
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR
ENDED – JUNE 30, 2017



MONTICELLO SCHOOL DISTRICT

INDEPENDENT SCHOOL DISTRICT #882
302 WASHINGTON STREET, MONTICELLO MN 55362

COMPREHENSIVE ANNUAL FINANCIAL REPORT

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

PREPARED BY

BUSINESS OFFICE STAFF

MONTICELLO, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT NO. 882
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INTRODUCTORY SECTION

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MONTICELLO PUBLIC SCHOOLS
Independent School District No. 882

302 Washington Street
Monticello, Minnesota 55362
www.monticello.k12.mn.us

Phone (763) 272-2000
Fax (763) 272-2009

Date: December 5, 2017

To: Citizens of the School District
Board of Education
Employees of the School District

INTRODUCTION

The Comprehensive Annual Financial Report (CAFR) of Independent School District No. 882, Monticello, Minnesota (the District) for the fiscal year ended June 30, 2017 is presented for your information and review. The CAFR is intended to fully disclose the financial position of the District and the results of operations for the fiscal year. The District administration accepts total responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. Questions and comments are solicited and welcome.

REPORT FORMAT

This CAFR is presented in three main sections: introductory, financial, and statistical. In addition to the information contained in this letter, the introductory section includes the District's organizational chart, and a list of the District's principal officials. The financial section includes the independent auditor's report, Management's Discussion and Analysis (MD&A), basic financial statements, notes to basic financial statements, and detailed combining and individual statements and schedules. The statistical section includes selected financial and general information presented on a multi-year comparative basis. Where possible, historical data is presented for a 10-year period.

Accounting principles generally accepted in the United States of America require management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of an MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A of the District can be found immediately following the report of the independent auditors.

DISTRICT ORGANIZATION

The Monticello School District officially organized in 1861 and serves the City of Monticello, and portions of the City of Big Lake, Big Lake Township, Silver Creek Township, and Becker Township. The District is guided by its mission, vision, and goals.

Monticello School District is an equal opportunity employer.

DISTRICT ORGANIZATION (CONTINUED)

Mission

Our District mission is to focus on the learner by clearly defining the knowledge and skills necessary to function in today's society, motivating all learners to reach their maximum potential, providing participatory decision making, creating and sustaining a climate for change, modeling democratic principles, and thereby instilling a lifelong learning in everyone.

Vision

The Monticello School District provides exemplary education programs in a fiscally responsible manner to achieve excellence in the learning experience.

Goals

- Student Achievement – increase student achievement in academics, athletics, and activities.
- Community Relationships – enhance community partnerships.
- Resource Management – maximize effective use of infrastructure, buildings, and grounds.
- Climate and Safety – provide a safe and welcoming environment.
- Fiscal Stability – achieve fiscal stability.
- Employee Excellence – create an environment in which all staff can reach their full potential.

The District enrolled 4,074 ADM's (Average Daily Membership) from a population of over 21,721 citizens residing in a 100 square mile area. During 2016-17 the District operated and owned 5 buildings and leased 1 building with a total square footage of 944,775 square feet having an average age of 31.20 years: 1 high school, 1 alternative high school, 1 middle school, 2 elementary schools, and 1 early childhood building. The District is organized by grade level with elementary schools serving students in kindergarten through Grade 5, middle school serving Grades 6- 8, and the high schools serving Grades 9-12.

REPORTING ENTITY

Independent School District No. 882, also known as Monticello Public Schools, is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board is responsible for legislative and fiscal control of Monticello Public Schools. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Monticello School District is an equal opportunity employer.

REPORTING ENTITY (CONTINUED)

The District's financial statements include all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable. Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit included whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

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

FINANCIAL STATEMENTS

The financial statements contained in this report disclose the financial position of the District as of June 30, 2017, and the financial operations for the fiscal year then ended. The District's financial records and reports are maintained and prepared on a modified or full accrual basis of accounting in accordance with the Uniform Financial Accounting and Reporting System for Minnesota School Districts as well as the standards of the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. These records are audited annually by an independent certified public accountant as required by Minnesota law. The accounting firm of CliftonLarsonAllen LLP performed the audit for the 2016-17 fiscal year. Their report is included in the financial section of this report. The auditor has given an unmodified opinion on the District's financial statements. An unmodified opinion means that, in the judgment of the auditor, the financial statements present fairly, in all material respects, the financial position of the District and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

FEDERAL SINGLE AUDIT AND STATE COMPLIANCE AUDIT

The independent audit of the financial statements of the District is part of a broader, federally mandated Single Audit designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited district's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. The District is also required to undergo an annual Minnesota State Legal Compliance Audit under Minnesota Statutes §6.65. These reports are available in a separate document.

Monticello School District is an equal opportunity employer.

ACCOUNTING AND BUDGETING

A major thrust of the District's accounting system is to provide adequate internal accounting controls. These controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived, and that the evaluation of the cost and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the District's internal accounting controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions.

Budgetary control is maintained through an annual budget adopted by the School Board for all funds as required by state statutes and School Board policy. The adopted budget serves as the authorizing document for all expenditures, although the School Board approves all checks issued on a monthly basis. The Superintendent and Director of Business Services are authorized to make financial commitments within budgetary guidelines for contracts not requiring sealed bids. Additional expenditure controls are maintained by the District Office in accordance with state statutes, i.e., the District cannot incur a negative unassigned balance in the General Fund in excess of 2.5% of the preceding year's expenditures. The budget is published annually in the District's legal newspaper to inform residents of the District's financial position and operating plan for the fiscal year. The School Board receives a quarterly report showing the budget to actual balances for revenues and expenditures of the current year and prior year. Program managers receive monthly budget reports via email, which indicate the approved budget on a line item basis; the year-to-date expenditures assigned to those line items; and the percent expended to date. Monthly monitoring of revenues and expenditures by the Director of Business Services as well as ongoing monitoring by program managers helps to ensure budget integrity and provides an opportunity to detect material budget variances before the end of the fiscal year.

The budget is adopted by the School Board in the spring of each year for the following fiscal year beginning July 1. In the winter the budget is revised based upon enrollment changes, effects of negotiated employee contracts, or other new information impacting revenues or expenditures. The revised budget is presented to the School Board for approval. To accurately track and report financial activities with a focus on site-based accounting, approximately 4,615 accounts have been defined in the District's chart of accounts.

Monticello School District is an equal opportunity employer.

FINANCIAL PROSPECTS FOR FUTURE YEARS

In November 2015, the voters approved a bond issue for \$39 million to improve safety and security, enhance learning environments, and increase academic and activity opportunities. Nearly all the constructions projects have been completed and have added open, collaborative learning environments for our staff and students. The voters also approved a second question to increase our operating referendum to \$775 per pupil unit which increases each year with inflation for 10 years. The additional operating referendum allows the District to increase staff at our Eastview Family Center for preschool and kindergarten programming which will open for the 2017-2018 school year, increase technology staff for our 1:1 device initiatives at the Middle School and High School, and staff for building and grounds.

The Monticello School Board has focused on rebuilding the unassigned fund balance of the General Fund from its FY 2006 low point of - \$426,605, or -1.44% of its General Fund expenses according to the School Board policy 714. The General Fund unassigned fund balance as of June 30, 2017 is \$2,782,728, or 6.32%. The recent impact affecting the District's fund balance is due to the State changing the State Special Education aid formula. There is a growth cap limit on what school districts receive each year. Over half of the school districts were over the growth cap limit in 2015-2016, and it is estimated that a third of the school districts will continue to be over the growth cap limit in 2016-2017. The Monticello School Board will approve a budget target alignment plan of \$2 million to balance the 2018-2019 budget.

The District's finances are largely dependent on student enrollment. Monticello has been experiencing relatively flat enrollment from FY 2007 to FY 2017 with enrollment changes ranging from -1% decline to +2% growth over this 10-year period. Based on the number of Wright county births from the previous 5 years and new housing permits in the city of Monticello, this trend is expected continue for the next five years, resulting small overall changes in the revenue budget.

ECONOMIC FACTORS

The District is located in Wright County and is approximately 44 miles northwest of the Minneapolis-St. Paul metropolitan area.

The District intentionally focuses efforts of staff and other resources to identify financial resources that are available in order to maximize revenue. With the exception of the voter-approved operating referendum and bond referendum, the District is largely dependent on the state of Minnesota for its revenue authority and state aid. For the past several bienniums, the legislated revenue for education has not been sufficient to meet instructional program needs due to increased costs from inflation and required mandates.

Monticello School District is an equal opportunity employer.

ECONOMIC FACTORS (CONTINUED)

Minnesota's economic and budget outlook has continued to improve during this past fiscal year. The November 2016 forecast from Minnesota Management and Budget had a General Fund forecasted surplus for the coming biennium of \$1.4 billion. When the February 2017 forecast was announced, the surplus rose to \$1.65 billion due to higher-than-expected returns on sales tax and a shrinking unemployment rate. The Legislature approved basic funding formula increases of 2% for both FY 2016 and FY 2017. Along with this, long-term facilities maintenance revenue was approved to help maintain our school buildings. This revenue began in 2016-2017 and will increase per pupil unit each year for three years. The metered payment schedule is currently at 90% where it should be, and the District is in a very good cash flow position.

Numerous factors affect public school finance and are monitored on an on-going basis, such as:

- State aid versus local tax payer funding for programs and services
- Economic factors, such as unemployment and overall revenue collections by the state
- Mandated programs that are not fully funded, such as special education
- Compliance and implementation of governmental pronouncements
- Impact to local tax payers for operating referendum requests
- Increase competition for students from other public schools as well as charter schools
- Housing development and growth
- Enrollment trends
- Health insurance cost increases
- Pension obligations, both local and state
- Management of federal and other special funded state programs

MAJOR INITIATIVES

In 2013-2014, the District partnered with the Monticello Food Shelf and Monticello Rotary Club to launch the Weekend Backpack program for elementary students who qualify for free and reduced meals. During the 2016-2017 school year, the District sent home 10,920 backpacks. The Backpack program extended to the summer months through another partnership with the Monticello Food Shelf called Kids Kitchen. More than 88,000 pounds of food was distributed to over 2,000 kids. The District also started a Magic Closet at the High School to provide personal hygiene products or clothing to students in need.

Monticello School District is an equal opportunity employer.

AWARDS AND ACKNOWLEDGEMENTS

The District received its first financial reporting recognition in 2013, 2014, 2015, 2016, and 2017 from the Minnesota Department of Education through its School Finance Award program.

This report has been prepared following the guidelines provided by the Association of School Business Officials International (ASBO) for their Certificate of Excellence in Financial Reporting Program. In order to receive this award, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report (CAFR). This report must satisfy both generally accepted accounting principles and applicable legal requirements. The District received the Certificate of Excellence in Financial Reporting from ASBO International for excellence in the preparation and issuance of the District's CAFR for the year ended June 30, 2016. It is the third consecutive year the District has received the award.

The time, effort, and attention that go into the timely preparation of a CAFR require the commitment and cooperation of many people. Special appreciation is hereby extended to the District Office staff for the dedication and to the School Board for their encouragement and leadership.

Sincerely,

A handwritten signature in cursive script that reads "Tina Burkholder".

Tina Burkholder,
Director of Business Services

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ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting
is presented to**

**Independent School District 882
Monticello Public Schools**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded
ASBO International's Certificate of Excellence standards.



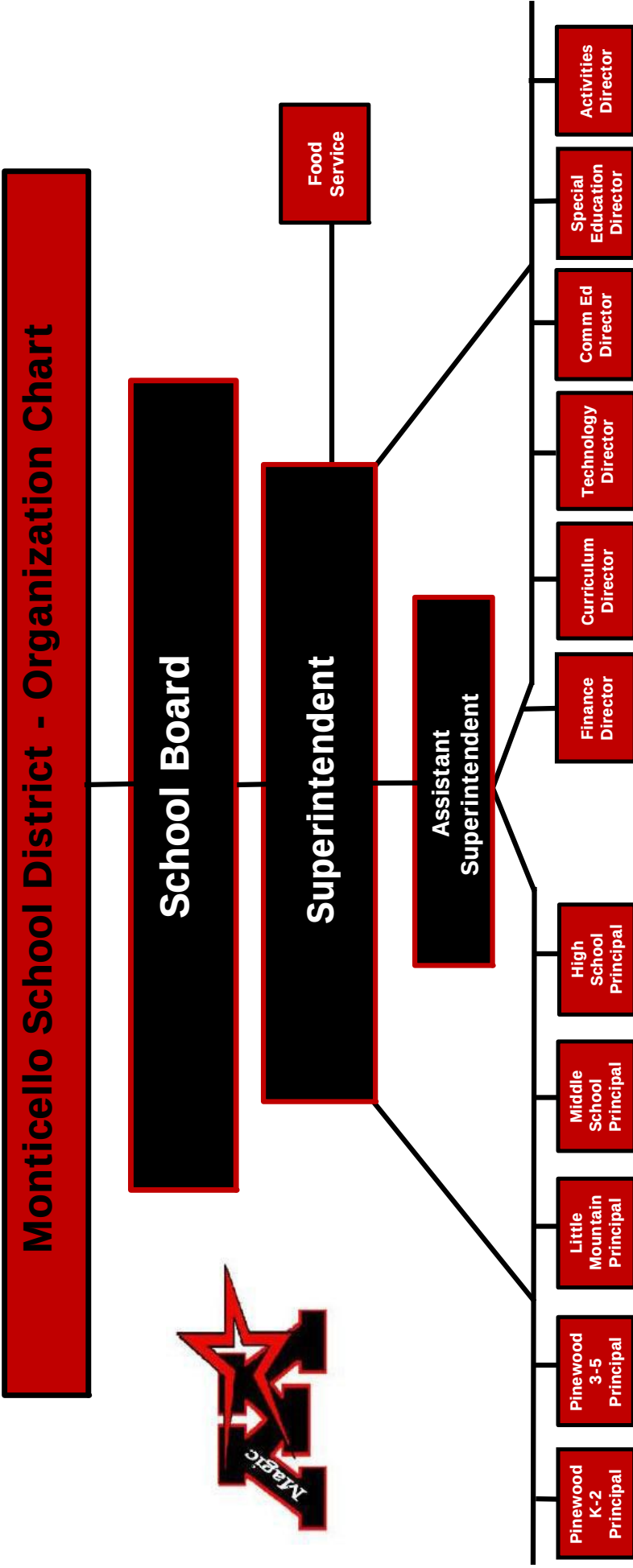
A handwritten signature in black ink, appearing to read 'Anthony N. Dragona'.

Anthony N. Dragona, Ed.D., RSBA
President

A handwritten signature in black ink, appearing to read 'John D. Musso'.

John D. Musso, CAE
Executive Director

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2017**

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
William Spartz	12/31/2017	Chairperson
Jill Bartlett	12/31/2019	Vice Chairperson/Treasurer
Carol McNaughton	12/31/2017	Secretary/Clerk
Jeff Hegle	12/31/2019	Director
Missy Hanson	12/31/2019	Director
Robbie Smith	12/31/2017	Director

ADMINISTRATION

Jim Johnson	Superintendent
Joe Dockendorf	Assistant Superintendent
Tina Burkholder	Director of Business Services
Linda Borgerding	Curriculum Director/Elementary Principal
Joel Lundin	Principal on Assignment
Mike Carr	Senior High School Principal
Jeff Scherber	Middle School Principal
Gabe Hackett	Elementary School Principal
Brad Sanderson	Elementary School Principal
Eric Olson	Elementary School Principal
Gary Revenig	Athletic/Activities Director
Jeremiah Mack	Community Education Director
Allyson Kuehn	Special Education Director
Susan Heidt	Technology Director
District Offices:	Independent School District No. 882 Monticello Public Schools 302 Washington Street Monticello, MN 55362 (763) 272-2000

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Education
Independent School District No. 882
Monticello Public Schools
Monticello, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 882 (the District), 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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position and respective budgetary comparisons for General Fund, Food Service Fund, and Community Service Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements 67 and 68*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle (see Note 14). The District also reported a prior period restatement related to unearned revenues (see Note 14). Our opinion is not modified with respect to these matters.

Other Matters

Report on Summarized Comparative Information

We have previously audited the District's 2016 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Matters (Continued)

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, uniform financial accounting and reporting standards, the Statement of Changes in Agency Fund Assets and Liabilities, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table and the Statement of Changes in Agency Fund Assets and Liabilities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 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 solely 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 effectiveness of the District's 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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 5, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

This section of Monticello Schools – Independent School District No. 882's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2017; it is meant to be read in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2016-2017 fiscal year include the following:

- Net position decreased from \$9,752,060 to (\$20,450,791) due to an increase in the net pension liability, OPEB liability and related pension expense and the restatement of (\$12,582,557).
- Beginning Net position was restated by \$12,582,557 to account for the changes in accounting principle and prior period restatement (see Note 14).
- The net position decreased by \$17,620,294 from June 30, 2016, with total revenues of \$62,187,930 and total expenses of \$79,808,224.
- Overall General Fund revenues and other financing sources were \$50,799,856 as compared to \$53,073,203 of expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

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

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

- *Governmental Activities* – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

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

The District has two kinds of funds:

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Fund Financial Statements (Continued)

- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets that belong to others. The District currently has one agency fund for scholarships and the Postemployment Benefits Irrevocable Trust Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was (\$20,450,791) on June 30, 2017. This was a decrease of \$30,202,851 from the prior year (see Table A-1).

**Table A-1
The District's Net Position**

	Governmental Activities		Percentage
	2017	2016	Change
Current and Other Assets	\$ 49,362,381	\$ 69,673,756	(29.15)%
Capital and Non-Current Assets	61,733,242	39,385,804	56.74
Total Assets	111,095,623	109,059,560	1.87
Deferred Outflows of Resources	74,912,823	6,561,758	1041.66
Current Liabilities	13,397,096	10,022,213	33.67
Long-Term Liabilities	181,155,614	81,636,517	121.91
Total Liabilities	194,552,710	91,658,730	112.26
Deferred Inflows of Resources	11,906,527	14,210,528	(16.21)
Net Position:			
Net Investment in Capital Assets	25,258,704	34,364,408	(26.50)
Restricted	4,630,541	2,267,619	104.20
Unrestricted	(50,340,036)	(26,879,967)	87.28
Total Net Position	\$ (20,450,791)	\$ 9,752,060	

The District's change in financial position is the product of many factors. Long-term liabilities increased approximately \$99.5 million due to the increase in the Net Pension Liability and OPEB Liability.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Changes in Net Position

The District's total revenues were \$62,187,930 for the year ended June 30, 2017. Property taxes and state formula aid accounted for 65% of total revenue for the year.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total %
	2017	2016	Change
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 10,578,157	\$ 9,216,610	14.77 %
Operating Grants and Contributions	9,306,320	11,499,346	(19.07)
Capital Grants and Contributions	550,184	595,653	(7.63)
<u>General Revenues</u>			
Property Taxes	11,525,564	11,041,021	4.39
Unrestricted State Aid	29,339,675	28,354,194	3.48
Investment Earnings	323,478	151,399	113.66
Other	564,552	345,161	63.56
Total Revenues	62,187,930	61,203,384	1.61
Expenses			
Administration	2,267,484	1,440,429	57.42
District Support Services	1,181,088	1,135,630	4.00
Regular Instruction	32,103,609	23,705,406	35.43
Vocational Education Instruction	715,728	773,236	(7.44)
Special Education Instruction	19,153,411	14,494,246	32.14
Instructional Support Services	3,330,953	2,941,917	13.22
Pupil Support Services	4,090,046	3,883,955	5.31
Sites and Buildings	9,219,213	6,206,082	48.55
Fiscal and Other Fixed Cost Programs	162,414	183,311	(11.40)
Food Service	1,914,262	2,025,562	(5.49)
Community Service	2,880,271	2,557,334	12.63
Unallocated - Depreciation	1,566,641	1,102,166	42.14
Interest and Fiscal Charges on Long-Term Liabilities	1,223,104	448,369	172.79
Total Expenses	79,808,224	60,897,643	31.05
Increase (Decrease) in Net Position	(17,620,294)	305,741	
Net Position - Beginning of Year	9,752,060	9,446,319	
Change in Accounting Principle and Prior Period Restatement	(12,582,557)	-	
Net Position - Beginning of Year, as Restated	(2,830,497)	9,446,319	
Net Position - End of Year	\$ (20,450,791)	\$ 9,752,060	

The total cost of all programs and services, including interest and fiscal charges, was approximately \$79.8 million. Total expenses exceeded revenues, decreasing net position \$17,620,294 over last year, before the change in accounting principle and prior period restatement.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The cost of all *governmental* activities this year was \$79,808,224 as shown in Figure A-1.

- Some of the cost was paid by the users of the District's programs (\$10,578,157).
- The federal and state governments subsidized certain programs with grants and contributions (\$9,856,504).
- A significant portion of governmental activities was paid for with \$11,525,564 in property taxes, \$29,339,675 of unrestricted state aid based on the statewide education aid formula, and with investment earnings and other general revenues.

**Figure A-1
Sources of District's Revenues for Fiscal 2017**

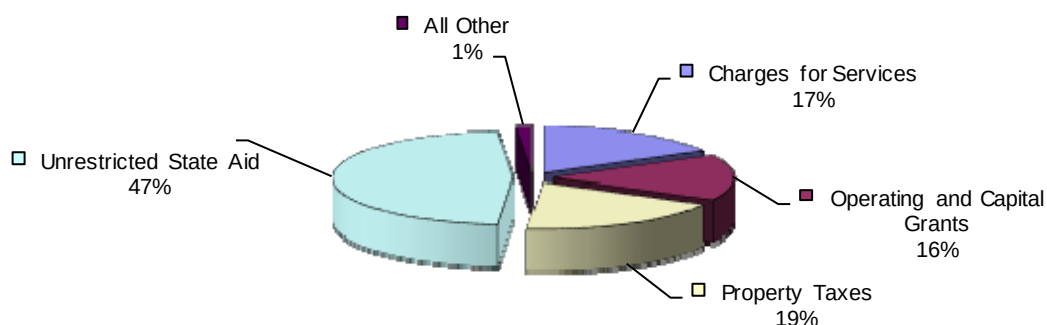
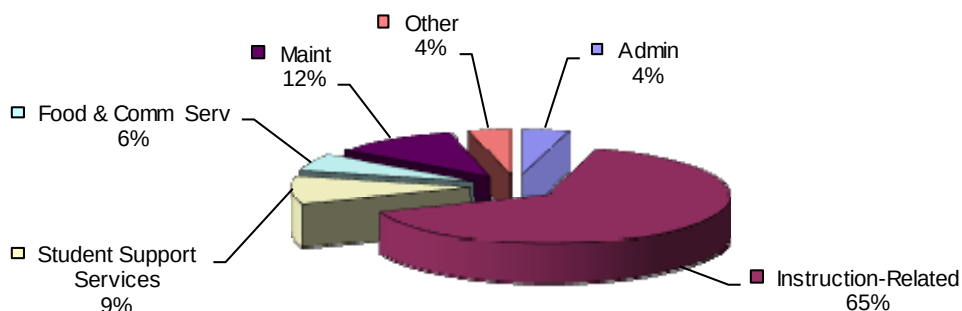


**Figure A-2
District Expenses for Fiscal 2017**



**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Typically the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2. To do so, distorts the latitude available to the District to allocate resources to instruction. All governmental funds includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the entrepreneurial-type funds of Food Service and Community Education, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service, Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The preceding graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District and that analysis would show that 74% of those resources are spent on instruction-related and student support services.

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2017	2016		2017	2016	
Administration	\$ 2,267,484	\$ 1,440,429	57.42 %	\$ 2,267,484	\$ 1,440,429	57.42 %
District Support Services	1,181,088	1,135,630	4.00	1,181,088	1,135,630	4.00
Regular Instruction	32,103,609	23,705,406	35.43	28,206,849	20,210,021	39.57
Vocational Education Instruction	715,728	773,236	(7.44)	711,161	755,398	(5.86)
Special Education Instruction	19,153,411	14,494,246	32.14	7,604,382	1,686,453	350.91
Instructional Support Services	3,330,953	2,941,917	13.22	3,093,546	2,705,378	14.35
Pupil Support Services	4,090,046	3,883,955	5.31	4,011,845	3,835,336	4.60
Sites and Buildings	9,219,213	6,206,082	48.55	8,964,014	5,893,733	52.09
Fiscal and Other Fixed Cost Programs	162,414	183,311	(11.40)	162,414	183,311	(11.40)
Food Service	1,914,262	2,025,562	(5.49)	(62,972)	(41,223)	(52.76)
Community Service	2,880,271	2,557,334	12.63	444,007	231,033	92.18
Unallocated - Depreciation	1,566,641	1,102,166	42.14	1,566,641	1,102,166	42.14
Interest and Fiscal Charges on Long-Term Liabilities	1,223,104	448,369	172.79	1,223,104	448,369	172.79
Total	<u>\$ 79,808,224</u>	<u>\$ 60,897,643</u>	31.05	<u>\$ 59,373,563</u>	<u>\$ 39,586,034</u>	49.99

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$28,112,394 which is \$23,214,009 below last year's ending fund balance of \$50,717,259. Revenues and other financing sources for the District's governmental funds were \$66,123,073 while total expenditures and other financing uses were \$89,337,082. Other financing sources included bond and capital lease proceeds.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

GENERAL FUND

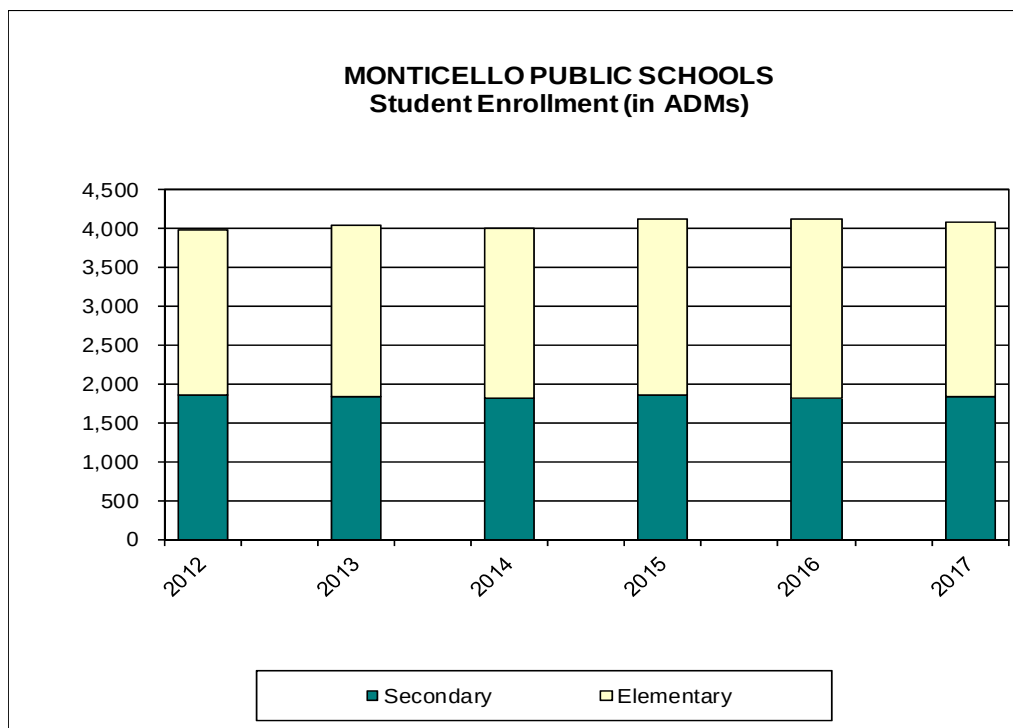
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects. General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

ENROLLMENT

Enrollment is a critical factor in determining revenue with approximately. The following chart shows that the number of students served has increased slightly over the last couple years.

**Table A-4
Six-Year Enrollment Trend
Average Daily Membership (ADM)**

	2012	2013	2014	2015	2016	2017
Elementary	2,142	2,200	2,202	2,266	2,296	2,241
Secondary	1,847	1,831	1,808	1,849	1,823	1,833
Total Students for Aid	3,989	4,031	4,010	4,115	4,119	4,074
Percent Change	1.60%	1.05%	-0.52%	2.61%	0.11%	-1.09%



In 2017, the District experienced a decrease in enrollment served of 45 ADMs.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2017	June 30, 2016	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 6,314,949	\$ 6,210,668	\$ 104,281	1.7 %
Earnings on Investments	49,460	18,645	30,815	165.3
Other	9,459,691	7,951,131	1,508,560	19.0
State Sources	32,605,114	34,708,376	(2,103,262)	(6.1)
Federal Sources	2,237,386	2,935,963	(698,577)	(23.8)
Total General Fund Revenue	<u>\$ 50,666,600</u>	<u>\$ 51,824,783</u>	<u>\$ (1,158,183)</u>	(2.2)

Total General Fund Revenue decreased by \$1,158,183 or 2.2% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists mostly of state aid revenue. Other state-authorized revenue including operating levy referendum, operating capital revenue and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in total revenue.

State sources decreased from the previous year with a smaller state contribution recognized, fewer students generating General Education Aid, and less state special education aid received due to reaching the growth cap limit. Other revenue increased compared to the previous year due to additional third party billing revenue, score board advertising revenue, additional reimbursement from the Special Education Cooperative, and insurance reimbursement from storm damage in June. The Special Education Cooperative also utilized more state flow through funds versus federal flow through funds on their purchased staff.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of	Percent
	June 30, 2017	June 30, 2016	Increase (Decrease)	Increase (Decrease)
Salaries	\$ 31,507,878	\$ 30,075,133	\$ 1,432,745	4.8 %
Employee Benefits	12,811,594	12,850,205	(38,611)	(0.3)
Purchased Services	5,570,829	6,069,615	(498,786)	(8.2)
Supplies and Materials	2,358,831	1,679,036	679,795	40.5
Capital Expenditures	471,924	1,529,420	(1,057,496)	(69.1)
Other Expenditures	352,147	343,404	8,743	2.5
Total Expenditures	<u>\$ 53,073,203</u>	<u>\$ 52,546,813</u>	<u>\$ 526,390</u>	1.0

Total General Fund Expenditures increased \$526,390 from the previous year. Besides the contract salary increases, the District hired an additional 1.45 FTE teaching positions to address class sizes and special education needs. Employee benefits also decreased with the smaller state contribution. Purchased services decreased with fewer transportation routes and less health and safety projects. Supplies and material increased from the previous year with the State changing the account code system and re-classifying technology expenditures whereas capital outlay decrease from the previous year for the same reason.

In 2016-2017, General Fund expenditures exceeded revenues and other financing sources by \$2,273,347. Therefore, total fund balance decreased to \$5,364,756 after the restatement at June 30, 2017. The unassigned fund balance decreased from \$3,484,243 at June 30, 2016 to \$2,079,142 at June 30, 2017.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of \$2,079,142 at June 30, 2017 represents just under two weeks of operations.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. This budget amendment typically falls into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over, and budgeting for clearing accounts.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, changes in student enrollments, staffing changes, and increases in appropriations for significant unbudgeted costs.

Actual revenues and other financing sources were \$229,998 less than expected from budget. The actual expenditures were \$163,560 under budget.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

FOOD SERVICE FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$59,960. Most of this gain came from doing a better job estimating the meals served each day and having less food wasted. The District also received more volume discounts passed-through Sodexo's food purchasing power.

COMMUNITY SERVICE FUNDS

Revenues exceeded expenditures in the Community Service Fund by \$97,848. The District expanded the School Readiness program by offering ten different options for preschool.

CAPITAL PROJECT FUNDS

Expenditures exceeded revenues and other financing sources and other financing uses in the Capital Projects Fund by \$21,011,595 due to the District using bond money for long-term facilities maintenance. Projects across the District will take 3-4 years to complete in separate phases.

DEBT SERVICE FUNDS

The Debt Service Fund expenditures exceeded revenues and other financing sources by \$86,875 in 2016-2017 for the regular debt service account. School districts are required to levy 105% of their annual debt payments to cover possible delinquent property taxes. The state reduces the tax levy through Debt Excess if the fund balance gets too high.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2017, the District had invested about \$104.6 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices (see Table A-7). (More detailed information about capital assets can be found in Note 4 to the financial statements.) Total depreciation expense for the year was \$1,995,340.

**Table A-7
The District's Capital Assets**

	2017	2016	Percentage Change
Land	\$ 5,000	\$ 5,000	-
Construction in Progress	29,829,750	5,770,676	416.9
Land Improvements	4,600,486	4,555,744	1.0
Buildings and Improvements	61,975,269	61,970,269	-
Equipment	8,226,837	7,816,845	5.2
Less: Accumulated Depreciation	(43,131,095)	(41,135,755)	4.9
Total	<u>\$ 61,506,247</u>	<u>\$ 38,982,779</u>	57.8

Construction – Next Five Years

The District voted on a \$39.3 million bond issue in the fall of 2015 which was successfully passed. Construction from the projects occurred starting in 2015-2016 and is scheduled to be completed in 2018-2019.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Long-Term Liabilities

At year-end, the District had \$50,960,538 in general obligation bonds outstanding, net of bond premium and discount – an increase of 12.4% from last year – as shown in Table A-8 and additional information is in Note 5 to the financial statements.

**Table A-8
The District's Long-Term Liabilities**

	2017	2016	Percentage Change
General Obligation Bonds	\$ 49,330,000	\$ 45,215,000	9.1 %
Net Bond Premium and (Discount)	1,630,538	1,578,398	3.3
Obligations Under Capital Leases	263,112	421,153	(37.5)
Total	<u>\$ 51,223,650</u>	<u>\$ 47,214,551</u>	8.5
Long-Term Liabilities:			
Due Within One Year	\$ 2,067,915	\$ 1,203,041	
Due in More than One Year	49,155,735	46,011,510	
Total	<u>\$ 51,223,650</u>	<u>\$ 47,214,551</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. During the 2015 State Legislation session, the basic general education formula was increased by two percent and two percent for fiscal years 2016 and 2017, respectively. Recent experience demonstrates that legislated revenue increases have been temporarily sufficient to meet instructional program needs and increased costs due to inflation.

The Legislature also approved long-term facilities maintenance revenue for fiscal year 2017 and beyond. This program replaces the current health & safety and deferred maintenance programs and provides additional funding for deferred maintenance projects. Even though the additional funding will help create some funding stability, the District will need to continue its conservative budgeting practices.

In 2015-2016, the State revised the State Special Education formula for school districts. There is a growth cap limit that limits how much a school district receives each year and this includes tuition kids (students coming from other districts). With this growth limit, the District has received less aid than what was received in the past causing the District to re-align its budget. The District will need to evaluate future expenses or look for additional revenue.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 882, District Office, 302 Washington Street, Monticello, Minnesota 55362.

Bond Ratings

The District's bonds presently carry a Moody's "Aa3" rating.

Limitations on Debt

The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently \$369 million.

BASIC FINANCIAL STATEMENTS

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS

Cash and Investments	\$ 35,609,813
Receivables:	
Property Taxes	5,532,430
Other Governments	6,777,394
Other	640,705
Prepaid Items	672,499
Inventories	129,540
Equity Interest in Joint Venture	226,995
Capital Assets:	
Land	5,000
Construction in Process	29,829,750
Other Capital Assets, Net of Depreciation	31,671,497
Total Assets	<u>111,095,623</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension Related	74,908,084
OPEB Related	4,739
Total Deferred Outflows of Resources	<u>74,912,823</u>

LIABILITIES

Salaries Payable	5,544,162
Accounts and Contracts Payable	3,851,202
Accrued Interest	575,598
Due to Other Governmental Units	8,597
Due to Other Minnesota School Districts	273,844
Severance Payable	160,160
Unearned Revenue:	
Local Sources	756,701
Long-Term Liabilities:	
Net Pension Liability	119,041,197
Net OPEB Liability	11,881,879
Net Supplemental Pension Liability	935,272
Portion Due Within One Year	2,226,832
Portion Due in More Than One Year	49,297,266
Total Liabilities	<u>194,552,710</u>

DEFERRED INFLOWS OF RESOURCES

Pension Related	1,329,874
Property Taxes Levied for Subsequent Year	10,576,653
Total Deferred Inflows of Resources	<u>11,906,527</u>

NET POSITION

Net Investment in Capital Assets	25,258,704
Restricted for:	
General Fund Operating Capital Purposes	268,496
General Fund State-Mandated Restrictions	500,287
Food Service	217,847
Community Service	840,651
Debt Service	743,717
Capital Projects - Building Construction	2,059,543
Unrestricted	<u>(50,340,036)</u>
Total Net Position	<u>\$ (20,450,791)</u>

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Functions	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Total
					Governmental
					Activities
Governmental Activities					
Administration	\$ 2,267,484	\$ -	\$ -	\$ -	\$ (2,267,484)
District Support Services	1,181,088	-	-	-	(1,181,088)
Regular Instruction	32,103,609	792,260	2,873,138	231,362	(28,206,849)
Vocational Education Instruction	715,728	-	4,567	-	(711,161)
Special Education Instruction	19,153,411	7,459,860	4,089,169	-	(7,604,382)
Instructional Support Services	3,330,953	-	254	237,153	(3,093,546)
Pupil Support Services	4,090,046	-	53,995	24,206	(4,011,845)
Sites and Buildings	9,219,213	197,736	-	57,463	(8,964,014)
Fiscal and Other Fixed Cost Programs	162,414	-	-	-	(162,414)
Food Service	1,914,262	1,002,757	974,477	-	62,972
Community Service	2,880,271	1,125,544	1,310,720	-	(444,007)
Interest and Fiscal Charges on					
Long-Term Liabilities	1,223,104	-	-	-	(1,223,104)
Unallocated Depreciation (Excludes Direct					
Depreciation Allocated to the Various					
Programs)	1,566,641	-	-	-	(1,566,641)
Total School District	<u>\$ 79,808,224</u>	<u>\$ 10,578,157</u>	<u>\$ 9,306,320</u>	<u>\$ 550,184</u>	<u>(59,373,563)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes					6,292,567
Community Service					228,915
Building Construction					2,833,250
Debt Service					2,170,832
State Aid Not Restricted to Specific Purposes					29,339,675
Earnings on Investments					323,478
Gain on Sale of Capital Assets					470
Miscellaneous					564,082
Total General Revenues					<u>41,753,269</u>
Change in Net Position					(17,620,294)
Net Position - Beginning of Year, as Previously Stated					9,752,060
Change in Accounting Principle and Prior Period Restatement					(12,582,557)
Net Position - Beginning of Year, as Restated					<u>(2,830,497)</u>
Net Position - End of Year					<u>\$ (20,450,791)</u>

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016)**

	Major Funds					Total Governmental	
	General	Food Service	Community Service	Capital Projects	Debt Service	Funds	
						2017	2016
ASSETS							
Cash and Investments	\$ 7,820,757	\$ 308,296	\$ 1,147,040	\$ 23,977,046	\$ 2,356,674	\$ 35,609,813	\$ 56,125,470
Receivables:							
Current Property Taxes	3,763,993	-	138,969	-	1,550,800	5,453,762	5,447,901
Delinquent Property Taxes	53,265	-	1,901	-	23,502	78,668	101,050
Due from Other Minnesota School Districts	3,316,931	-	-	-	-	3,316,931	2,996,274
Due from Minnesota Department of Education	3,119,296	204	124,596	-	5,884	3,249,980	3,859,502
Due from Federal through Minnesota Department of Education	85,917	3,453	4,245	-	-	93,615	60,942
Due from Other Governmental Units	111,036	-	5,832	-	-	116,868	79,276
Other Receivables	239,533	574	47,047	353,551	-	640,705	248,996
Prepaid Items	672,499	-	-	-	-	672,499	690,298
Inventory	35,282	93,640	618	-	-	129,540	64,047
Total Assets	<u>\$ 19,218,509</u>	<u>\$ 406,167</u>	<u>\$ 1,470,248</u>	<u>\$ 24,330,597</u>	<u>\$ 3,936,860</u>	<u>\$ 49,362,381</u>	<u>\$ 69,673,756</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries Payable	\$ 2,489,820	\$ 50,618	\$ 22,633	\$ 193	\$ -	\$ 2,563,264	\$ 2,446,453
Payroll Deductions and Employer Contributions Payable	2,880,256	73,038	27,604	-	-	2,980,898	2,945,800
Accounts and Contracts Payable	446,335	1,051	44,238	3,359,578	-	3,851,202	806,940
Due to Other Governmental Units	7,762	-	835	-	-	8,597	83,549
Due to Other Minnesota School Districts	45,867	-	227,977	-	-	273,844	470,387
Severance Payable	160,160	-	-	-	-	160,160	160,779
Unearned Revenue	672,919	63,613	20,169	-	-	756,701	1,269,318
Total Liabilities	6,703,119	188,320	343,456	3,359,771	-	10,594,666	8,183,226
Deferred Inflows of Resources:							
Property Taxes Levied for Subsequent Year	7,097,369	-	286,141	-	3,193,143	10,576,653	10,672,221
Unavailable Revenue - Delinquent Property Taxes	53,265	-	1,901	-	23,502	78,668	101,050
Total Deferred Inflows of Resources	7,150,634	-	288,042	-	3,216,645	10,655,321	10,773,271
Fund Balance							
Nonspendable:							
Prepaid Items	672,499	-	-	-	-	672,499	690,298
Inventory	35,282	93,640	618	-	-	129,540	64,047
Restricted:							
Deferred Maintenance	-	-	-	-	-	-	74,037
Health and Safety	303,185	-	-	-	-	303,185	222,562
Operating Capital	268,496	-	-	-	-	268,496	198,579
Teacher Development and Eval	2,360	-	-	-	-	2,360	28,602
Community Education Programs	-	-	219,206	-	-	219,206	174,065
Early Childhood and Family Educations Programs	-	-	62,116	-	-	62,116	85,192
School Readiness	-	-	177,419	-	-	177,419	98,102
Adult Basic Education	-	-	247,038	-	-	247,038	245,641
Restricted for LTFM	194,742	-	-	5,532,323	-	5,727,065	5,782,122
Restricted for Building Construction	-	-	-	15,438,503	-	15,438,503	37,037,518
Medical Assistance	166,931	-	-	-	-	166,931	-
Other Restricted	-	124,207	132,353	-	720,215	976,775	1,075,247
Committed:							
Severance Benefits	1,417,837	-	-	-	-	1,417,837	1,570,581
Assigned:							
ERRP	-	-	-	-	-	-	-
Special Education Excess Cost Revenue	-	-	-	-	-	-	542,166
School Building Carryover	90,900	-	-	-	-	90,900	181,476
Scoreboards	133,382	-	-	-	-	133,382	-
Unassigned	2,079,142	-	-	-	-	2,079,142	2,647,024
Total Fund Balance	<u>5,364,756</u>	<u>217,847</u>	<u>838,750</u>	<u>20,970,826</u>	<u>720,215</u>	<u>28,112,394</u>	<u>50,717,259</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 19,218,509</u>	<u>\$ 406,167</u>	<u>\$ 1,470,248</u>	<u>\$ 24,330,597</u>	<u>\$ 3,936,860</u>	<u>\$ 49,362,381</u>	<u>\$ 69,673,756</u>

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2017**

Total Fund Balance for Governmental Funds \$ 28,112,394

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	5,000
Construction in Progress	29,829,750
Land Improvements, Net of Accumulated Depreciation	1,405,960
Buildings and Improvements, Net of Accumulated Depreciation	28,481,377
Equipment, Net of Accumulated Depreciation	1,784,160

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds. 78,668

The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Liability	(119,041,197)
Deferred Inflows of Resources - Pension Related	(1,329,874)
Deferred Outflows of Resources - Pension Contributions	74,908,084

The Net Supplemental Pension liabilities are not current financial resources and, therefore, are not reported at fund level. (935,272)

OPEB Deferred outflows are reported only on the state of net position 4,739

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (575,598)

Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets.

Equity Interest in Joint Venture - Wright Technical Center	226,995
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:

Bonds Payable	(49,330,000)
Unamortized Premiums	(1,630,538)
Obligations Under Capital Leases	(263,112)
Sick Leave	(141,531)
Net OPEB Liability	(11,881,879)
Compensated Absences Payable	(158,917)

Total Net Position of Governmental Activities	\$ (20,450,791)
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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2017	2016
REVENUES							
Local Sources:							
Property Taxes	\$ 6,314,949	\$ -	\$ 273,535	\$ 2,833,250	\$ 2,126,212	\$ 11,547,946	\$ 11,068,163
Earnings on Investments	49,460	2,325	7,137	255,003	9,553	323,478	151,399
Other	9,459,691	1,002,757	1,132,471	-	-	11,594,919	10,035,274
State Sources	32,605,114	129,068	1,275,715	-	58,839	34,068,736	36,113,494
Federal Sources	2,237,386	845,409	41,739	-	-	3,124,534	3,850,596
Total Revenues	50,666,600	1,979,559	2,730,597	3,088,253	2,194,604	60,659,613	61,218,926
EXPENDITURES							
Current:							
Administration	1,733,162	-	-	-	-	1,733,162	1,433,362
District Support Services	1,025,933	-	-	-	-	1,025,933	1,094,300
Regular Instruction	23,570,548	-	-	-	-	23,570,548	23,167,361
Vocational Education Instruction	686,731	-	-	-	-	686,731	770,423
Special Education Instruction	14,971,050	-	-	-	-	14,971,050	14,332,384
Instructional Support Services	2,629,279	-	-	-	-	2,629,279	1,939,646
Pupil Support Services	3,751,172	-	-	-	-	3,751,172	3,865,216
Sites and Buildings	3,910,662	-	-	-	-	3,910,662	3,978,858
Fiscal and Other Fixed Cost Programs	162,414	-	-	-	-	162,414	183,311
Food Service	-	1,841,499	-	-	-	1,841,499	1,993,950
Community Service	-	-	2,597,306	-	-	2,597,306	2,459,126
Capital Outlay	471,924	78,170	35,443	29,426,010	-	30,011,547	8,186,238
Debt Service:							
Principal	158,041	-	-	-	1,045,000	1,203,041	1,637,808
Interest and Fiscal Charges	2,287	-	-	-	1,238,465	1,240,752	110,474
Total Expenditures	53,073,203	1,919,669	2,632,749	29,426,010	2,283,465	89,335,096	65,152,457
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,406,603)	59,890	97,848	(26,337,757)	(88,861)	(28,675,483)	(3,933,531)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Equipment	-	-	-	-	-	-	11,600
Proceeds from Sale of Inventory	6,550	70	-	-	-	6,620	-
Insurance Recovery Proceeds	126,706	-	-	-	-	126,706	-
Bond Issuance	-	-	-	5,160,000	-	5,160,000	44,340,000
Capital Lease Issuance	-	-	-	-	-	-	439,407
Bond Premium (Discount)	-	-	-	168,148	-	168,148	1,349,631
Transfers In	-	-	-	-	1,986	1,986	2,793
Transfers Out	-	-	-	(1,986)	-	(1,986)	(2,793)
Total Other Financing Sources	133,256	70	-	5,326,162	1,986	5,461,474	46,140,638
Net Change in Fund Balances	(2,273,347)	59,960	97,848	(21,011,595)	(86,875)	(23,214,009)	42,207,107
Fund Balances - Beginning of Year, as Previously Stated	7,028,959	157,887	740,902	41,982,421	807,090	50,717,259	8,510,152
Prior Period Restatement	609,144	-	-	-	-	609,144	-
Fund Balances - Beginning of Year, as Restated	7,638,103	157,887	740,902	41,982,421	807,090	51,326,403	8,510,152
Fund Balances - End of Year	\$ 5,364,756	\$ 217,847	\$ 838,750	\$ 20,970,826	\$ 720,215	\$ 28,112,394	\$ 50,717,259

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2017**

Net Change in Fund Balance - Total Governmental Funds **\$ (23,214,009)**

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital Outlays	24,518,808
Depreciation Expense	(1,995,340)

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the Statement of Net Position.

Change in Accrued Interest Expense - Capital Leases	6,215
Principal Payments - Capital Leases	158,041

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

General Obligation Bond Proceeds	(5,160,000)
Bond Discount (Premium)	(168,148)
Repayment of Bond Principal	1,045,000
Change in Accrued Interest Expense - General Obligation Bonds	(108,848)
Amortization of Bond Premium	116,008

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.	(22,382)
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Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	(109,728)
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Payments to the District's irrevocable OPEB trust are recognized as expenditures at the fund level while the change in the net OPEB liability is recognized in the statement of net position.	1,858,073
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In the Statement of Activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(305,229)
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Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the Statement of Activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	(14,847,899)
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Change in Net Position of Governmental Activities	<u><u>\$ (18,229,438)</u></u>
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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Property Taxes	\$ 6,377,337	\$ 6,210,447	\$ 6,314,949	\$ 104,502
Earnings on Investments	12,500	20,000	49,460	29,460
Other	10,595,694	10,788,329	9,459,691	(1,328,638)
State Sources	33,904,258	33,233,281	32,605,114	(628,167)
Federal Sources	755,796	762,797	2,237,386	1,474,589
Total Revenues	51,645,585	51,014,854	50,666,600	(348,254)
EXPENDITURES				
Current:				
Administration	1,482,929	1,687,533	1,733,162	45,629
District Support Services	1,095,629	1,052,705	1,025,933	(26,772)
Elementary and Secondary Regular Instruction	23,386,522	23,714,673	23,570,548	(144,125)
Vocational Education Instruction	662,161	641,935	686,731	44,796
Special Education Instruction	14,746,493	14,702,710	14,971,050	268,340
Instructional Support Services	1,733,949	2,273,718	2,629,279	355,561
Pupil Support Services	3,950,558	3,978,094	3,751,172	(226,922)
Sites and Buildings	4,032,774	3,874,672	3,910,662	35,990
Fiscal and Other Fixed Cost Programs	184,045	184,045	162,414	(21,631)
Capital Outlay	1,357,566	946,984	471,924	(475,060)
Debt Service:				
Principal	177,405	177,405	158,041	(19,364)
Interest and Fiscal Charges	2,289	2,289	2,287	(2)
Total Expenditures	52,812,320	53,236,763	53,073,203	(163,560)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,166,735)	(2,221,909)	(2,406,603)	(184,694)
OTHER FINANCING SOURCES				
Proceeds from Sale of Inventory	2,000	5,000	6,550	1,550
Insurance Recovery Proceeds	10,000	10,000	126,706	116,706
Total Other Financing Sources	12,000	15,000	133,256	118,256
Net Change in Fund Balance	\$ (1,154,735)	\$ (2,206,909)	(2,273,347)	\$ (66,438)
FUND BALANCE				
Beginning of Year, as Previously Stated			7,028,959	
Prior Period Restatement			609,144	
Beginning of Year, as Restated			7,638,103	
End of Year			\$ 5,364,756	

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MAJOR FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Earnings on Investments	\$ 200	\$ 200	\$ 2,325	\$ 2,125
Other - Primarily Meal Sales	1,102,305	1,107,625	1,002,757	(104,868)
State Sources	134,640	130,690	129,068	(1,622)
Federal Sources	816,440	825,475	845,409	19,934
Total Revenues	2,053,585	2,063,990	1,979,559	(84,431)
EXPENDITURES				
Current:				
Food Service	2,003,006	1,965,990	1,841,499	(124,491)
Capital Outlay	40,545	67,530	78,170	10,640
Total Expenditures	2,043,551	2,033,520	1,919,669	(113,851)
OTHER FINANCING SOURCES				
Proceeds from Sale of Inventory	-	-	70	70
Net Change in Fund Balance	<u>\$ 10,034</u>	<u>\$ 30,470</u>	59,960	<u>\$ 29,490</u>
FUND BALANCE				
Beginning of Year			<u>157,887</u>	
End of Year			<u>\$ 217,847</u>	

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MAJOR COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts		Actual	Over
	Original	Final	Amounts	(Under)
				Final
				Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 274,019	\$ 274,019	\$ 273,535	\$ (484)
Earnings on Investments	2,000	2,000	7,137	5,137
Other - Primarily Tuition and Fees	1,078,000	1,066,000	1,132,471	66,471
State Sources	1,275,734	1,286,234	1,275,715	(10,519)
Federal Sources	43,000	43,000	41,739	(1,261)
Total Revenues	2,672,753	2,671,253	2,730,597	59,344
EXPENDITURES				
Current:				
Community Service	2,542,288	2,534,499	2,597,306	62,807
Capital Outlay	56,500	56,500	35,443	(21,057)
Total Expenditures	2,598,788	2,590,999	2,632,749	41,750
Net Change in Fund Balance	\$ 73,965	\$ 80,254	97,848	\$ 17,594
FUND BALANCE				
Beginning of Year			740,902	
End of Year			\$ 838,750	

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	<u>Agency Fund</u>	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ASSETS		
Cash and Deposits	\$ 2,800,777	\$ -
Investments - Fixed Income	-	1,892,280
Total Assets	<u>\$ 2,800,777</u>	<u>\$ 1,892,280</u>
LIABILITIES		
Scholarships Awarded but Not Paid	<u>\$ 2,800,777</u>	<u>\$ -</u>
NET POSITION		
Restricted for Employee Benefits		<u>\$ 1,892,280</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2017**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ADDITIONS	
Employer Contributions	\$ 1,185,843
Investment Income	33,012
Total Additions	<u>1,218,855</u>
DEDUCTIONS	
Benefit Payments	<u>1,273,368</u>
Change in Net Position	(54,513)
Net Position - Beginning of Year	<u>1,946,793</u>
Net Position - End of Year	<u>\$ 1,892,280</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 882 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. This financial report has been prepared in conformity with GASB Statement No. 34.

B. Financial Reporting Entity

Independent School District No. 882 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

The Student activity accounts of the District are under the Board's control; therefore, activity is included with the General Fund activity.

C. Basic Financial Statement Presentation

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

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

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: agency fund and employee benefit trust fund. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

The Trust and Agency Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these Funds are not incorporated into the government-wide statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

2. Recording of Expenditures

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

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

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood family education or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state aids.

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Fiduciary Funds

Postemployment Benefits Irrevocable Trust Fund

The Postemployment Benefits Irrevocable Trust Fund is used to account for resources set aside and held in an irrevocable trust agreement to be used for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

Agency Fund

The Agency Fund is used to account for resources held by the District in a custodial capacity to be used for scholarships.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the Board. Legal budgetary control is at the fund level.

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

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

The Business Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board.

Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Encumbrances represent outstanding purchase orders and unfulfilled commitments that are issued to outside vendors and budgeted in the current year, but do not include amounts that are set up as liabilities, amounts for services to be performed by District employees and purchase orders applicable to the subsequent year's budget. As of June 30, 2017, no outstanding encumbrances existed.

Budgeted amounts include mid-year budget amendments that increased or decreased revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
<u>Revenues</u>			
General Fund	\$ 51,645,585	\$ (630,731)	\$ 51,014,854
Special Revenue Funds:			
Food Service Fund	2,053,585	10,405	2,063,990
Community Service Fund	2,672,753	(1,500)	2,671,253
<u>Expenditures</u>			
General Fund	\$ 52,812,320	\$ 424,443	\$ 53,236,763
Special Revenue Funds:			
Food Service Fund	2,043,551	(10,031)	2,033,520
Community Service Fund	2,598,788	(7,789)	2,590,999

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Accounts Receivable

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

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, transportation fuel and repair parts, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Expense is allocated over the periods benefitted.

J. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." In the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$480,526) for the District. Certain other portions of the District's 2016 pay 2017 levy, normally revenue for the 2017-18 fiscal year, are also advance recognized at June 30, 2017, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2017, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Deferred Outflows of Resources

In addition to assets, the Statement of Financial Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period. The District will not recognize the related outflow until a future event occurs.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

N. Accrued Employee Benefits

Vacation

District employees earn vacation days based upon the number of completed years of service. The District compensates employees for unused vacation upon termination of employment. The amount of compensated absences for vacation is recorded in the Statement of Net Position.

Sick Leave

The District maintains various sick leave plans for its employee groups. District office secretaries, paraprofessionals, custodians, secretaries and food service employees receive payment for a set number of sick days after reaching age 55 and completing 10 years of service. This is paid to employees upon retirement from the District.

Supplemental Benefit Plan/Severance

The District maintains various severance plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. The related liability was actuarially determined, in accordance with GASB Statement No. 73.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Postemployment Health Care Benefits

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

P. Pensions

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

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the unearned grant revenue, charges for services, and school lunch deposits.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Budget Committee to assign fund balances more than \$25,000 and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District's policy to strive to maintain a minimum unassigned General Fund balance of 6% of the annual budget, with a target maximum of 8 – 16% of the expenditure budget in the General Fund. The effective date shall be June 30, the last day of each fiscal year. The fund balance and fund balance guidelines will be reviewed by the School District on an ongoing basis.

S. Net Position

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

T. Use of Estimates

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Community Service Fund	\$ 2,590,999	\$ 2,632,749	\$ 41,750

These overages were considered by District management to be the result of necessary expenditures critical to operations.

B. Interfund Transfers

The District transferred \$1,986 from the Capital Projects Fund to the Debt Service Fund due to the requirements of the new bond documents. This money will be used to pay the first interest payment due on the new bonds.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Investments." In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the School District's Board per the deposit and investment policy.

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in various banks at June 30, 2017 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

With the exception of Fiduciary Funds held in the District's Postemployment Benefits Irrevocable Trust Fund, the District may invest its idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements 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

Fiduciary Funds held in the District's Postemployment Benefits Irrevocable Trust Fund may be invested as authorized by Minnesota Statutes Chapter 356A.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2017, the District had the following investments:

	<u>Amount</u>
MSDLAF+	\$ 22,940,755
MN Trust Term Series	1,032,636
Mutual Funds	20,279
Negotiable Certificates of Deposit	490,610
FHLMC	948,934
Freddie Mac	6,394,275
Guaranteed Investment Contract	1,892,280
Insurance Annuity	<u>111,125</u>
Total Investments	<u><u>\$ 33,830,894</u></u>

The MN Trust Shares is a money market account that is valued at amortized cost with maturities of investments of one year or less.

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

The Guaranteed Investment Contract is a group annuity guaranteed investment and is valued at amortized cost.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy states the District shall manage investments in a manner to attain market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements. The District's investment policy also includes structuring the investment portfolio so that funds are available to meet immediate payment requirements. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	12 Months or Less	13 to 24 Months
MSDLAF+	\$ 22,940,755	\$ 22,940,755	\$ -
MN Trust Term Series	1,032,636	1,032,636	-
Mutual Funds	20,279	20,279	-
Negotiable Certificates of Deposit	490,610	244,058	246,552
FHLMC	948,934	948,934	-
Freddie Mac	6,394,275	6,394,275	-
Guaranteed Investment Contract	1,892,280	1,892,280	-
Insurance Annuity	111,125	111,125	-
Total	<u>\$ 33,830,894</u>	<u>\$ 33,584,342</u>	<u>\$ 246,552</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment policy states the District may invest its available funds in those instruments specified in Minnesota Statutes §§ 118A.04 and 118A.05. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

Type	Credit Quality Rating	Amount
MSDLAF Liquid Class	AAAm	\$ 13,740,755
MSDLAF Max Class	AAAf	9,200,000
MN Trust Term Series	AAA	1,032,636
Mutual Funds	AAA	20,279
Guaranteed Investment Contract	AA	1,892,280
Insurance Annuity	AA	111,125
FHLMC	AA	948,934
Freddie Mac	AA	6,394,275
Negotiable Certificates of Deposit	Not Rated	490,610
Total		<u>\$ 33,830,894</u>

Concentration of Credit Risk – The District's policy states the District may invest in any one issuer. The District's policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. The following is a list of investments which individually comprise more that 5% of the District's total investments:

Type	Amount	Percentage
MSDLAF+	\$ 22,940,755	67.81%
Freddie Mac	6,394,275	18.90%
American United Life Insurance Company	1,892,280	5.59%

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy states all investment securities purchased by the District shall be held in third-party safekeeping by an institution designated as custodial agent. The custodial agent may be any Federal Reserve Bank, any bank authorized under the laws of the United States or any state to exercise corporate trust powers, a primary reporting dealer in the U.S. government securities to the Federal Reserve Bank of New York, or a securities broker-dealer defined in Minnesota Statutes §118A.06. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks and other pertinent information.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The deposits and investments are made up of the following:

Deposits	\$ 6,471,976
Negotiable Certificates of Deposits	490,610
Minnesota School District Liquid Asset Fund (MSDLAF+)	22,940,755
MN Trust Term Series	1,032,636
Investments	<u>9,366,893</u>
Total Deposits and Investments	<u><u>\$ 40,302,870</u></u>

The deposits and investments are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 35,609,813
Cash and Investments - Statement of Fiduciary Fund Net Position	<u>4,693,057</u>
Total Cash and Investments	<u><u>\$ 40,302,870</u></u>

C. Fair Value Measurements

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

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

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Government/Agency Obligations	\$ 7,343,209	\$ -	\$ -	\$ 7,343,209
CD's	490,610	-	-	490,610
	<u>\$ 7,833,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,833,819</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 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	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in Progress	5,770,676	24,059,074	-	29,829,750
Total Capital Assets, Not Being Depreciated	5,775,676	24,059,074	-	29,834,750
Capital Assets, Being Depreciated:				
Land Improvements	4,555,744	44,742	-	4,600,486
Buildings and Improvements	61,970,269	5,000	-	61,975,269
Equipment	7,816,845	409,992	-	8,226,837
Total Capital Assets, Being Depreciated	74,342,858	459,734	-	74,802,592
Accumulated Depreciation for:				
Land Improvements	(3,044,938)	(149,588)	-	(3,194,526)
Buildings and Improvements	(32,072,803)	(1,421,089)	-	(33,493,892)
Equipment	(6,018,014)	(424,663)	-	(6,442,677)
Total Accumulated Depreciation	(41,135,755)	(1,995,340)	-	(43,131,095)
Total Capital Assets, Being Depreciated, Net	33,207,103	(1,535,606)	-	31,671,497
Governmental Activities Capital Assets, Net	<u>\$ 38,982,779</u>	<u>\$ 22,523,468</u>	<u>\$ -</u>	<u>\$ 61,506,247</u>

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

Governmental Activities	
District Support Services	\$ 6,950
Regular Instruction	83,554
Special Education Instruction	6,397
Instructional Support Services	208,044
Pupil Support Services	24,119
Sites and Buildings	73,038
Community Service	26,597
Unallocated	1,566,641
Total Depreciation Expense, Governmental Activities	<u>\$ 1,995,340</u>

**MONTICELLO PUBLIC SCHOOLS
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NOTE 5 LONG-TERM LIABILITIES

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

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding	
				Due Within One Year	Total
2/24/2010	2.00% - 4.00%	\$ 6,960,000	2/1/2021	\$ 165,000	\$ 715,000
2/23/2016	2.00% - 4.00%	38,640,000	2/1/2040	1,325,000	37,915,000
2/23/2016	2.00% - 3.00%	5,700,000	2/1/2031	345,000	5,540,000
4/27/2017	2.00% - 3.00%	5,160,000	2/1/2032	150,000	5,160,000
Total General Obligation Bonds				1,985,000	49,330,000
Bond Premium - Net				-	1,630,538
Lease Purchase Obligations:					
MS Track/HVAC				82,915	263,112
Total Leases Purchase Obligations				82,915	263,112
Sick Leave Payable				-	141,531
Compensated Absences Payable				158,917	158,917
				<u>\$ 2,226,832</u>	<u>\$ 51,524,098</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
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NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds Payable</u>		<u>Capital Lease Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,985,000	\$ 1,386,078	\$ 82,915	\$ 14,915
2019	1,880,000	1,373,775	87,615	10,215
2020	1,970,000	1,332,675	92,582	5,248
2021	1,980,000	1,289,575	-	-
2022	2,015,000	1,246,175	-	-
2023 - 2027	10,855,000	5,504,963	-	-
2028 - 2032	12,160,000	3,752,075	-	-
2033 - 2037	9,835,000	1,968,475	-	-
2038 - 2042	6,650,000	427,413	-	-
Total	<u>\$ 49,330,000</u>	<u>\$ 18,281,204</u>	<u>\$ 263,112</u>	<u>\$ 30,378</u>

C. Description of Long-Term Debt

1. General Obligation School Building Bonds

These bonds were issued to finance acquisition and/or construction/improvement of capital facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2017 is \$70,992,813. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

2. Capital Lease

On August 13, 2015, the District entered into a lease purchase agreement for the acquisition of a HVAC System and Track Surfacing. The capital lease obligations and corresponding equipment totaled \$439,407. The capital lease agreement includes annual principal and interest payments of \$97,830.

**MONTICELLO PUBLIC SCHOOLS
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JUNE 30, 2017**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

2. Capital Lease (Continued)

Assets acquired through capital lease are summarized as follows:

MS HVAC	\$ 235,290
MS Track	204,117
Less: Accumulated Depreciation	<u>(15,309)</u>
Total	<u><u>\$ 424,098</u></u>

D. Changes in Long-Term Debt

	June 30, 2016	Net Additions	Retirements	June 30, 2017
Bonds Payable	\$ 45,215,000	\$ 5,160,000	\$ 1,045,000	\$ 49,330,000
Bond Premium	1,578,398	168,148	116,008	1,630,538
Lease Purchase Obligations	421,153	-	158,041	263,112
Sick Leave Payable	137,901	343,825	340,195	141,531
Compensated Absences Payable - Net	<u>162,981</u>	<u>422,915</u>	<u>426,979</u>	<u>158,917</u>
Total	<u><u>\$ 47,515,433</u></u>	<u><u>\$ 6,094,888</u></u>	<u><u>\$ 2,086,223</u></u>	<u><u>\$ 51,524,098</u></u>

NOTE 6 RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. In addition, certain portions of fund balance have been assigned by the District for use specific purposes. The following is a summary of the restricted and assigned fund balances for the governmental funds.

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NOTE 6 RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (CONTINUED)

Restricted, Committed and Assigned fund balances at June 30, 2017 are as follows:

	Restricted	Committed	Assigned
General Fund:			
Restricted for Health and Safety	\$ 303,185	\$ -	\$ -
Restricted for Operating Capital	268,496	-	-
Restricted for Teacher Development and Eval	2,360	-	-
Restricted for LTFM	194,742	-	-
Committed for Severance Benefits	-	1,417,837	-
Assigned for Scoreboards	-	-	133,382
Assigned for School Building Carryover	-	-	90,900
Total General Fund	<u>768,783</u>	<u>1,417,837</u>	<u>224,282</u>
Special Revenue Funds:			
Food Service Fund:			
Restricted for Food Service	124,207	-	-
Community Service Fund:			
Restricted for Community Education Programs	219,206	-	-
Restricted for Early Childhood and Family Education Programs	62,116	-	-
Restricted for School Readiness	177,419	-	-
Restricted for Adult Basic Education	247,038	-	-
Restricted for Community Service	<u>132,353</u>	<u>-</u>	<u>-</u>
Total Special Revenue Funds	962,339	-	-
Capital Projects - Building Construction Fund:			
Restricted for LTFM	5,532,323	-	-
Restricted for Building Construction	<u>15,438,503</u>	<u>-</u>	<u>-</u>
Total Capital Projects - Building Construction Fund	20,970,826	-	-
Debt Service:			
Restricted for Debt Service	<u>720,215</u>	<u>-</u>	<u>-</u>
Total All Funds	<u><u>\$ 23,422,163</u></u>	<u><u>\$ 1,417,837</u></u>	<u><u>\$ 224,282</u></u>

A. Restricted for Health and Safety

Represents accumulated resources available to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects.

B. Restricted for Operating Capital

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

**MONTICELLO PUBLIC SCHOOLS
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NOTE 6 RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (CONTINUED)

C. Restricted for Teacher Development and Evaluation

Represents resources available for teacher development and evaluation uses listed in Minnesota Statutes, section 122A.40, Subd 8.

D. Restricted for Long-Term Facilities Maintenance (LTFM)

The fund balance restriction represents amounts available to LTFM projects in accordance with the 10-year plan.

E. Restricted for Community Education Programs

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

F. Restricted for Early Childhood and Family Education Programs

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

G. Restricted for School Readiness

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

H. Restricted for Adult Basic Education

The fund balance restriction represents amounts available to fund adult basic education program.

I. Restricted for Building Construction

The fund balance restriction represents amounts available to be used for construction of school facilities.

J. Restricted for Medical Assistance

Represents resources available to be used for medical assistance expenditures.

K. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spend only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:

Restricted for Food Service	\$ 124,207
Restricted for Community Service	132,353
Restricted for Bond Payments	720,215
Total Other Restricted	<u>\$ 976,775</u>

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 RESTRICTED, COMMITTED AND ASSIGNED FUND BALANCES (CONTINUED)

L. Committed for Severance Benefits

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

M. Assigned for Scoreboards

This assignment represents resources segregated by the School Board for the purchase of Scoreboards.

N. Assigned for School Building Carryover

This assignment represents unspent budget appropriations carried over for the subsequent year.

NOTE 7 PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan 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, other than teachers, must participate in the Coordinated Plan.

2. Teachers Retirement Fund (TRA)

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided

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

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

TRA: Postretirement benefit increases are provided to eligible benefit recipients each January. The TRA increase is 2%. After the TRA funded ratio exceeds 90% for two consecutive years, the annual postretirement benefit will increase to 2.5%.

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

1. General Employees Plan Benefits

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

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits

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

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

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years of Service are Up to July 1, 2006	1.2% per Year
	First Ten Years, If Service Years are July 1, 2006 or After	1.4% per Year
	All Other Years of Service If Service Years are Up to July 1, 2006	1.7% per Year
	All Other Years of Service If Services Years are July 1, 2006 or After	1.9% per Year

**MONTICELLO PUBLIC SCHOOLS
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JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits (Continued)

With these provisions:

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

or

Tier II Benefits

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

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

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

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

C. Contributions

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

1. General Employees Plan Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. The District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The District's contributions to the General Employees Plan for the plan's fiscal year ended June 30, 2017, were \$537,871. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Year Ending June 30, 2017	
	Employee	Employer
Basic	11.0 %	11.5 %
Coordinated	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2017, were \$1,879,951. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2017, the District reported a liability of \$8,509,240 for its proportionate share of the General Employees Fund'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 District 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 \$111,062. 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, 2016, the District's proportion was .1048% which was a decrease of .0044% from its proportion measured as of June 30, 2015.

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NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$1,001,322 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$33,116 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At June 30, 2017, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 25,184	\$ 691,250
Changes in Actuarial Assumptions	1,835,238	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	949,998	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	215,096
District Contributions Subsequent to the Measurement Date	537,871	-
Total	<u>\$ 3,348,291</u>	<u>\$ 906,346</u>

\$537,871 reported as deferred outflows of resources related to pensions resulting from District contributions 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 515,087
2019	320,782
2020	760,836
2021	307,369

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$110,531,957 for its proportionate share of TRA's 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 .4634% at the end of the measurement period and .4523% for the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 110,531,957
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	11,094,524

For the year ended June 30, 2017, the District recognized pension expense of \$16,320,664. It also recognized \$1,549,167 as pension expense for the support provided by direct aid.

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,082,706	\$ 3,082
Changes in Actuarial Assumptions	63,029,533	-
Net Difference Between Projected and Actual Investment Earnings	4,781,686	-
Changes in Proportion Differences Between Contributions and Made and the District's Proportionate Share of Contributions (Second Part to be determined by District)	785,917	420,446
District Contributions Subsequent to the Measurement Date	1,879,951	-
Total	<u>\$ 71,559,793</u>	<u>\$ 423,528</u>

\$1,879,951 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2018	\$ 13,699,251
2019	13,699,251
2020	15,279,365
2021	14,212,175
2022	12,366,272

The District's total pension expense for all plans for the year ended June 30, 2017 was \$18,820,324. Which includes \$1,582,304 for the support provided by direct aid.

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions

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

Assumptions	General Employees Plan	TRA
Inflation	2.50% per Year	2.75%
Active Member Payroll Growth	3.25% per Year	3.50% Based on Years of Service
Investment Rate of Return	7.50%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan and Correctional Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan.

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 General Employees Plan 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% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- 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% to 3.25% for payroll growth and 2.50% for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to stay level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

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

The target allocation and best estimates of 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 Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100 %</u>	

G. Discount Rate

The discount rate used to measure the total General Employees Plan pension liability in 2016 was 7.50%, a reduction from the 7.90% 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 General Employees Fund 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.

The discount rate used to measure the TRA pension liability was 4.66%. This is a decrease from the discount rate at the prior measurement date of 8.00%. 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% was applied to periods on and after 2052, resulting in a SEIR of 4.66%. Based on Fiduciary Net Position at prior year measurement date, the discount rate of 8.00% was used and it was not necessary to calculate the SEIR.

**MONTICELLO PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7 PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 12,085,643	\$ 8,509,240	\$ 5,659,311
<u>TRA Discount Rate</u>	3.66%	4.66%	5.66%
District's Proportionate Share of the TRA Net Pension Liability	\$ 142,392,787	\$ 110,531,957	\$ 84,582,349

I. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides health and dental insurance to retired and active eligible employees and their spouses through the District's health insurance plan. There are 515 active participants and 57 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2017, the District made a contribution of \$1,185,843 to the plan out of the General Fund; the remaining current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2017, were as follows:

Total OPEB Liability	\$ 13,774,159
Plan Fiduciary Net Position	<u>1,892,280</u>
District's Net OPEB Liability	<u><u>\$ 11,881,879</u></u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14%

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payments of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	2.00%
	6.75% grading to 5.00% over 7 years
Health Care Trend Rates	4.00%
Dental Trend Rates	

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2016.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.00%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Fixed Income	100.00%	2.00%
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		2.00%

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 2.90%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-term/cash equivalent assets using our capital market assumption model.

Since the most recent GASB 45 valuation, the following changes have been made:

- The discount rate was changed from 3.50% to 2.9%.
- The healthcare trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP2000 projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

E. Changes in the Net OPEB Liability

		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2016	\$ 15,682,006	\$ 1,946,793	\$ 13,735,213
Changes for the Year:			
Service Cost	646,723	-	646,723
Interest	455,201	-	455,201
Plan Changes	(1,736,403)	-	(1,736,403)
Contributions-Employer	-	1,185,843	(1,185,843)
Net Investment income	-	33,012	(33,012)
Benefit Payments	(1,273,368)	(1,273,368)	-
Net Changes	(1,907,847)	(54,513)	(1,853,334)
Balances at June 30, 2017	\$ 13,774,159	\$ 1,892,280	\$ 11,881,879

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Continued)

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease (1.90%)</u>	<u>Discount Rate (2.90%)</u>	<u>1% Increase (3.90%)</u>
Net OPEB Liability	\$ 12,626,996	\$ 11,881,879	\$ 11,147,823

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.75% decreasing to 4.00%) or 1% point higher (7.75% decreasing to 6.00%) and dental cost trend rates that are 1% point lower (3.00%) or 1% point higher (5.00%) than the current healthcare and dental cost trend rates:

	<u>Healthcare Cost</u>		
	<u>1% Decrease (Medical 5.75% decreasing to 4.00% over 7 years, Dental 3.00%)</u>	<u>(Medical 6.75% decreasing to 5.00% over 7 years, Dental 4.00%)</u>	<u>1% Increase (Medical 7.75% decreasing to 6.00% over 7 years, Dental 5.00%)</u>
Net OPEB Liability	\$ 10,631,143	\$ 11,881,879	\$ 13,326,750

For the year ended June 30, 2017, the District recognized OPEB expense of (\$672,230). At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Projected and Actual Investment Earnings	<u>\$ 4,739</u>	<u>\$ -</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	Future Recognition
2018	\$ 1,185
2019	1,185
2020	1,185
2021	1,184
	<u>\$ 4,739</u>

At June 30, 2017, there are not payables or receivables between the District and the Trust.

NOTE 9 SUPPLEMENTAL BENEFIT PLAN

A. Plan Description

The District provides a defined benefit supplemental pension benefit to certain eligible employees. All of the pension benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements.

Currently, there are 145 active employees who are eligible to receive benefits under the plan as of July 1, 2016. The pension benefit ranges from 1 day per year of service times the daily rate to 8 days per year of service times the daily rate. Payments are made as lump sum payments. Some contracts also reduce the pension benefits by the total matching contribution made by the District to the employee's qualified retirement account over the course of that individual's employment with the District.

B. Funding Policy

Payments under the plan are made on a pay-as-you go basis. There are no invested plan assets accumulated for payment of future benefits. The General Fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

C. Total Pension Liability

The District recognizes its total pension liability, rather than a net pension liability. In order for the District to recognize a net pension liability, assets must be accumulated in a trust that meets the following criteria:

- Contributions from the employer and nonemployer contributing entities, and the earnings thereon, must be irrevocable.
- Pension plan assets must be dedicated to providing pensions to Plan members in accordance with benefit terms.
- Pension plan assets must be legally protected from the creditors of employer, nonemployer contributing entities, the Plan administrator, and the Plan members.

No assets are accumulated in a trust that meets all of the above criteria. Accordingly, the District's total pension liability is not reduced by any assets accumulated in a trust that meets the criteria, and the District must report its total pension liability.

Total Pension Liability - June 30, 2016	\$ 1,238,753
Changes for the Year:	
Service Cost	38,727
Interest	33,886
Changes in Benefit Terms	(156,558)
Differences between Expected and Actual Experience	-
Changes of Assumptions of Other Inputs	-
Benefit Payments	(219,536)
Other Changes	-
Net Changes	<u>(303,481)</u>
Total Pension Liability - June 30, 2017	<u>\$ 935,272</u>

D. Pension Costs

For the year ended June 30, 2017, the District recognized pension expense of (\$83,945). At June 30, 2017, there were no deferred outflows of resources and deferred inflows of resources related to the Plan.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

E. Actuarial Methods and Assumptions

The actuarial total pension liability was determined as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date:	July 1, 2016 rolled forward to June 30, 2017
Measurement Date:	June 30, 2017
Actuarial Cost Method:	Entry Age, Level Percentage of Pay
Discount Rate:	2.90%
Inflation:	2.50%
Salary Increases:	3.00%
Retirement Age:	55
Mortality:	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale

F. Discount Rate

The discount rate used to measure the total pension liability was 2.90%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

G. Total Pension Liability Sensitivity

The following presents the District's total pension liability, calculated using the discount rate of 2.90%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.90%) or one percentage point higher (3.90%) than the current rate:

	1% Decrease (1.90%)	Current Discount Rate (2.90%)	1% Increase (3.90%)
Total Pension Liability	<u>\$ 970,431</u>	<u>\$ 935,272</u>	<u>\$ 898,739</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10 JOINT VENTURE AGREEMENT

The District entered into a Joint Venture Agreement in February 1998 between and among eight other area independent school districts and Wright Technical Center No. 996 (WTC), a cooperative center for vocational education, to finance the acquisition and betterment of an addition to the existing WTC facilities.

The addition is being financed through capital lease agreements. Each participating district annually authorizes a leasing levy to cover its allocated portion of the lease payment based on the formula set out in the Joint Venture Agreement. Participating districts will also be apportioned operating costs and continuing capital costs for the addition based on the current cost allocation formula.

Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25, North Buffalo, Minnesota 55313-1936.

NOTE 11 OPERATING LEASE

In 2005, the District entered into a ground lease agreement with the Monticello Youth Hockey Association (MYHA) (tenant). The term of the lease commenced on October 1, 2006 and terminates on December 31, 2030, or until the bank debt for the arena that is to be constructed on such land, is paid in full. The ground lease is for a parcel of property on District grounds with an annual payment from the tenant of one dollar. As part of the lease agreement, the tenant agreed to specific construction deadlines related to the building of an arena and ice within the arena, to pay for utility charges and to keep the leased premises in good order, condition and repair. The District agreed to pay any taxes, assessments and other government charges during the life of the lease. Other specific arrangements are defined in the ground lease agreement. Upon termination of the lease, the tenant shall surrender, and the District shall acquire, ownership of all improvements constructed on the leased premises, at no cost to the District.

In 2014, the District entered into a lease agreement with the Monticello Training Center. The term of the lease commenced on September 1, 2014 and terminates on August 31, 2019. The District agreed to pay any taxes, assessments and other government charges during the life of the lease. The purpose of the lease is for use of the space for student training.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 RECREATION AGREEMENT

On July 1, 2005, (with an amendment dated June 7, 2006) the District entered into a Recreation Agreement (the Agreement) with the City of Monticello and the MYHA. The purpose of the Agreement is to provide for an agreement on the operations and maintenance of the ice arena, constructed on the leased premises, as described in Note 11 – Operating Lease. As part of the Agreement, the District agrees to manage the arena. The District and MYHA agree to fund operating shortfalls equally, after MYHA advertising revenue has been depleted, with the City and District agreeing to provide funds to MYHA for a portion of the construction costs. The District has agreed to pay, on behalf of MYHA, semiannual payments sent directly to the lender to provide for total payments of sums due under the construction loan and any successor loan as and when due. The City's obligation to fund this construction loan shall be in the maximum amount of \$100,000 annually. The District contributed \$94,400 in fiscal year 2017 towards the construction loan. There was no shortfall from operations. The District's obligation to MYHA and other specific arrangements are also defined in the Agreement. The term of the Agreement, modified with Amendment No. 1, shall be from October 2006 through September 2030.

NOTE 13 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

Outstanding Contracts

The District had construction commitments in the amount of \$13,056,092 as of the end of the year.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 14 RESTATEMENT

Change in Accounting Principle

During fiscal year ended June 30, 2017, the District adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. These pronouncements require the restatement of the June 30, 2016 net position of the governmental activities.

Prior Period Restatement

In the prior year, the District classified medical assistance revenue as unearned revenue. This source of revenue should be recorded as revenue when earned and then classified as restricted if the revenue is not spent as of the end of the fiscal year.

Below are the effects of the Change in Accounting Principles and the Prior Period Restatement:

	Governmental Activities	Governmental Funds	General Fund
Net Position/Fund Balance, June 30, 2016, as Previously Stated	\$ 9,752,060	\$ 50,717,259	\$ 7,028,959
Cumulative Affect of Application of GASB 75	(11,886,646)	-	-
Cumulative Affect of Application of GASB 73	(695,911)	-	-
Prior Period Restatement	609,144	609,144	609,144
Net Position/Fund Balance, June 30, 2016, as Restated	<u>\$ (2,221,353)</u>	<u>\$ 51,326,403</u>	<u>\$ 7,638,103</u>

NOTE 15 SUBSEQUENT EVENT

On October 1, 2017 the District entered into a lease purchase agreement for the acquisition of the Monticello Schools scoreboards. The capital lease obligations and corresponding equipment totaled \$595,940. The capital lease agreement includes annual principal payments of \$96,861 for FY18.

NOTE 16 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; and natural disasters. The District purchases commercial insurance coverage for such risks.

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

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REQUIRED SUPPLEMENTARY INFORMATION

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF CHANGES IN THE DISTRICT'S SUPPLEMENTAL PENSION LIABILITY AND
RELATED RATIOS
JUNE 30, 2017**

Total Pension Liability	\$ 1,238,753
Changes for the Year:	
Service Cost	38,727
Interest	33,886
Changes in Benefit Terms	(156,558)
Differences between Expected and Actual Experience	-
Changes of Assumptions of Other Inputs	-
Benefit Payments	(219,536)
Other Changes	-
Net Changes	<u>(303,481)</u>
Total Pension Liability	<u>\$ 935,272</u>
 Covered-employee Payroll	 7,918,596
 District's Net OPEB Liability (Asset) as a Percentage of Covered-employee Payroll	 12%

The District implemented GASB Statement No 73 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2017**

Total OPEB Liability	
Service Cost	\$ 646,723
Interest	455,201
Plan Changes	(1,736,403)
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments	<u>(1,273,368)</u>
Net Change in Total OPEB Liability	<u>(1,907,847)</u>
Total OPEB Liability - beginning	<u>15,682,006</u>
Total OPEB Liability - ending (a)	<u><u>\$ 13,774,159</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,185,843
Net Investment Income	33,012
Benefit Payments	<u>(1,273,368)</u>
Net Change in Plan Fiduciary Net Position	<u>(54,513)</u>
Plan Fiduciary Net Position - beginning	<u>1,946,793</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 1,892,280</u></u>
 District's Net OPEB Liability (Asset) - ending (a) - (b)	 \$ 11,881,879
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	 14%
 Covered-employee Payroll	 \$ 26,264,993
 District's Net OPEB Liability (Asset) as a Percentage of Covered-employee Payroll	 45%

The District implemented GASB Statement Nos 74 and 75 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	2.00%

The District implemented GASB Statement Nos 74 and 75 in fiscal year 2017 and the above table will be expanded to 10 years of information as the information becomes available.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN YEARS**

	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
PERA			
District's Proportion of the Net Pension Liability	0.1048%	0.1092%	0.1104%
District's Proportionate Share of the Net Pension Liability	\$ 8,509,240	\$ 5,659,311	\$ 5,186,039
State's Proportionate Share of the Net Pension Liability Associated with District	\$ 111,062	\$ -	\$ -
Total of District's and State's Proportionate Share of the Net Pension Liability	\$ 8,620,302	\$ 5,659,311	\$ 5,186,039
District's Covered Payroll	\$ 6,523,227	\$ 6,291,980	\$ 5,986,992
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	130.45%	89.94%	86.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.91%	78.20%	78.75%
TRA			
District's Proportion of the Net Pension Liability	0.4634%	0.4523%	0.4784%
District's Proportionate Share of the Net Pension Liability	\$ 110,531,957	\$ 27,979,228	\$ 22,044,328
State's Proportionate Share of the Net Pension Liability Associated with District	\$ 11,094,524	\$ 3,432,062	\$ 1,550,926
Total of District's and State's Proportionate Share of the Net Pension Liability	\$ 121,626,481	\$ 31,411,290	\$ 23,595,254
District's Covered Payroll	\$ 24,212,493	\$ 23,150,263	\$ 21,836,533
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	456.51%	120.86%	100.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.77%	81.50%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PERA				
Contractually Required Contribution	\$ 537,871	\$ 489,231	\$ 465,243	\$ 433,579
Contributions in Relation to the Contractually Required Contribution	<u>(537,871)</u>	<u>(489,231)</u>	<u>(465,243)</u>	<u>(433,579)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,171,613	\$ 6,523,227	\$ 6,291,980	\$ 5,986,992
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.39%	7.24%
TRA				
Contractually Required Contribution	\$ 1,879,951	\$ 1,815,948	\$ 1,736,618	\$ 1,528,557
Contributions in Relation to the Contractually Required Contribution	<u>(1,879,951)</u>	<u>(1,815,948)</u>	<u>(1,736,618)</u>	<u>(1,528,557)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 25,066,013	\$ 24,212,493	\$ 23,150,263	\$ 21,836,533
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.00%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

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SUPPLEMENTARY INFORMATION

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF CHANGES IN AGENCY FUND
ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2017**

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS				
Cash and Investments	\$ 2,825,438	\$ 11,615	\$ 36,276	\$ 2,800,777
LIABILITIES				
Accounts Payable	\$ 2,825,438	\$ 11,615	\$ 36,276	\$ 2,800,777

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2017**

01 GENERAL FUND

Total Revenues	\$ 50,793,306	\$ 50,793,305	\$ 1
Total Expenditures	53,073,203	53,073,199	4
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	707,781	707,781	-
<i>Restricted/Reserve:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	-	-	-
406 Health & Safety *	303,185	303,185	-
407 Capital Project Levy	-	-	-
408 Cooperative Rev.	-	-	-
409 Deferred Maintenance	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
419 Encumbrances	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	268,496	268,496	-
426 \$25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Prog.	-	-	-
438 Gifted & Talented	-	-	-
440 Teacher Development & Eval	2,360	2,360	-
441 Basic Skills	-	-	-
443 Telecomm. Access Cost	-	-	-
446 First Grade Preparedness	-	-	-
449 Safe Schools Levy	-	-	-
450 Pre-Kindergarten	-	-	-
451 QZAB Payments	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
453 Unfunded Sev & Retirement Levy	-	-	-
467 LTFM	194,742	194,742	-
472 Medical Assistance	166,931	166,931	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed For Separation	1,417,837	1,417,837	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	224,282	224,282	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance *	2,079,142	2,079,145	(3)

02 FOOD SERVICE

Total Revenues	1,979,559	1,979,556	3
Total Expenditures	1,919,669	1,919,669	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	93,640	93,640	-
<i>Restricted:</i>			
452 OPEB Liab. Not in Trust	-	-	-
464 Restricted Fund Balance	124,207	124,205	2
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE

Total Revenues	2,730,597	2,730,600	(3)
Total Expenditures	2,632,749	2,632,752	(3)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	618	619	(1)
<i>Restricted/Reserve:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	219,206	219,206	-
432 E.C.F.E.	62,116	62,116	-
444 School Readiness	177,419	177,419	-
447 Adult Basic Education	247,038	247,038	-
452 OPEB Liab. Not in Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	132,353	132,355	(2)
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION

Total Revenues	\$ 3,088,253	\$ 3,088,253	\$ -
Total Expenditures	29,426,010	29,426,011	(1)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>			
407 Capital Projects Levy	-	-	-
409 Alternative Fac. Program	-	-	-
413 Project Funded by COP	-	-	-
467 LTFM	5,532,323	5,532,323	-
<i>Restricted:</i>			
464 Restricted Fund Balance	15,438,503	15,438,502	1
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE

Total Revenues	2,194,604	2,194,604	-
Total Expenditures	2,283,465	2,283,463	2
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>			
425 Bond Refundings	-	-	-
451 QZAB Payments	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	720,215	720,215	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

08 TRUST

Total Revenues	-	-	-
Total Expenditures	-	-	-
422 Net Position	-	-	-

20 INTERNAL SERVICE

Total Revenues	-	-	-
Total Expenditures	-	-	-
422 Net Position	-	-	-

25 OPEB REVOCABLE TRUST

Total Revenues	-	-	-
Total Expenditures	-	-	-
422 Net Position	-	-	-

45 OPEB IRREVOCABLE TRUST

Total Revenues	1,218,855	1,218,855	-
Total Expenditures	1,273,368	1,273,368	-
422 Net Position	1,892,280	1,892,280	-

47 OPEB DEBT SERVICE

Total Revenues	-	-	-
Total Expenditures	-	-	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

* Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify negative restricted fund balance to unassigned fund balance for the CAFR.

STATISTICAL SECTION (UNAUDITED)

The statistical section of the Independent School District No. 882's (the District) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends

The financial trends schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity

The revenue capacity schedules contain information to help the reader assess the District's most significant local revenue source, the property tax.

Debt Capacity

The debt capacity schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

The demographic and economic information schedules offer demographic and economic indicators to help the reader understand the environment within the District's financial activities take place.

Operating Information

The operating information schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 11,280,973	\$ 13,100,738	\$ 16,123,282	\$ 18,464,430
Restricted	1,027,225	1,652,898	2,056,926	2,663,080
Unrestricted	(1,684,493)	2,329,798	2,303,371	3,073,882
Total Governmental Activities				
Net Position	<u>\$ 10,623,705</u>	<u>\$ 17,083,434</u>	<u>\$ 20,483,579</u>	<u>\$ 24,201,392</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 21,653,918	\$ 25,135,009	\$ 28,367,492	\$ 32,717,052	\$ 34,364,408	\$ 25,258,704
2,562,247	2,055,494	2,023,358	2,441,680	2,267,619	4,630,541
5,003,147	5,498,909	6,250,771	(25,712,413)	(26,879,967)	(50,340,036)
<u>\$ 29,219,312</u>	<u>\$ 32,689,412</u>	<u>\$ 36,641,621</u>	<u>\$ 9,446,319</u>	<u>\$ 9,752,060</u>	<u>\$ (20,450,791)</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
EXPENSES				
Governmental Activities				
Administration	\$ 1,146,092	\$ 1,124,411	\$ 1,149,694	\$ 1,184,185
District Support Services	621,658	588,469	616,022	833,676
Elementary and Secondary Regular Instruction	16,496,827	16,493,961	18,257,741	18,695,900
Vocational Education Instruction	599,325	524,688	559,909	549,592
Special Education Instruction	10,892,411	10,927,879	13,416,243	13,642,379
Instructional Support Services	1,405,436	2,052,266	2,720,381	2,167,791
Pupil Support Services	2,194,040	2,461,210	2,859,247	2,811,034
Sites and Buildings	3,545,462	3,640,709	3,662,930	3,474,577
Fiscal and Other Fixed Cost Programs	335,295	122,634	127,487	146,367
Food Service	1,614,858	1,637,369	1,683,012	1,666,320
Community Education and Services	2,248,301	2,312,188	2,332,468	2,381,439
Interest and Fiscal Charges on Long-Term Debt	1,257,802	1,312,832	1,100,456	822,153
Depreciation not Included in Other Functions	1,120,058	1,120,058	1,120,031	1,120,003
Total Governmental Activities Expenses	43,477,565	44,318,674	49,605,621	49,495,416
PROGRAM REVENUES				
Governmental Activities				
Charges for Services:				
Elementary and Secondary Regular Instruction	571,312	742,633	683,946	684,738
Special Education Instruction	1,422,184	1,500,729	1,684,853	1,839,961
Pupil Support Services	-	-	-	-
Sites and Buildings	28,928	194,481	491,828	27,612
Food Service	1,034,063	1,038,445	992,280	977,436
Community Education and Services	1,074,508	981,705	1,003,557	977,332
Operating Grants and Contributions	10,028,316	11,261,504	14,507,859	12,671,828
Capital Grants and Contributions	564,436	375,262	373,843	389,154
Total Governmental Activities Program Revenues	14,723,747	16,094,759	19,738,166	17,568,061
Net Expense	(28,753,818)	(28,223,915)	(29,867,455)	(31,927,355)
GENERAL REVENUES				
Governmental Activities				
Taxes:				
Property Taxes, Levied for General Purposes	2,625,226	5,232,133	5,861,403	7,561,018
Property Taxes, Levied for Community Service	281,691	241,955	243,611	359,136
Property Taxes, Levied for Building Construction	-	-	-	-
Property Taxes, Levied for Debt Service	3,567,870	4,340,505	4,528,185	4,568,134
General Grants and Aids	23,474,060	23,962,390	22,029,016	22,462,895
Earnings on Investments	482,383	220,145	81,766	58,189
Gain on Sale of Capital Assets	-	-	-	-
Other General Revenues	731,881	686,516	523,619	635,796
Total Governmental Activities	31,163,111	34,683,644	33,267,600	35,645,168
Change in Net Position	\$ 2,409,293	\$ 6,459,729	\$ 3,400,145	\$ 3,717,813

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 1,216,697	\$ 1,238,134	\$ 1,283,586	\$ 1,337,795	\$ 1,440,429	\$ 2,267,484
603,853	674,478	1,018,438	1,032,096	1,135,630	1,181,088
19,396,341	19,757,587	19,835,124	21,790,879	23,705,406	32,103,609
569,583	824,747	694,045	773,340	773,236	715,728
12,637,148	13,076,583	13,944,470	14,949,615	14,494,246	19,153,411
2,248,005	2,804,514	2,625,955	2,807,152	2,941,917	3,330,953
3,196,743	3,408,107	3,640,273	3,734,385	3,883,955	4,090,046
3,563,962	3,684,303	4,129,356	4,571,273	6,206,082	9,219,213
161,381	171,889	172,537	176,392	183,311	162,414
1,742,052	1,733,824	1,780,814	1,903,682	2,025,562	1,914,262
2,514,577	2,527,475	2,745,243	2,380,265	2,557,334	2,880,271
694,614	477,787	250,817	128,293	448,369	1,223,104
1,111,084	1,102,166	1,102,165	1,102,166	1,102,166	1,566,641
49,656,040	51,481,594	53,222,823	56,687,333	60,897,643	79,808,224
655,047	675,556	601,835	428,959	398,912	792,260
2,236,953	1,533,286	2,104,156	2,409,961	6,509,474	7,459,860
-	4,925	-	-	-	-
16,027	-	300	222,464	227,780	197,736
969,110	992,863	1,024,734	1,040,232	1,059,552	1,002,757
1,065,495	1,152,504	1,223,615	976,923	1,020,892	1,125,544
12,945,144	14,309,359	15,133,838	16,109,098	11,499,346	9,306,320
480,477	446,483	476,050	584,023	595,653	550,184
18,368,253	19,114,976	20,564,528	21,771,660	21,311,609	20,434,661
(31,287,787)	(32,366,618)	(32,658,295)	(34,915,673)	(39,586,034)	(59,373,563)
5,874,159	6,022,840	4,238,226	5,611,498	6,183,526	6,292,567
238,143	257,587	214,829	273,445	223,361	228,915
-	-	-	-	3,500,000	2,833,250
4,561,832	4,415,071	4,004,789	5,098,466	1,134,134	2,170,832
24,018,379	24,200,096	27,564,512	27,341,397	28,354,194	29,339,675
95,297	42,885	27,634	28,125	151,399	323,478
-	-	7,845	25,878	5,800	470
947,078	898,239	552,669	342,146	339,361	564,082
35,734,888	35,836,718	36,610,504	38,720,955	39,891,775	41,753,269
\$ 4,447,101	\$ 3,470,100	\$ 3,952,209	\$ 3,805,282	\$ 305,741	\$(17,620,294)

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
GENERAL FUND				
Reserved	\$ 573,171	\$ 350,625	\$ 255,713	\$ -
Unreserved	1,109,085	2,670,940	2,990,546	-
Nonspendable	-	-	-	250,536
Restricted	-	-	-	170,396
Assigned	-	-	-	1,199,356
Committed	-	-	-	-
Unassigned	-	-	-	2,617,289
Total General Fund	<u>\$ 1,682,256</u>	<u>\$ 3,021,565</u>	<u>\$ 3,246,259</u>	<u>\$ 4,237,577</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ -	\$ -	\$ -	\$ 25,472
Restricted	-	-	-	2,281,172
Reserved	1,426,217	1,655,312	433,393	-
Unassigned/ Unreserved, Reported in:				
Special Revenue Funds	84,420	107,479	1,694,408	-
Capital Projects Fund	-	-	-	-
Total All Other Governmental Funds	<u>\$ 1,510,637</u>	<u>\$ 1,762,791</u>	<u>\$ 2,127,801</u>	<u>\$ 2,306,644</u>
Unreserved/Unassigned - Operating Account as a % of Total Expenditures	<u>2.25%</u>	<u>5.09%</u>	<u>5.74%</u>	<u>7.27%</u>

Note: GASB Statement No. 54 was implemented in year 2011.

Only years 2011-2017 are reported in compliance with GASB Statement No. 54; years 2008-2010 are reported as previously stated.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
95,469	642,926	687,121	707,359	726,713	707,781
119,800	119,920	175,271	409,724	523,780	935,714
2,763,239	2,695,080	717,468	678,992	723,642	224,282
-	-	1,816,655	1,689,771	1,570,581	1,417,837
2,928,881	3,239,568	3,814,657	3,814,320	3,484,243	2,079,142
<u>\$ 5,907,389</u>	<u>\$ 6,697,494</u>	<u>\$ 7,211,172</u>	<u>\$ 7,300,166</u>	<u>\$ 7,028,959</u>	<u>\$ 5,364,756</u>
\$ 20,989	\$ 23,081	\$ 26,059	\$ 19,954	\$ 27,632	\$ 94,258
2,238,291	1,793,181	1,750,381	1,951,768	44,497,887	22,653,380
-	-	-	-	-	-
(10,427)	-	-	-	-	-
-	-	-	(761,552)	(837,219)	-
<u>\$ 2,248,853</u>	<u>\$ 1,816,262</u>	<u>\$ 1,776,440</u>	<u>\$ 1,210,170</u>	<u>\$ 43,688,300</u>	<u>\$ 22,747,638</u>
<u>10.32%</u>	<u>5.81%</u>	<u>9.91%</u>	<u>7.49%</u>	<u>6.63%</u>	<u>3.92%</u>

MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year			
	2008	2009	2010	2011
REVENUES				
Local Sources				
Taxes	\$ 6,481,457	\$ 9,703,188	\$ 10,577,164	\$ 12,449,939
Investment Earnings	-	-	81,766	58,189
Other	5,409,461	5,187,704	4,865,086	5,115,263
State Sources	31,023,930	32,630,314	29,821,833	30,385,637
Federal Sources	2,978,680	2,951,311	7,088,885	5,138,240
Total Revenues	<u>45,893,528</u>	<u>50,472,517</u>	<u>52,434,734</u>	<u>53,147,268</u>
EXPENDITURES				
Current				
Administration	1,103,536	1,234,576	1,131,366	1,168,957
District Support Services	657,224	611,097	568,712	792,226
Elementary and Secondary Regular Instruction	16,052,134	18,024,626	18,124,000	18,505,788
Vocational Education Instruction	598,563	523,926	554,937	547,729
Special Education Instruction	10,682,117	11,258,209	13,228,251	13,528,893
Instructional Support Services	1,799,106	2,517,208	1,952,354	1,625,140
Pupil Support Services	2,241,007	2,514,934	2,811,161	2,768,738
Sites and Buildings	6,612,794	3,845,828	3,300,801	2,992,588
Fiscal and Other Fixed Cost Programs	335,295	122,634	127,487	146,367
Food Service	1,566,992	1,628,182	1,655,422	1,666,320
Community Service	2,236,737	2,310,278	2,274,375	2,315,766
Capital Outlay	-	-	1,852,359	1,115,665
Debt Service				
Principal	3,309,510	3,341,596	3,559,763	3,972,712
Interest and Fiscal Charges	1,271,729	1,379,570	1,315,506	978,713
Total Expenditures	<u>48,466,744</u>	<u>49,312,664</u>	<u>52,456,494</u>	<u>52,125,602</u>
Excess of Revenues Under Expenditures	(2,573,216)	1,159,853	(21,760)	1,021,666
OTHER FINANCING SOURCES (USES)				
Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	586,467	-
Debt Service Loans Proceeds	-	-	6,960,000	-
Insurance Recovery	-	194,481	514,997	27,612
Capital Lease/Certificates of Participation	455,970	237,129	-	120,883
Proceeds from Sale of Assets	526	-	-	-
Proceeds from Sale of Inventory	-	-	-	-
Debt Retirement from Escrow Account	-	-	(7,450,000)	-
Total Other Financing Sources (Uses)	<u>456,496</u>	<u>431,610</u>	<u>611,464</u>	<u>148,495</u>
Net Change in Fund Balances	<u>\$ (2,116,720)</u>	<u>\$ 1,591,463</u>	<u>\$ 589,704</u>	<u>\$ 1,170,161</u>
Debt Services as a Percentage of Noncapital Expenditures	<u>10.33%</u>	<u>9.81%</u>	<u>9.55%</u>	<u>9.63%</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 10,678,274	\$ 10,822,864	\$ 8,559,270	\$ 11,011,402	\$ 11,068,163	\$ 11,547,946
95,297	42,885	27,634	28,125	151,399	323,478
5,853,183	5,257,291	5,507,309	5,902,663	10,035,274	11,594,919
33,088,756	35,156,182	39,273,363	39,190,816	36,113,494	34,068,736
4,355,244	3,799,756	3,901,037	4,361,724	3,850,596	3,124,534
<u>54,070,754</u>	<u>55,078,978</u>	<u>57,268,613</u>	<u>60,494,730</u>	<u>61,218,926</u>	<u>60,659,613</u>
1,199,827	1,238,962	1,288,619	1,343,272	1,433,362	1,733,162
591,325	663,804	981,089	1,017,776	1,094,300	1,025,933
19,214,406	19,463,733	19,848,466	21,840,424	23,167,361	23,570,548
567,069	820,505	697,512	783,246	770,423	686,731
12,502,655	12,971,354	13,988,966	14,948,635	14,332,384	14,971,050
1,458,355	1,868,483	1,756,208	1,976,662	1,939,646	2,629,279
3,164,655	3,406,058	3,585,601	3,708,963	3,865,216	3,751,172
3,260,709	3,332,848	3,527,631	3,674,596	3,978,858	3,910,662
161,381	171,889	172,537	176,392	183,311	162,414
1,742,052	1,723,438	1,780,814	1,892,382	1,993,950	1,841,499
2,497,267	2,575,700	2,679,285	2,357,812	2,459,126	2,597,306
1,019,954	1,688,298	1,462,339	2,120,051	8,186,238	30,011,547
4,226,150	4,548,262	4,606,385	4,847,978	1,637,808	1,203,041
877,517	705,644	427,150	310,087	110,474	1,240,752
<u>52,483,322</u>	<u>55,178,978</u>	<u>56,802,602</u>	<u>60,998,276</u>	<u>65,152,457</u>	<u>89,335,096</u>
1,587,432	(100,000)	466,011	(503,546)	(3,933,531)	(28,675,483)
-	5,970,000	-	-	44,340,000	5,160,000
-	73,276	-	-	1,349,631	168,148
-	-	-	-	-	-
24,589	-	-	-	-	126,706
-	384,313	-	-	439,407	-
-	4,925	7,845	26,086	11,600	-
-	-	-	-	-	6,620
-	(5,975,000)	-	-	-	-
<u>24,589</u>	<u>457,514</u>	<u>7,845</u>	<u>26,086</u>	<u>46,140,638</u>	<u>5,461,474</u>
<u>\$ 1,612,021</u>	<u>\$ 357,514</u>	<u>\$ 473,856</u>	<u>\$ (477,460)</u>	<u>\$ 42,207,107</u>	<u>\$ (23,214,009)</u>
<u>9.87%</u>	<u>9.73%</u>	<u>8.94%</u>	<u>8.65%</u>	<u>2.93%</u>	<u>3.77%</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
TAX CAPACITIES AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>For Taxes Collectible</u>	<u>Residential Property</u>	<u>Commercial Industrial Property</u>	<u>Other Property</u>	<u>Less: Tax Increment Property</u>
2008	\$ 11,887,714	\$ 4,757,295	\$ 9,207,598	\$ 1,121,478
2009	12,053,262	5,070,253	9,704,414	1,168,841
2010	11,257,252	5,374,101	9,688,241	1,105,041
2011	10,217,091	6,164,274	8,761,724	970,759
2012	8,896,466	6,325,188	8,505,401	857,311
2013	7,961,021	9,970,792	8,325,133	885,070
2014	8,142,220	9,343,177	8,162,264	790,345
2015	9,060,661	14,504,143	8,257,031	762,309
2016	9,819,356	15,954,750	9,093,640	687,603
2017	10,709,438	17,020,985	8,529,943	722,414

Source: Wright and Sherburne County

Net Taxable Tax Capacity	Total Direct Tax Rate	Estimated Taxable Market Value	Taxable Tax Capacity as a Percentage of Estimated Market Value
\$ 24,731,129	25.254	\$ 2,126,596,400	1.16
25,659,088	26.083	2,196,562,900	1.17
25,214,553	24.948	2,124,228,600	1.19
24,172,330	27.029	1,994,425,000	1.21
22,869,744	28.262	1,852,291,700	1.23
25,371,876	26.229	1,938,427,700	1.31
24,857,316	28.269	1,920,071,100	1.29
31,059,526	22.882	2,292,783,500	1.35
34,180,143	20.857	2,609,175,300	1.31
35,537,952	16.242	2,461,256,683	1.44

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)**

	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>	<u>2010-2011</u>
GOVERNMENTAL UNIT				
ISD No. 882 (Monticello)	25.254%	26.083%	24.948%	27.029%
Overlapping Governments:				
Wright County	31.648%	32.567%	35.819%	39.306%
Sherburne County	40.675%	41.999%	44.519%	46.342%
City of Monticello	46.942%	46.191%	45.822%	46.729%
City of Otsego	26.501%	26.972%	29.342%	34.014%
City of Big Lake	41.605%	41.573%	42.713%	43.652%
Big Lake Twp	18.809%	14.960%	13.798%	14.628%
Buffalo Twp	20.093%	19.583%	20.701%	23.128%
Clearwater Twp	21.283%	21.348%	24.068%	25.815%
Maple Lake Twp	13.125%	17.755%	17.826%	19.310%
Monticello Twp	7.695%	12.760%	10.398%	16.883%
Silver Creek Twp	23.915%	23.809%	24.016%	25.923%
Hospital District	2.520%	2.067%	1.754%	1.501%
State	64.591%	63.749%	63.636%	68.188%

The state information for 2011-2016 is unavailable.

Source: Wright & Sherburne Counties

<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
28.262%	26.229%	28.269%	22.882%	20.857%	16.242%
43.452%	44.288%	43.450%	40.593%	39.970%	39.599%
52.014%	54.420%	54.861%	51.979%	50.478%	50.460%
49.773%	42.262%	44.709%	35.737%	34.471%	33.172%
41.454%	46.229%	44.575%	41.202%	37.921%	37.852%
50.404%	55.198%	60.048%	57.518%	57.112%	57.936%
15.784%	15.306%	15.591%	16.058%	19.004%	17.972%
24.675%	25.514%	25.310%	24.432%	23.379%	22.520%
28.507%	28.574%	27.905%	27.826%	24.135%	24.490%
21.013%	22.328%	22.073%	20.372%	18.678%	17.618%
18.357%	24.483%	24.879%	24.952%	23.386%	24.253%
27.726%	28.286%	32.261%	28.716%	27.412%	26.181%
1.240%	0.608%	0.000%	0.000%	0.000%	0.000%
N/A	N/A	N/A	N/A	N/A	N/A

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND TEN YEARS AGO
(UNAUDITED)**

Taxpayer	2017			2008		
	Net Tax Capacity	Rank	Percentage Total District Tax Valuation	Net Tax Capacity	Rank	Percentage Total District Tax Valuation
Northern States Power Co.	\$17,140,581	1	0.48 %	\$4,986,817	1	20.16 %
Wal-Mart Real Est. Business Tr.	206,950	2	0.58	252,968	3	1.02
Target Corporation	200,250	3	0.56	259,166	2	1.05
Minnegasco Inc.	187,428	4	0.53	112,004	8	0.45
Monti-Big Lake Comm Hospital	146,880	5	0.41			
Home Depot USA Inc.	131,450	6	0.37	163,980	4	0.66
Nordic Investments LLLP	123,210	7	0.35			
Spirit Master Funding X LLC	102,521	8	0.29			
Ax TC Retail LP	101,626	9	0.29			
Tapper's Holdings LLC	77,636	10	0.22	104,238	9	0.42
Jacob Holdings of Sandberg Rd				154,170	5	0.62
Muller Fam Theatres of Monti				154,210	6	0.62
Jacob Holdings of Monti LLC				148,144	7	0.60
Gould Brothers Chevrolet LLP				101,470	10	0.41
Total for Ten Largest Principal Taxpayers	<u>\$ 18,418,532</u>			<u>\$ 6,437,167</u>		

Source: Current property valuations and net tax capacity values have been furnished by Wright County.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

For Taxes Collectible	Total Tax Levy for Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$ 9,985,984	\$ 9,972,686	99.87 %	\$ 13,298	\$ 9,985,984	100.00 %
2009	10,703,071	10,692,038	99.90	11,033	10,703,071	100.00
2010	10,425,731	10,414,698	99.89	11,033	10,425,731	100.00
2011	10,603,449	10,039,680	94.68	217,138	10,256,818	96.73
2012	10,574,134	10,424,507	98.58	70,001	10,494,508	99.25
2013	10,778,235	10,648,661	98.80	120,563	10,769,224	99.92
2014	10,780,124	10,676,682	99.04	92,953	10,769,635	99.90
2015	10,938,113	10,846,305	99.16	78,262	10,924,567	99.88
2016	11,304,610	11,249,353	99.51	2,549	11,251,902	99.53
2017	11,252,912	5,456,033	48.49	-	5,456,033	48.49

Note 1: Delinquent taxes receivable are written-off after seven years. The amount of collections has been adjusted to reflect the write-off of delinquent taxes receivable.

Note 2: A portion of the total tax levy is paid through various property tax credits which are paid through state aids.

Note 3: Property taxes are remitted to the District based on a calendar year, the amount stated represents collections through the District's year end of June 30.

Source: State of Minnesota School Tax Report and Wright & Sherburne County Certification report.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	G.O. Bonds	Aid & Tax Anticipation Certificates	Capital Leases	Total Primary Government
2008	\$ 30,810,000	\$ 4,275,000	\$ 537,250	\$ 35,622,250
2009	27,675,000	4,360,000	567,783	32,602,783
2010	23,735,000	4,935,000	458,020	29,128,020
2011	19,925,000	5,000,000	416,191	25,341,191
2012	15,875,000	5,000,000	242,866	21,117,866
2013	11,455,000	4,200,000	493,917	16,148,917
2014	6,980,000	-	362,532	7,342,532
2015	2,270,000	-	224,554	2,494,554
2016	45,215,000	-	421,153	45,636,153
2017	49,330,000	-	263,112	49,593,112

* Updated information was not available for these years

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

Estimated Population		Net Bonded Debt per Capita	Percentage of Outstanding Debt to Personal Income
19,556	\$	1,822	12.04
19,556	*	1,667	10.82
20,466		1,423	9.57
20,533		1,234	7.16
20,533	*	1,028	6.24
20,533	*	786	4.46
20,533	*	358	2.04
20,533	*	121	0.67
20,533	*	2,223	N/A
21,721	*	2,283	N/A

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year	G.O. Bonds	Less Amounts Available in Debt Service Fund	Net Bonded Debt	Tax Capacity
2008	\$ 30,810,000	\$ 594,503	\$ 30,215,497	\$ 24,731,129
2009	27,675,000	1,426,329	26,248,671	25,662,088
2010	23,735,000	1,617,587	22,117,413	25,214,553
2011	19,925,000	1,721,015	18,203,985	24,172,330
2012	15,875,000	1,694,791	14,180,209	22,868,144
2013	11,455,000	1,205,976	10,249,024	25,371,876
2014	6,980,000	1,084,990	5,895,010	24,791,806
2015	2,270,000	1,201,810	1,068,190	31,636,594
2016	45,215,000	807,090	44,407,912	34,867,746
2017	49,330,000	720,215	48,609,785	36,914,524

* Updated information was not available for these years.

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

Percentage of Estimated Actual Taxable Value of Property	Estimated Population		Net Bonded Debt per Capita
122.18	19,556	\$	1,545
102.29	19,556	*	1,342
87.72	20,466		1,081
75.31	20,533		887
62.01	20,533	*	691
40.40	20,533	*	499
23.78	20,533	*	287
3.38	20,533	*	52
127.36	20,533	*	2,163
131.68	21,721		2,238

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
TO TOTAL GENERAL FUND EXPENDITURES
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year</u>	<u>Total Principal</u>	<u>Interest and Other Charges</u>	<u>Total Debt Service</u>	<u>Total General Fund Expenditures</u>	<u>Ratio of Debt Service to General Fund Expenditures</u>
2008	\$ 3,235,000	\$ 1,259,945	\$ 4,494,945	\$ 37,252,228	12.07
2009	3,135,000	1,224,868	4,359,868	40,954,219	10.65
2010	3,450,000	1,208,888	4,658,888	43,825,858	10.63
2011	3,810,000	893,513	4,703,513	43,406,653	10.84
2012	4,052,825	773,350	4,826,175	43,407,365	11.12
2013	4,415,000	624,644	5,039,644	45,775,045	11.01
2014	4,475,000	414,025	4,889,025	47,397,543	10.31
2015	4,710,000	292,175	5,002,175	50,267,671	9.95
2016	1,395,000	100,750	1,495,750	52,546,813	2.85
2017	1,045,000	1,238,465	2,283,465	53,073,203	4.30

Note: Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2017
(UNAUDITED)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Wright County	\$ 58,770,000	23.66 %	\$ 13,904,982
Sherburne County	8,345,000	1.68	140,196
City of Big Lake	13,685,000	0.13	17,791
City of Monticello	14,055,000	100.00	14,055,000
City of Otsego	8,020,000	8.36	670,472
Becker Township	120,000	11.83	14,196
Big Lake Township	640,000	0.20	1,280
Maple Lake Township	<u>33,000</u>	9.55	<u>3,165</u>
Subtotal, Overlapping Debt	103,668,000		28,807,082
Independent School District No. 882 - Direct Debt	49,330,000	100.00 %	<u>49,330,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 78,137,082</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the District. This process recognizes that, when considering the government's ability of issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt, of each overlapping government.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
Debt Limit	\$ 318,989,460	\$ 329,484,435	\$ 318,634,290	\$ 299,163,750
Total Net Debt				
Applicable to Limit	<u>30,810,000</u>	<u>27,675,000</u>	<u>23,735,000</u>	<u>19,925,000</u>
Legal Debt Margin	<u>\$ 288,179,460</u>	<u>\$ 301,809,435</u>	<u>\$ 294,899,290</u>	<u>\$ 279,238,750</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	9.66%	8.40%	7.45%	6.66%

Note: Under state finance law, the District's outstanding G.O. debt should not exceed 15% of total market property value.
By law, the G.O. debt subject to the limitation may be offset by amounts set aside for repaying G.O. bonds.

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 285,943,755	\$ 290,764,155	\$ 288,010,665	\$ 343,917,525	\$ 391,376,295	\$ 413,736,855
15,875,000	11,455,000	6,980,000	2,270,000	45,215,000	49,330,000
<u>\$ 270,068,755</u>	<u>\$ 279,309,155</u>	<u>\$ 281,030,665</u>	<u>\$ 341,647,525</u>	<u>\$ 346,161,295</u>	<u>\$ 364,406,855</u>
5.55%	3.94%	2.42%	0.66%	11.55%	11.92%

Legal Debt Margin Calculation for Year 2017:

Market Value	\$ 2,758,245,700
Debt Limit (15% of Market Value)	413,736,855
Debt Applicable to Limit:	
G.O. Bonds	<u>49,330,000</u>
Total Net Debt Applicable to Limit	<u>49,330,000</u>
Legal Debt Margin	<u>\$ 364,406,855</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
DEMOGRAPHIC AND ECONOMIC STATISTICS – INCOME
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year</u>	<u>Estimated Population</u>		<u>Personal Income</u>	<u>Per Capita Personal Income</u>
2007	19,556		\$ 282,333,465	\$ 14,437
2008	19,556	*	295,889,686	15,130
2009	20,466		301,251,266	14,720
2010	20,533		304,360,142	14,823
2011 Est	20,533	*	354,109,378	17,246
2012 Est	20,533	*	338,246,480	16,473
2013 Est	20,533	*	362,440,710	17,652
2014 Est	20,533	*	360,076,360	17,536
2015 Est	20,533	*	371,796,933	18,107
2016	21,721	*	658,971,698	30,338

* Updated information was not available for these years.

N/A : Data not available.

Data Sources: Minnesota Department of Employment and Economic Development
Minnesota Department of Education

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
DEMOGRAPHIC AND ECONOMIC STATISTICS – EMPLOYMENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year</u>	<u>Average Employment Wright County</u>	<u>Average Unemployment Wright County</u>	<u>Average Unemployment State of Minnesota</u>
2008	63,447	6.07	5.40
2009	68,321	9.24	7.20
2010	68,915	8.20	6.70
2011	69,526	7.11	6.90
2012	69,717	6.08	5.20
2013	66,565	5.36	4.80
2014	68,190	4.13	4.09
2015	69,061	3.00	3.00
2016	69,349	3.20	3.40
2017	72,075	2.80	2.90

Sources: U.S. Census and Minnesota Department of Employment and Economic Development.

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**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)**

Employer	2017*			2008*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Wright County	722	1	0.30 %			
Xcel Energy	700	2	0.29	450	3	19.52%
ISD No. 882	576	3	0.24	470	2	0.20
CentraCare Health Monticello	500	4	0.21			
Cargil Kitchen Solutions	433	5	0.18			
Wal-Mart	325	6	0.14	350	5	0.15
City of Monticello	150	7	0.06	127	7	0.06
Target	150	8	0.06			
Home Depot	150	9	0.06			
Cub Foods	100	10	0.04	120	8	0.05
Monticello-Big Lake Community Hospita				504	1	0.22
Sunny Fresh Foods				400	4	0.17
Ultra Machining Corp				140	6	0.06
Monticello Clinic				104	9	0.05
Monticello Ford Mercury, Inc.				90	10	0.04
Total	<u>3,806</u>			<u>2,755</u>		

* Most current information available.

Source: 2017 and 2008 Bond Documents

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
EMPLOYEES BY CLASSIFICATIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

Employees	Employees for Fiscal Year Ended			
	2007	2008	2009	2010
Teachers	295	297	313	314
Principals and District Administration	14	15	14	14
Admin Support, Confidential & Individual	11	12	13	15
Clerical	11	11	11	11
Community Service	4	4	4	5
Custodial	28	29	30	28
Cafeteria	31	31	30	31
Paraprofessionals	88	96	100	110
Total	<u>482</u>	<u>495</u>	<u>515</u>	<u>528</u>

Note 1: This schedule is a headcount based on payroll and seniority schedules. If an employee has more than one contract group its possible they are reflected multiple times.
Full and part-time employees count the same.

Source: District Records

Employees for Fiscal Year Ended						
2011	2012	2013	2014	2015	2016	2017
308	307	319	317	326	330	329
15	14	16	15	16	16	17
15	15	17	20	20	20	20
11	12	11	12	12	12	29
5	5	6	7	7	7	7
28	28	29	29	29	29	29
32	31	32	32	31	31	35
108	110	110	106	105	115	121
522	522	540	538	546	560	587

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STUDENT ENROLLMENT
LAST TEN FISCAL YEARS
(UNAUDITED)**

Year Ended June 30,	Average Daily Membership (ADM) (Including Enrollment Option)					Total Pupil Units
	Handicapped and Prekindergarten	Kindergarten	Elementary	Secondary	Total	
2008	48.85	260.42	1,790.26	1,809.29	3,908.82	4,515.42
2009	46.96	273.41	1,789.66	1,805.78	3,915.81	4,515.88
2010	58.57	298.60	1,770.40	1,797.67	3,925.24	4,514.08
2011	61.41	261.78	1,754.83	1,843.24	3,921.26	4,537.99
2012	61.38	313.34	1,767.39	1,846.54	3,988.65	4,587.68
2013	62.67	305.79	1,831.19	1,831.36	4,031.01	4,635.19
2014	68.74	253.17	1,879.73	1,808.09	4,009.73	4,631.91
2015	74.13	287.90	1,903.95	1,848.68	4,114.66	4,741.41
2016	71.54	274.63	1,919.23	1,761.99	4,027.39	4,379.77
2017	85.76	231.91	1,924.33	1,832.54	4,073.95	4,440.47

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
EXPENDITURES PER STUDENT
YEAR ENDED JUNE 30, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2016)
(UNAUDITED)**

	<u>State Average</u>	<u>ISD No. 882</u>	
	<u>2016</u>	<u>2016</u>	<u>2017</u>
EXPENDITURES PER STUDENT (ADM) (1)			
General Fund - Operating Account			
District and School Administration	\$ 553	\$ 356	\$ 425
District Support Services	463	272	252
Elementary and Secondary Regular Instruction	5,124	5,752	5,786
Vocational Education Instruction	149	191	169
Special Education Instruction	2,179	3,561	3,675
Instructional Support Services	606	482	645
Pupil Support Services	343	958	921
Sites and Buildings, Fiscal and Other Fixed Cost Programs	<u>879</u>	<u>1,096</u>	<u>1,039</u>
Total General Fund - Operating Account	10,296	12,668	12,912
Food Service Special Revenue Fund	<u>539</u>	<u>505</u>	<u>471</u>
Total PK - 12 Operating Expenditures	10,835	13,173	13,383
General Fund - Capital Expenditure Account	677	380	116
Community Service Special Revenue Fund	550	622	646
Capital Projects Fund	1,405	1,631	7,223
Debt Service Fund	<u>1,433</u>	<u>371</u>	<u>560</u>
Total Expenditures Per Student	<u>\$ 14,900</u>	<u>\$ 16,177</u>	<u>\$ 21,928</u>
ADM Served	<u>861,750</u>	<u>4,027</u>	<u>4,074</u>

Source: Minnesota Department of Education School District Profiles.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GENERAL FUND – COST PER PUPIL ON WEIGHTED AVERAGE DAILY MEMBERSHIP
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)**

	Fiscal Year			
	2008	2009	2010	2011
District and School Administration	\$ 1,103,536	\$ 1,234,576	\$ 1,138,623	\$ 1,168,954
District Support Services	657,224	611,097	594,138	821,096
Elementary and Secondary Regular Instruction	16,052,134	18,024,626	18,133,156	18,562,587
Vocational Education Instruction	598,563	523,926	554,937	547,727
Special Education Instruction	10,682,117	11,258,209	13,248,689	13,574,249
Instructional Support Services	1,799,106	2,517,208	2,617,214	2,312,497
Pupil Support Services	2,241,007	2,514,934	2,818,189	2,768,736
Sites, Buildings and Equipment	3,696,952	3,785,711	4,486,808	3,419,240
Fiscal and Other Fixed Cost Programs	421,589	483,932	234,105	231,567
Total	<u>\$ 37,252,228</u>	<u>\$ 40,954,219</u>	<u>\$ 43,825,859</u>	<u>\$ 43,406,653</u>
Weighted ADM	4515.42	4515.88	4514.08	4537.99
District and School Administration	\$ 244	\$ 273	\$ 252	\$ 258
District Support Services	146	135	132	181
Elementary and Secondary Regular Instruction	3,555	3,991	4,017	4,090
Vocational Education Instruction	133	116	123	121
Special Education Instruction	2,366	2,493	2,935	2,991
Instructional Support Services	398	557	580	510
Pupil Support Services	496	557	624	610
Sites, Buildings and Equipment	819	838	994	753
Fiscal and Other Fixed Cost Programs	93	107	52	51
Total	<u>\$ 8,250</u>	<u>\$ 9,069</u>	<u>\$ 9,709</u>	<u>\$ 9,565</u>

Fiscal Year					
2012	2013	2014	2015	2016	2017
\$ 1,199,831	\$ 1,238,964	\$ 1,288,895	\$ 1,343,272	\$ 1,434,362	\$ 1,733,506
596,071	666,738	996,061	1,020,440	1,111,558	1,026,839
19,287,538	19,731,629	20,035,453	22,068,662	23,383,945	23,826,601
567,070	820,507	697,512	783,246	770,423	686,731
12,522,266	13,006,471	14,160,588	15,038,457	14,333,587	14,974,745
2,322,271	2,731,848	2,474,474	2,672,818	2,699,263	2,751,833
3,164,653	3,426,332	3,596,695	3,710,506	3,869,327	3,800,356
3,482,119	3,535,937	3,975,334	4,091,565	4,761,037	4,110,178
265,548	232,306	172,537	176,392	183,311	162,414
<u>\$ 43,407,367</u>	<u>\$ 45,390,732</u>	<u>\$ 47,397,549</u>	<u>\$ 50,905,358</u>	<u>\$ 52,546,813</u>	<u>\$ 53,073,203</u>
4587.68	4635.19	4631.91	4741.41	4379.77	4440.47
\$ 262	\$ 267	\$ 278	\$ 283	\$ 327	\$ 390
130	144	215	215	254	231
4,204	4,257	4,326	4,654	5,339	5,025
124	177	151	165	176	145
2,730	2,806	3,057	3,172	3,273	3,158
506	589	534	564	616	580
690	739	777	783	883	802
759	763	858	863	1,087	867
58	50	37	37	42	34
<u>\$ 9,463</u>	<u>\$ 9,792</u>	<u>\$ 10,233</u>	<u>\$ 10,736</u>	<u>\$ 11,997</u>	<u>\$ 11,232</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GENERAL FUND – OPERATING ACCOUNT EXPENDITURES BY PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)**

<u>Year Ended June 30,</u>	<u>Administration</u>	<u>District Support Services</u>	<u>Elementary and Secondary Regular Instruction</u>	<u>Vocational Education Instruction</u>	<u>Special Education Instruction</u>	<u>Instructional Support Services</u>
2008	\$ 1,103,536 3.0%	\$ 657,224 1.8%	\$ 16,052,134 43.1%	\$ 598,563 1.6%	\$ 10,682,117 28.7%	\$ 1,799,106 4.8%
2009	1,234,576 3.0%	611,097 1.5%	18,024,626 44.0%	523,926 1.3%	11,258,209 27.5%	2,517,208 6.1%
2010	1,131,366 2.6%	568,712 1.3%	18,124,000 41.4%	554,937 1.3%	13,228,251 30.2%	1,952,354 4.5%
2011	1,168,957 2.7%	792,226 1.8%	18,505,788 42.6%	547,729 1.3%	13,528,893 31.2%	1,625,140 3.7%
2012	1,199,827 2.8%	591,325 1.4%	19,214,406 44.3%	567,069 1.3%	12,502,655 28.8%	1,458,355 3.4%
2013	1,238,962 2.7%	663,804 1.5%	19,463,733 42.5%	820,505 1.8%	12,971,354 28.3%	1,868,483 4.1%
2014	1,288,637 2.7%	981,089 2.1%	19,848,466 41.9%	697,512 1.5%	13,988,966 29.5%	1,756,208 3.7%
2015	1,343,272 2.6%	1,017,776 2.0%	21,840,424 42.9%	783,246 1.5%	14,948,635 29.4%	1,976,662 3.9%
2016	1,433,362 2.7%	1,094,300 2.1%	23,167,361 44.1%	770,423 1.5%	14,332,384 27.3%	1,939,646 3.7%
2017	1,733,162 3.3%	1,025,933 1.9%	23,570,548 44.4%	686,731 1.3%	14,971,050 28.2%	2,629,279 5.0%

<u>Pupil Support Services</u>	<u>Sites and Buildings</u>	<u>Fiscal and Other Fixed Cost Programs</u>	<u>Capital Outlay</u>	<u>Total</u>	<u>Percent Increase (Decrease) From Prior Year</u>
\$ 2,241,007 6.0%	\$ 3,696,952 9.9%	\$ 421,589 1.1%	\$ - 0.0%	\$ 37,252,228 100.0%	1.83%
2,514,934 6.1%	3,785,711 9.2%	483,932 1.2%	- 0.0%	40,954,219 100.0%	9.94%
2,811,161 6.4%	3,300,801 7.5%	343,868 0.8%	1,810,408 4.1%	43,825,858 100.0%	7.01%
2,768,738 6.4%	2,992,588 6.9%	394,279 0.9%	1,082,315 2.5%	43,406,653 100.0%	-0.96%
3,164,655 7.3%	3,260,709 7.5%	438,873 1.0%	1,009,491 2.3%	43,407,365 100.0%	0.00%
3,406,058 7.4%	3,332,848 7.3%	386,151 0.8%	1,623,147 3.5%	45,775,045 100.0%	5.45%
3,585,601 7.6%	3,672,141 7.7%	172,537 0.4%	1,406,410 3.0%	47,397,567 100.0%	3.54%
3,708,963 7.3%	3,830,486 7.5%	176,392 0.3%	1,279,502 2.5%	50,905,358 100.0%	7.40%
3,865,216 7.4%	4,231,390 8.1%	183,311 0.3%	1,529,420 2.9%	52,546,813 100.0%	3.22%
3,751,172 7.1%	4,070,990 7.7%	162,414 0.3%	471,924 0.9%	53,073,203 100.0%	4.26%

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHOOL BUILDING INFORMATION
JUNE 30, 2017
(UNAUDITED)**

<u>Facility</u>	<u>Year Constructed</u>	<u>Years of Addition</u>	<u>Grades Housed</u>	<u>Square Footage</u>
Eastview Elementary	1987	-	PK	111,400
Pinewood Elementary	1968		K-5	58,900
Addition #1		1970		20,000
Addition #2		1977		58,900
Addition #3		1986		7,200
Addition #4		2004		3,085
Little Mountain Elementary	1992		K-5	104,450
Monticello Middle School	1954		G6-8	47,000
Addition #1		1957		30,000
Addition #2		1967		45,000
Addition #3		1972		42,000
Addition #4		1976		55,000
Addition #5		1980		25,000
Addition #6		1986		11,000
Addition #7		2016		4,800
Monticello High School	1999		G-9-12	276,000
Addition #1		2004		600
Moose Sherritt Ice Arena	2005			35,880
ALP	2004			2,600

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SUMMARY OF MEALS SERVED
JUNE 30, 2017
(UNAUDITED)**

Meals	Number of Meals Served
Elementary Full Paid Lunch	138,993
Secondary Full Paid Lunch	147,447
Reduced Price Lunch	47,619
Free Lunch	94,716
Adult Lunch	6,222
Total Lunches Served	434,997
Elementary Full Paid Breakfast	42,726
Secondary Full Paid Breakfast	8,049
Reduced Price Breakfast	15,474
Free Breakfast	35,247
Adult Breakfast	23
Total Breakfasts Served	101,519