GERF Benefits

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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

3. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent of Coordinated Plan members in 2016. The District's contributions to the GERF for the year ending June 30, 2017, 2016, and 2015 were \$468,860, \$454,998 and \$415,440, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

4. Pension Costs

At June 30, 2017, the District reported a liability of \$7,940,875 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$103,630. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportionate share was 0.0978 percent which was an increase of 0.0020 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$544,540 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$30,900 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 24,023	\$ 645,078
Changes in Actuarial Assumptions	1,713,369	-
Net Difference Between Projected and Actual Earnings on Plan Investments	884,958	-
Changes in Proportion	83,015	40,578
Contributions to GERF Subsequent to the Measurement Date.	468,860	-
Total	<u>\$ 3,174,225</u>	<u>\$ 685,656</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

Deferred outflows of resources totaling \$468,860 related to pensions resulting from the District's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2018	\$ 560,373
2019	382,754
2020	789,740
2021	286,842

5. Actuarial Assumptions

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

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability rates were based on RP-2014 tables for the GERP for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERP.

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

The following changes in actuarial assumptions occurred in 2016:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 4: Defined Benefit Pension Plans (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	45.00 %	5.50 %
International Stocks	15.00	6.00
Bonds	18.00	1.45
Alternative Assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERS was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 11,278,396	\$ 7,940,875	\$ 5,191,666

8. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 5: Defined Contribution Plan

The Health Care Savings Plan (HCSP) is a public employer-sponsored program administered by the Minnesota State Retirement System (MSRS) that allows employees to save pre-tax money to pay postemployment medical expenses and/or health insurance premiums. The program has been in effect since July of 2001. The legislature signed into law Chapter 352.98 authorizing MSRS to provide a health care savings reimbursement plan.

Participation by state and other public employees is determined during negotiations between the bargaining units, or group of employees if there are no bargaining units, and the employer with final language approved by MSRS. Beginning with the 2008-09 fiscal year, all twelve (12)-month employees who have at least ten years of service based on the seniority list in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. All full-time teachers who have completed at least ten years of actual teaching service in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. This contribution will be made on or before June 30 each year according to the following schedule:

<u>Years of Service</u>	<u>Contribution for 12-month Employees</u>	<u>Contribution for Teachers</u>
Ten to fifteen	\$500	\$250
Sixteen to twenty	\$750	\$500
Twenty-one to twenty-four	\$1,000	\$750
Twenty-five or more	\$1,000	\$1,000

The District's contributions to the MSRS HCSP for 12-month employees and teachers for the year ended June 30, 2017 were \$5,500 and \$69,750, respectively.

Amounts will not be made available for distribution to participants or beneficiaries earlier than (i) retirement, (ii) when the participant has a severance from employment with the employer, (iii) when the participant is collecting a disability benefit from one of the public pension plans, (iv) when the participant is on medical leave (six months or longer), or (v) when the participant is on a leave of absence (one year or longer).

Note 6: Post employment Benefits Other than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance and dental insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. There are 379 active participants and 16 retired participants. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 6: Post employment Benefits Other than Pensions (Continued)

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The District's employment agreement for certain administrative officials provides for the District to contribute the following amounts into an MSRS account for premium costs for health and dental coverage.

<u>Employee Groups</u>	<u>Contribution</u>	<u>Term</u>
District Superintendent	\$ 120,000	1 time
Director of Business Services	120,000	1 time
Community Education Director	9,000/year	Until Medicare eligible
Principals	9,000/year	Until Medicare eligible
Activities Director	9,000/year	Until Medicare eligible

Eligibility is as follows:

<u>Employee Groups</u>	<u>Eligibility</u>
District Superintendent	No Criteria
Director of Business Services	No Criteria
Community Education Director	Employed more than 15 years and age 55
Principals	Employed more than 5 years and age 55
Activities Director	Employed more than 5 years and age 55
Director Curriculum	Employed more than 5 years and age 55

For fiscal year 2017, the District contributed \$95,953 to the plan. During the year ended June 30, 2017, the District had four employees receiving benefits totaling \$7,411 paid toward retired member premiums.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 6: Post employment Benefits Other than Pensions (Continued)

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 of the employer (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 to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual Required Contribution	\$ 209,938
Interest on Net OPEB Obligation	66,300
Adjustment to Annual Required Contribution	<u>(102,995)</u>
Annual OPEB Cost (Expense)	173,243
Contributions Made	<u>(95,953)</u>
Increase in Net OPEB Obligation	77,290
Net OPEB Obligation, July 1	<u>1,894,297</u>
Net OPEB Obligation, June 30	<u><u>\$ 1,971,587</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
06/30/17	\$ 173,243	55.4 %	\$ 1,971,587
06/30/16	306,043	49.5	1,894,297
06/30/15	304,508	40.1	1,739,727

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$1,743,762, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$22,300,000, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.8 percent.

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 the healthcare cost trend. 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 multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2017

Note 6: Post employment Benefits Other than Pensions (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. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

In the July 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent discount rate and a 2.75 percent rate of inflation. The initial healthcare trend rate is 6.6 percent and will be reduced by decrements to an ultimate rate of 5.0 percent after seven years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 30 years.

Note 7: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

B. 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.

Note 8: Subsequent event

On August 3, 2017, the District issued \$62,815,000 General Obligation School Building Bonds, Series 2017A. The bonds will mature on February 1, 2028 and carries an average coupon rate of 3.28 percent.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

Independent School District No. 2144
Lindstrom, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2017

Schedule of Employer's Share of TRA Net Pension Liability

Required Supplementary Information							
Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered-Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/16	0.2952 %	\$70,412,243	\$ 7,066,891	\$ 77,479,134	\$ 15,354,253	458.6 %	44.9 %
6/30/15	0.2922	18,075,460	2,216,850	20,292,310	14,977,760	120.7	76.8
6/30/14	0.3000	13,823,784	972,471	14,796,255	13,693,886	100.9	81.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's TRA Contributions

Required Supplementary Information					
Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/17	\$ 1,214,665	\$ 1,214,665	\$ -	\$ 16,195,533	7.5 %
6/30/16	1,151,569	1,151,569	-	15,354,253	7.5
6/30/15	1,123,332	1,123,332	-	14,977,760	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - TRA

There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions. Details, if necessary, can be obtained from the TRA CAFR.

Independent School District No. 2144
Lindstrom, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2017

Schedule of Employer's Share of PERA Net Pension Liability

Required Supplementary Information							
Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered-Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/16	0.0978 %	\$ 7,940,875	\$ 103,630	\$8,044,505	\$ 6,066,640	130.9 %	68.9 %
6/30/15	0.0958	4,964,853	-	4,964,853	5,634,703	88.1	78.2
6/30/14	0.0973	4,570,667	-	4,570,667	5,110,483	89.4	78.7

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions

Required Supplementary Information					
Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/17	\$ 468,860	\$ 468,860	\$ -	\$ 6,251,467	7.5 %
6/30/16	454,998	454,998	-	6,066,640	7.5
6/30/15	415,440	415,440	-	5,634,703	7.4

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Independent School District No. 2144
Lindstrom, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2017

Schedule of Funding Progress for the Postemployment Benefit Plan

Actuarial Valuation Date*	Required Supplementary Information					
	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2016	\$ -	\$ 1,743,762	\$ 1,743,762	- %	\$ 22,300,000	7.8 %
7/1/2014	-	2,854,679	2,854,679	-	18,312,451	15.6
7/1/2012	-	5,237,133	5,237,133	-	18,609,147	28.1
7/1/2010	-	3,792,973	3,792,973	-	16,640,443	22.8

* The 7/1/2012 actuarial valuation was revised on November 13, 2013 to account for a significant experience change.

Schedule of Employer Contributions for the Postemployment Benefit Plan

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
6/30/17	\$ 209,938	46 %
6/30/16	342,611	44
6/30/15	337,242	36

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

Independent School District No. 2144
Lindstrom, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 42,687	\$ 983,966	\$ 1,026,653
Receivables			
Taxes	-	170,140	170,140
Accounts and interest	1,159	13,253	14,412
Due from other school districts	-	1,488	1,488
Due from Minnesota Department of Education	2,595	21,935	24,530
Due from the Federal government	12,863	-	12,863
Inventories	43,648	-	43,648
Prepaid items	7,231	11,864	19,095
Total Assets	\$ 110,183	\$ 1,202,646	\$ 1,312,829
Liabilities			
Accrued salaries payable	\$ 9,581	\$ 40,176	\$ 49,757
Accounts and other payables	6,765	8,752	15,517
Unearned revenue	52,813	113,116	165,929
Total Liabilities	69,159	162,044	231,203
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	3,458	3,458
Property taxes levied for subsequent year	-	276,585	276,585
Total Deferred Inflows of Resources	-	280,043	280,043
Fund Balances			
Nonspendable	50,879	11,864	62,743
Restricted	-	748,695	748,695
Unassigned	(9,855)	-	(9,855)
Total Fund Balances	41,024	760,559	801,583
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 110,183	\$ 1,202,646	\$ 1,312,829

Independent School District No. 2144
Lindstrom, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 281,713	\$ 281,713
Other local and county revenue			
Interest earned on investments	408	7,652	8,060
Other	-	1,379,291	1,379,291
Revenue from state sources	97,007	241,221	338,228
Revenue from federal sources	616,285	-	616,285
Sales and other conversion of assets	1,082,600	7,947	1,090,547
Total Revenues	<u>1,796,300</u>	<u>1,917,824</u>	<u>3,714,124</u>
Expenditures			
Current			
Elementary and secondary regular instruction	-	59,864	59,864
Community education and services	-	1,736,070	1,736,070
Pupil support services	1,750,749	-	1,750,749
Capital outlay			
Elementary and secondary regular instruction	-	15,259	15,259
Community education and services	-	1,432	1,432
Pupil support services	4,527	-	4,527
Total Expenditures	<u>1,755,276</u>	<u>1,812,625</u>	<u>3,567,901</u>
Net Change in Fund Balances	41,024	105,199	146,223
Fund Balances, July 1	<u>-</u>	<u>655,360</u>	<u>655,360</u>
Fund Balances, June 30	<u>\$ 41,024</u>	<u>\$ 760,559</u>	<u>\$ 801,583</u>

Independent School District No. 2144
Lindstrom, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	\$ 5,634,511	\$ 4,044,496
Receivables		
Taxes		
Current	3,021,256	2,919,687
Delinquent	96,535	105,771
Accounts and interest	55,247	47,331
Due from other school districts	304,962	354,691
Due from Minnesota Department of Education	2,275,700	4,552,532
Due from the Federal government	166,708	131,591
Inventories	4,769	13,860
Prepaid items	457,739	311,127
Total Assets	\$ 12,017,427	\$ 12,481,086
Liabilities		
Accrued salaries payable	\$ 3,582,144	\$ 3,310,580
Accounts and other payables	272,492	341,552
Due to other governments	56,853	49,118
Unearned revenue	111,536	106,174
Total Liabilities	4,023,025	3,807,424
Deferred Inflows of Resources		
Unavailable revenue - delinquent property taxes	53,414	67,786
Property taxes levied for subsequent year	4,656,622	4,473,256
Total Deferred Inflows of Resources	4,710,036	4,541,042
Fund Balances		
Nonspendable		
Inventories	4,769	13,860
Prepaid items	457,739	311,127
Restricted for		
Staff development	26,285	18,721
Operating capital	-	177,018
Gifted and talented	-	5,345
Assigned for		
Separation/retirement benefits	2,700,000	3,100,000
Unassigned	95,573	506,549
Total Fund Balances	3,284,366	4,132,620
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,017,427	\$ 12,481,086

Independent School District No. 2144

Lindstrom, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2017

(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,378,893	\$ 4,378,893	\$ 5,113,870	\$ 734,977	\$ 4,871,056
Other local and county revenue					
Interest earned on investments	10,500	12,800	41,197	28,397	12,193
Other	1,012,559	1,013,148	865,789	(147,359)	713,152
Revenue from state sources	30,959,278	31,039,689	30,772,400	(267,289)	30,741,335
Revenue from federal sources	281,994	281,994	368,484	86,490	377,068
Sales and other conversion of assets	218,450	218,450	25,424	(193,026)	213,555
Total Revenues	36,861,674	36,944,974	37,187,164	242,190	36,928,359
Expenditures					
Current expenditures					
Administration					
Salaries	1,104,253	1,105,753	1,092,323	13,430	1,040,931
Fringe benefits	430,015	439,245	420,438	18,807	412,941
Purchased services	36,950	36,950	31,052	5,898	26,039
Supplies and materials	29,555	29,555	34,412	(4,857)	30,967
Other	29,442	29,442	24,562	4,880	24,323
Total Administration	1,630,215	1,640,945	1,602,787	38,158	1,535,201
District support services					
Salaries	513,510	513,510	503,380	10,130	542,495
Fringe benefits	174,067	174,067	163,665	10,402	164,404
Purchased services	383,500	412,873	453,299	(40,426)	398,436
Supplies and materials	21,500	21,500	24,000	(2,500)	8,989
Other	500	500	335	165	219
Total District Support Services	1,093,077	1,122,450	1,144,679	(22,229)	1,114,543
Elementary and secondary regular instruction					
Salaries	11,147,651	10,604,145	10,818,757	(214,612)	10,453,243
Fringe benefits	3,474,746	3,397,445	3,456,958	(59,513)	3,598,509
Purchased services	460,631	460,131	512,149	(52,018)	499,660
Supplies and materials	564,165	548,465	410,766	137,699	459,038
Other	-	-	6,935	(6,935)	7,147
Total Elementary and Secondary Regular Instruction	15,647,193	15,010,186	15,205,565	(195,379)	15,017,597

Independent School District No. 2144
Lindstrom, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current expenditures (continued)					
Vocational education instruction					
Salaries	\$ 656,161	\$ 883,791	\$ 861,726	\$ 22,065	\$ 799,161
Fringe benefits	252,344	318,030	298,224	19,806	291,326
Purchased services	10,870	10,870	38,284	(27,414)	40,126
Supplies and materials	18,941	34,641	79,120	(44,479)	66,450
Total Vocational Education Instruction	938,316	1,247,332	1,277,354	(30,022)	1,197,063
Special education instruction					
Salaries	4,311,147	4,538,431	5,039,009	(500,578)	4,550,880
Fringe benefits	1,787,811	1,868,332	1,903,610	(35,278)	1,812,745
Purchased services	1,851,224	1,704,279	1,782,910	(78,631)	1,711,662
Supplies and materials	69,295	69,295	71,059	(1,764)	79,443
Total Special Education Instruction	8,019,477	8,180,337	8,796,588	(616,251)	8,154,730
Instructional support services					
Salaries	1,330,291	1,372,626	1,504,451	(131,825)	1,465,721
Fringe benefits	508,545	517,321	512,384	4,937	504,768
Purchased services	98,710	132,210	287,336	(155,126)	273,149
Supplies and materials	156,054	163,874	210,346	(46,472)	193,032
Other	600	600	275	325	305
Total Instructional Support Services	2,094,200	2,186,631	2,514,792	(328,161)	2,436,975
Pupil support services					
Salaries	688,323	693,907	614,277	79,630	650,048
Fringe benefits	265,430	274,993	222,455	52,538	242,685
Purchased services	1,926,095	2,119,295	2,189,642	(70,347)	2,109,071
Supplies and materials	142,253	63,253	85,771	(22,518)	53,702
Total Pupil Support Services	3,022,101	3,151,448	3,112,145	39,303	3,055,506
Sites and buildings					
Salaries	1,123,336	1,123,336	1,112,435	10,901	1,040,725
Fringe benefits	431,919	434,669	410,072	24,597	391,641
Purchased services	968,838	968,838	1,318,646	(349,808)	1,221,058
Supplies and materials	443,900	443,900	354,076	89,824	359,930
Other	-	-	23,716	(23,716)	7,271
Total Sites and Buildings	2,967,993	2,970,743	3,218,945	(248,202)	3,020,625
Total Current Expenditures	35,412,572	35,510,072	36,872,855	(1,362,783)	35,532,240

Independent School District No. 2144
Lindstrom, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017		Actual Amounts	Variance with Final Budget	2016
	Budgeted Amounts				Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
District support services	\$ 17,000	\$ 17,000	\$ 12,197	\$ 4,803	\$ 17,281
Elementary and secondary regular instruction	157,600	157,600	165,818	(8,218)	137,080
Vocational education instruction	-	-	9,621	(9,621)	6,899
Special education instruction	-	-	957	(957)	23,664
Instructional support services	161,000	161,000	199,270	(38,270)	185,150
Sites and buildings	604,787	604,787	578,554	26,233	530,916
Total Capital Outlay	<u>940,387</u>	<u>940,387</u>	<u>966,417</u>	<u>(26,030)</u>	<u>900,990</u>
Debt service					
Principal	149,731	149,731	234,203	(84,472)	148,912
Interest and other charges	35,282	35,282	10,919	24,363	17,415
Total Debt Service	<u>185,013</u>	<u>185,013</u>	<u>245,122</u>	<u>(60,109)</u>	<u>166,327</u>
Total Expenditures	<u>36,537,972</u>	<u>36,635,472</u>	<u>38,084,394</u>	<u>(1,448,922)</u>	<u>36,599,557</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	323,702	309,502	(897,230)	(1,206,732)	328,802
Other Financing Sources					
Insurance recovery	-	-	48,976	48,976	11,218
Net Change in Fund Balances	323,702	309,502	(848,254)	(1,157,756)	340,020
Fund Balances, July 1	<u>4,132,620</u>	<u>4,132,620</u>	<u>4,132,620</u>	<u>-</u>	<u>3,792,600</u>
Fund Balances, June 30	<u>\$ 4,456,322</u>	<u>\$ 4,442,122</u>	<u>\$ 3,284,366</u>	<u>\$ (1,157,756)</u>	<u>\$ 4,132,620</u>

Independent School District No. 2144
Lindstrom, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenue					
Interest earned on investments	\$ -	\$ -	\$ 408	\$ 408	\$ 50
Revenue from state sources	83,961	83,961	97,007	13,046	98,136
Revenue from federal sources	442,241	442,241	616,285	174,044	607,024
Sales and other conversion of assets	1,093,203	1,093,203	1,082,600	(10,603)	1,032,607
Total Revenues	1,619,405	1,619,405	1,796,300	176,895	1,737,817
Expenditures					
Current					
Pupil support services					
Salaries	532,077	532,077	588,022	(55,945)	542,659
Employee benefits	197,487	197,487	205,596	(8,109)	189,415
Purchased services	98,550	98,550	82,044	16,506	92,681
Supplies and materials	761,951	761,951	872,656	(110,705)	902,497
Other	3,041	3,041	2,431	610	2,473
Total Current Expenditures	1,593,106	1,593,106	1,750,749	(157,643)	1,729,725
Capital outlay					
Pupil support services	-	-	4,527	(4,527)	1,565
Total Expenditures	1,593,106	1,593,106	1,755,276	(162,170)	1,731,290
Net Change in Fund Balances	26,299	26,299	41,024	14,725	6,527
Fund Balances, July 1	-	-	-	-	(6,527)
Fund Balances, June 30	\$ 26,299	\$ 26,299	\$ 41,024	\$ 14,725	\$ -

Independent School District No. 2144
Lindstrom, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 285,611	\$ 285,611	\$ 281,713	\$ (3,898)	\$ 287,265
Other local and county revenue					
Interest earned on investments	-	-	7,652	7,652	2,606
Other	1,238,393	1,238,393	1,379,291	140,898	1,314,638
Revenue from state sources	216,246	216,246	241,221	24,975	187,616
Sale and other conversion of assets	-	-	7,947	7,947	131
Total Revenues	<u>1,740,250</u>	<u>1,740,250</u>	<u>1,917,824</u>	<u>177,574</u>	<u>1,792,256</u>
Expenditures					
Current expenditures					
Elementary and secondary					
regular instruction					
Salaries	44,840	44,840	42,561	2,279	44,972
Employee benefits	11,260	11,260	10,575	685	10,648
Purchased services	2,900	2,900	2,626	274	3,049
Supplies and materials	4,000	4,000	4,102	(102)	3,683
Community education and services					
Salaries	1,054,282	1,054,282	1,171,073	(116,791)	1,070,510
Employee benefits	263,563	263,563	302,012	(38,449)	271,095
Purchased services	126,374	126,374	133,570	(7,196)	156,483
Supplies and materials	95,595	95,595	127,849	(32,254)	127,540
Other	1,600	1,600	1,566	34	1,091
Total Current Expenditures	<u>1,604,414</u>	<u>1,604,414</u>	<u>1,795,934</u>	<u>(191,520)</u>	<u>1,689,071</u>
Capital outlay					
Elementary and secondary					
regular instruction	-	-	15,259	(15,259)	-
Community education and services	34,500	34,500	1,432	33,068	5,824
Total Capital Expenditures	<u>34,500</u>	<u>34,500</u>	<u>16,691</u>	<u>17,809</u>	<u>5,824</u>
Total Expenditures	<u>1,638,914</u>	<u>1,638,914</u>	<u>1,812,625</u>	<u>(173,711)</u>	<u>1,694,895</u>
Net Change in Fund Balances	101,336	101,336	105,199	3,863	97,361
Fund Balances, July 1	<u>655,360</u>	<u>655,360</u>	<u>655,360</u>	<u>-</u>	<u>557,999</u>
Fund Balances, June 30	<u>\$ 756,696</u>	<u>\$ 756,696</u>	<u>\$ 760,559</u>	<u>\$ 3,863</u>	<u>\$ 655,360</u>

Independent School District No. 2144
Lindstrom, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 2,983,049	\$ 2,990,617	\$ 2,978,414	\$ (12,203)	\$ 3,004,446
Other local and county revenue					
Interest earned on investments	1,500	13,800	13,801	1	4,098
Revenue from state sources	20,000	20,713	23,355	2,642	24,018
Total Revenues	<u>3,004,549</u>	<u>3,025,130</u>	<u>3,015,570</u>	<u>(9,560)</u>	<u>3,032,562</u>
Expenditures					
Debt service					
Principal	2,575,000	2,575,000	2,575,000	-	2,480,000
Interest and other charges	454,950	452,300	452,300	-	562,750
Total Expenditures	<u>3,029,950</u>	<u>3,027,300</u>	<u>3,027,300</u>	<u>-</u>	<u>3,042,750</u>
Net Change in Fund Balances	(25,401)	(2,170)	(11,730)	(9,560)	(10,188)
Fund Balances, July 1	<u>667,311</u>	<u>667,311</u>	<u>667,311</u>	<u>-</u>	<u>677,499</u>
Fund Balances, June 30	<u>\$ 641,910</u>	<u>\$ 665,141</u>	<u>\$ 655,581</u>	<u>\$ (9,560)</u>	<u>\$ 667,311</u>

Independent School District No. 2144
Lindstrom, Minnesota
Schedule of the Components of the General Fund
Balance Sheet
June 30, 2017

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Assets				
Cash and temporary investments	\$ 5,123,980	\$ 480,897	\$ 29,634	\$ 5,634,511
Receivables				
Current taxes	3,021,256	-	-	3,021,256
Delinquent taxes	96,535	-	-	96,535
Accounts and interest	30,487	10,397	14,363	55,247
Due from other school districts	304,962	-	-	304,962
Due from Minnesota Department of Education	2,247,176	1,117	27,407	2,275,700
Due from the Federal government	166,708	-	-	166,708
Inventories	4,769	-	-	4,769
Prepaid items	374,422	9,618	73,699	457,739
Total Assets	<u>\$ 11,370,295</u>	<u>\$ 502,029</u>	<u>\$ 145,103</u>	<u>\$ 12,017,427</u>
Liabilities				
Accrued salaries payable	\$ 3,582,172	\$ -	\$ (28)	\$ 3,582,144
Accounts and other payables	200,546	14,500	57,446	272,492
Due to other governments	56,853	-	-	56,853
Unearned revenue	97,550	-	13,986	111,536
Total Liabilities	<u>3,937,121</u>	<u>14,500</u>	<u>71,404</u>	<u>4,023,025</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	53,414	-	-	53,414
Property taxes levied for subsequent year	4,656,622	-	-	4,656,622
Total Deferred Inflows of Resources	<u>4,710,036</u>	<u>-</u>	<u>-</u>	<u>4,710,036</u>
Fund Balances				
Nonspendable				
Inventories	4,769	-	-	4,769
Prepaid items	374,422	9,618	73,699	457,739
Restricted for				
Staff development	26,285	-	-	26,285
Assigned for				
Separation/retirement benefits	2,700,000	-	-	2,700,000
Unassigned	<u>(382,338)</u>	<u>477,911</u>	<u>-</u>	<u>95,573</u>
Total Fund Balances	<u>2,723,138</u>	<u>487,529</u>	<u>73,699</u>	<u>3,284,366</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,370,295</u>	<u>\$ 502,029</u>	<u>\$ 145,103</u>	<u>\$ 12,017,427</u>

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Independent School District No. 2144
Lindstrom, Minnesota
Schedule of the Components of the General Fund
Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Pages)
For the Year Ended June 30, 2017

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Revenues				
Local property tax levies	\$ 3,956,637	\$ -	\$ 1,157,233	\$ 5,113,870
Other local and county revenue				
Interest earned on investments	35,155	2,834	3,208	41,197
Other	825,915	39,874	-	865,789
Revenue from State sources	27,744,456	2,212,325	815,619	30,772,400
Revenue from Federal sources	368,484	-	-	368,484
Sales and other conversion of assets	7,927	3,200	14,297	25,424
Total Revenues	<u>32,938,574</u>	<u>2,258,233</u>	<u>1,990,357</u>	<u>37,187,164</u>
Expenditures				
Current expenditures				
Administration				
Salaries and wages	1,092,323	-	-	1,092,323
Employee benefits	420,438	-	-	420,438
Purchased services	31,052	-	-	31,052
Supplies and materials	34,412	-	-	34,412
Other	24,562	-	-	24,562
Total Administration	<u>1,602,787</u>	<u>-</u>	<u>-</u>	<u>1,602,787</u>
District support services				
Salaries and wages	503,380	-	-	503,380
Employee benefits	163,665	-	-	163,665
Purchased services	453,299	-	-	453,299
Supplies and materials	24,000	-	-	24,000
Other	335	-	-	335
Total District Support Services	<u>1,144,679</u>	<u>-</u>	<u>-</u>	<u>1,144,679</u>
Elementary and secondary regular instruction				
Salaries and wages	10,818,757	-	-	10,818,757
Employee benefits	3,456,958	-	-	3,456,958
Purchased services	512,149	-	-	512,149
Supplies and materials	378,093	-	32,673	410,766
Other	6,935	-	-	6,935
Total Elementary and Secondary Regular Instruction	<u>15,172,892</u>	<u>-</u>	<u>32,673</u>	<u>15,205,565</u>
Vocational education instruction				
Salaries and wages	861,726	-	-	861,726
Employee benefits	298,224	-	-	298,224
Purchased services	38,284	-	-	38,284
Supplies and materials	79,120	-	-	79,120
Total Vocational Education Instruction	<u>1,277,354</u>	<u>-</u>	<u>-</u>	<u>1,277,354</u>

Independent School District No. 2144
Lindstrom, Minnesota
Schedule of the Components of the General Fund
Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended June 30, 2017

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Current expenditures (continued)				
Special education instruction				
Salaries and wages	\$ 5,039,009	\$ -	\$ -	\$ 5,039,009
Employee benefits	1,903,610	-	-	1,903,610
Purchased services	1,615,831	-	167,079	1,782,910
Supplies and materials	71,059	-	-	71,059
Total Special Education Instruction	8,629,509	-	167,079	8,796,588
Instructional support services				
Salaries and wages	1,504,451	-	-	1,504,451
Employee benefits	512,384	-	-	512,384
Purchased services	287,336	-	-	287,336
Supplies and materials	198,346	-	12,000	210,346
Other	275	-	-	275
Total Instructional Support Services	2,502,792	-	12,000	2,514,792
Pupil support services				
Salaries and wages	587,045	27,232	-	614,277
Employee benefits	218,258	4,197	-	222,455
Purchased services	173,977	2,015,665	-	2,189,642
Supplies and materials	36,401	49,370	-	85,771
Total Pupil Support Services	1,015,681	2,096,464	-	3,112,145
Sites and buildings				
Salaries and wages	1,112,301	-	134	1,112,435
Employee benefits	410,050	-	22	410,072
Purchased services	718,701	-	599,945	1,318,646
Supplies and materials	347,619	-	6,457	354,076
Other	23,716	-	-	23,716
Total Sites and Buildings	2,612,387	-	606,558	3,218,945
Total Current Expenditures	33,958,081	2,096,464	818,310	36,872,855
Capital outlay				
District support services	-	-	12,197	12,197
Elementary and secondary regular instruction	2,700	-	163,118	165,818
Vocational education instruction	9,621	-	-	9,621
Special education instruction	957	-	-	957
Instructional support services	1,668	-	197,602	199,270
Sites and buildings	(179)	-	578,733	578,554
Total Capital Outlay	14,767	-	951,650	966,417

Independent School District No. 2144
Lindstrom, Minnesota
Schedule of the Components of the General Fund
Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended June 30, 2017

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 234,203	\$ 234,203
Interest and other charges	-	-	10,919	10,919
Total Debt Service	-	-	245,122	245,122
Total Expenditures	33,972,848	2,096,464	2,015,082	38,084,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,034,274)	161,769	(24,725)	(897,230)
Other Financing Sources				
Insurance recovery	48,976	-	-	48,976
Net Change in Fund Balances	(985,298)	161,769	(24,725)	(848,254)
Fund Balances, July 1	3,708,436	325,760	98,424	4,132,620
Fund Balances, June 30	<u>\$ 2,723,138</u>	<u>\$ 487,529</u>	<u>\$ 73,699</u>	<u>\$ 3,284,366</u>

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Independent School District No. 2144
Lindstrom, Minnesota
Agency Fund
Schedule of Changes in Assets and Liabilities
For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Student Activities				
Assets				
Cash and temporary investments	\$ 291,391	\$ 827,106	\$ 834,443	\$ 284,054
Liabilities				
Accounts payable	\$ 291,391	\$ 827,106	\$ 834,443	\$ 284,054

Fiscal Compliance Report - 6/30/2017

District: CHISAGO LAKES (2144-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$37,228,866	<u>\$37,228,865</u>	<u>\$1</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$38,084,394	<u>\$38,084,391</u>	<u>\$3</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$462,508	<u>\$462,508</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted Reserved:</i>				<i>Restricted Reserved:</i>			
4.03 Staff Development	\$26,284	<u>\$26,283</u>	<u>\$1</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>				
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$3,015,570	<u>\$3,015,569</u>	<u>\$1</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$3,027,300	<u>\$3,027,300</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted Reserved:</i>			
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$655,581	<u>\$655,580</u>	<u>\$1</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>				
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>				
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	20 INTERNAL SERVICE			
<i>Restricted:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>				
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	25 OPEB REVOCABLE TRUST			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$2,700,000	<u>\$2,700,000</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$95,573	<u>\$95,579</u>	<u>(\$6)</u>				
02 FOOD SERVICES				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$1,796,300	<u>\$1,796,294</u>	<u>\$6</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,755,276	<u>\$1,755,272</u>	<u>\$4</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

4.60 Non Spendable Fund Balance	\$50,879	<u>\$50,878</u>	<u>\$1</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	(\$9,855)	<u>(\$9,857)</u>	<u>\$2</u>

04 COMMUNITY SERVICE

Total Revenue	\$1,917,824	<u>\$1,917,748</u>	<u>\$76</u>
Total Expenditures	\$1,812,625	<u>\$1,812,620</u>	<u>\$5</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$11,864	<u>\$11,864</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$269,162	<u>\$269,162</u>	<u>\$0</u>
4.32 E.C.F.E	\$88,187	<u>\$88,188</u>	<u>(\$1)</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$50,801	<u>\$50,801</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$340,545	<u>\$340,545</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

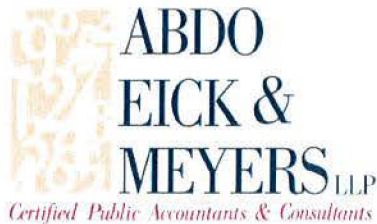
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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education
Independent School District No. 2144
Lindstrom, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Lindstrom, Minnesota as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated December 29, 2017.

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

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

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 29, 2017

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

Members of the Board of Education
Independent School District No. 2144
Lindstrom, 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 the Independent School District No. 2144 (the District), Lindstrom, Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 29, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 29, 2017

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STUDENT ACTIVITY ACCOUNTS
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017



INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education, Advisors and Students
Independent School District No. 2144
Lindstrom, Minnesota

Report on the Financial Statements

We have audited the accompanying statement of changes in assets and liabilities of the student activity accounts of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, as of and for the year ended June 30, 2017.

Management's Responsibilities for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement.

An audit also includes assessing the accounting principles used as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the changes in assets and liabilities of the District's student activity accounts for the year ended June 30, 2017, and the balances at that date in conformity with accounting principles generally accepted in the United States of America.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 29, 2017

Independent School District No. 2144

Lindstrom, Minnesota

Statement of Changes in Assets and Liabilities (Continued on the Following Pages)

Student Activity Accounts

For the Year Ended June 30, 2017

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Assets				
Cash and temporary investments				
Senior High School				
Alpine Skiing	\$ -	\$ 817	\$ 711	\$ 106
Art Department	-	165	-	165
ADS Athletic	7,215	62,315	62,626	6,904
Annual	16,539	21,630	8,183	29,986
Boys Hockey	33	293	-	326
Band	824	79,812	79,170	1,466
Baseball	27,132	18,752	21,550	24,334
Boys Basketball	5,683	4,263	8,991	955
Boys Swim Club	3,431	3,975	5,450	1,956
Boys Tennis	876	1,430	2,127	179
Cheerleaders	4,898	8,587	13,247	238
Choir Tour	2,199	1	-	2,200
Concessions	615	32,702	32,378	939
Costa Rica Trip	13	-	-	13
Cross Country	528	3,967	2,110	2,385
Dance line	22,997	64,703	78,707	8,993
DECA	568	3,484	3,388	664
Drama - Fall Musical	401	1,557	295	1,663
Drama 2	168	-	-	168
FCCLA	874	1,141	952	1,063
FFA	31,472	44,394	58,421	17,445
Football	6,937	26,517	29,840	3,614
Girls Basketball	656	2,413	886	2,183
Girls Hockey	744	10,617	8,470	2,891
Girls Swim Club	698	2,745	2,264	1,179
Girls Tennis	2,534	1,629	2,253	1,910
Golf Boys	630	2,641	1,600	1,671
Golf Girls	454	756	541	669
Go Wild	97	-	97	-
Guidance Office	3,457	1,728	1,572	3,613
Gymnastics	643	1,928	52	2,519
High School Incentives	13,309	3,388	6,007	10,690
Industrial Tech	708	1	-	709
Interest	-	1,744	163	1,581
International Club	6,551	1,308	1,973	5,886
Knowledge Bowl	229	453	260	422
Leadership	390	-	390	-
Math League	-	1,384	1,221	163
Metals I	3,341	3,073	1,239	5,175
Middle school Football	589	630	-	1,219
Miscellaneous	14,879	2,953	4,040	13,792
Music Scholarship	2,543	2,669	2,405	2,807
National Honor Society	3,397	1,542	941	3,998
OEA/BPA	3,536	12,353	12,129	3,760
Pathways	1,274	1	-	1,275
Performing Arts Center	445	110	-	555
Powerlifting	524	2,221	1,914	831
PT Adv Com	7,549	7,034	8,868	5,715
RTI	131	-	-	131
SADD	66	327	50	343

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Changes in Assets and Liabilities (Continued)
Student Activity Accounts
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Assets (Continued)				
Cash and temporary investments (continued)				
Senior High School - continued				
Scholarships	\$ 7,907	\$ 19,155	\$ 16,150	\$ 10,912
Science Department	656	-	47	609
Ski Club	1,170	-	-	1,170
Snack Machine	861	320	522	659
Soccer Boys	69	2,694	1,802	961
Soccer Girls	901	5,567	4,548	1,920
Softball	480	1,864	1,251	1,093
Special Ed/ALP	2,193	2,651	2,581	2,263
Speech Team	1,310	110	213	1,207
Student Council	648	11,326	10,030	1,944
Student Council 2 Prom	12,854	20,688	19,665	13,877
Super Mileage C1	119	4,270	4,389	-
Theater	545	1	-	546
Track	4,679	8,388	10,643	2,424
Trapshooting	3,310	14,445	14,991	2,764
VICA Auto	1,570	1,494	2,071	993
VICA Woods	5,109	14,799	17,457	2,451
Volleyball	597	4,210	3,554	1,253
Work Experience	304	-	-	304
Wrestling	2,967	4,791	3,622	4,136
Total Senior High School	251,026	562,926	581,017	232,935
Middle School				
5K Fund Walk/Run	4,753	3,718	1,594	6,877
7th Grade	-	4,088	4,088	-
8th Grade	-	6,667	6,667	-
Bobcat Core	1	-	1	-
Cougar Core	624	-	624	-
Environment	-	23,519	23,519	-
Exploratory	-	856	856	-
Lynx Core	72	-	-	72
Magazine fund	247	27	-	274
Mini-courses	41	-	41	-
Miscellaneous	4,237	25,924	22,167	7,994
Pencil	110	441	445	106
Student council	267	11,401	11,667	1
Wolf ridge	-	71,806	71,806	-
Yearbook	36	1,962	1,574	424
Total Middle School	10,388	150,409	145,049	15,748

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Changes in Assets and Liabilities (Continued)
Student Activity Accounts
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Assets (Continued)				
Cash and temporary investments (continued)				
Lakeside Intermediate School				
General	\$ -	\$ 37,744	\$ 32,236	\$ 5,508
PTO	7,166	14,655	19,377	2,444
Total Lakeside Intermediate School	<u>7,166</u>	<u>52,399</u>	<u>51,613</u>	<u>7,952</u>
Taylors Falls Elementary				
Activity Fund	-	2,377	2,377	-
Boat Cruise Fund	530	7,357	6,094	1,793
Field Trips	1	4,909	4,909	1
General	5,974	-	452	5,522
Interest Income	20	35	-	55
Playground Fund	3,663	-	3,663	-
Taylors Falls School Foundation	-	-	-	-
Young Account	452	5,300	5,471	281
Total Taylors Falls Elementary	<u>10,640</u>	<u>19,978</u>	<u>22,966</u>	<u>7,652</u>
Chisago Lakes Elementary				
General	6,260	28,350	21,190	13,420
Grade 1	1,946	5,897	5,900	1,943
Grade 2	1,619	1,875	2,135	1,359
Kindergarten	1,634	5,272	4,573	2,333
Outdoor Classroom	712	-	-	712
Total Chisago Lakes Elementary	<u>12,171</u>	<u>41,394</u>	<u>33,798</u>	<u>19,767</u>
Total Assets	<u>\$ 291,391</u>	<u>\$ 827,106</u>	<u>\$ 834,443</u>	<u>\$ 284,054</u>
Liabilities				
Student activity accounts payable	<u>\$ 291,391</u>	<u>\$ 827,106</u>	<u>\$ 834,443</u>	<u>\$ 284,054</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Student Activity Accounts Financial Statements
For the Year Ended June 30, 2017

Note 1: Basis of Presentation and Significant Accounting Policies

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students attending the Independent School District No. 2144 (the District), Lindstrom, Minnesota. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or an adult.

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

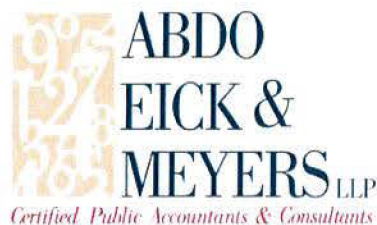
The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting as discussed in Note 1C of the District's financial statements.

Note 2: Collateral

Cash balances are held in demand accounts. In accordance with Minnesota Statutes, the Student Activity Funds maintain deposits at those depository banks authorized by the Board of Education.

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

As of June 30, 2017, the Student Activity Funds' deposits were entirely covered by federal depository insurance.



INDEPENDENT AUDITOR'S REPORT
ON STUDENT ACTIVITY COMPLIANCE

Members of the Board of Education, Advisors and Students
Independent School District No. 2144
Lindstrom, Minnesota

We have audited the statement of changes in assets and liabilities of the extracurricular student activity accounts of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, as of and for the year ended June 30, 2017, and have issued our report thereon dated December 29, 2017.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, issued by the Minnesota Department of Education, pursuant to Minnesota statutes, section 123.38.

The *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges* provides uniform financial accounting and reporting standards for student activities. Compliance with this manual is the responsibility of the District's management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

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

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, and the result of that testing, and not to provide an opinion on the Districts compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 29, 2017

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FEDERAL FINANCIAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2017

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

Members of the Board of Education
Independent School District No. 2144
Lindstrom, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 2144 (the District), Lindstrom, Minnesota compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

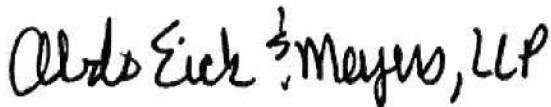
Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 29, 2017

Independent School District No. 2144
Lindstrom, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Expenditures
U.S. Department of Education				
MN Department of Education	Title I Grants to Local Educational Agencies	84.010		\$ 179,895
MN Department of Education	Special Education IDEA, Part B	84.027		67,951
MN Department of Education	Career and Technical Education Basic Grants	84.048		37,098
MN Department of Education	Improving Teacher Quality State Grants	84.367		<u>83,540</u>
Total U.S. Department of Education				<u>368,484</u>
U.S. Department of Agriculture				
MN Department of Education	Commodity Supplemental Food Program	10.565		135,517
MN Department of Education	School Breakfast Program	10.553	90,776	
MN Department of Education	National School Lunch Program	10.555	<u>389,992</u>	
	Total Child Nutrition Cluster			<u>480,768</u>
Total U.S. Department of Agriculture				<u>616,285</u>
Total				<u><u>\$ 984,769</u></u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2: Summary of Significant Accounting Policies for Expenditures

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the District's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2017, the District did not elect to use the 10 percent de minimis indirect cost rate.

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Independent School District No. 2144
Lindstrom, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance?	No

Identification of Major Programs/Projects

CFDA No.

Department of Agriculture - Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There were no findings related to the audit of the financial statements reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.

