

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2016

PREPARED BY

BUSINESS OFFICE STAFF

MONTICELLO, MINNESOTA

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2016**

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL	I
FISCAL YEAR 2015 CERTIFICATE OF EXCELLENCE	VIII
ORGANIZATIONAL CHART	IX
SCHOOL BOARD AND ADMINISTRATION	X

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	16
STATEMENT OF ACTIVITIES	17
GOVERNMENTAL FUNDS – BALANCE SHEET	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES– GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	19
GOVERNMENTAL FUNDS – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE	20
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES – RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE	21
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	22
MAJOR FOOD SERVICE FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	23
MAJOR COMMUNITY SERVICE FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL	24
STATEMENT OF FIDUCIARY NET POSITION	25
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	25
NOTES TO BASIC FINANCIAL STATEMENTS	26

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS	67
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	68
SCHEDULE OF DISTRICT CONTRIBUTIONS	69

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

FINANCIAL SECTION

SUPPLEMENTARY INFORMATION

STATEMENT OF CHANGES IN AGENCY FUND ASSETS AND LIABILITIES	70
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	71

STATISTICAL SECTION

NET POSITION BY COMPONENT	72
CHANGES IN NET POSITION	74
FUND BALANCES, GOVERNMENTAL FUNDS	76
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS	78
TAX CAPACITIES AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY	80
DIRECT AND OVERLAPPING PROPERTY TAX RATES	82
PRINCIPAL PROPERTY TAXPAYERS	84
PROPERTY TAX LEVIES AND COLLECTIONS	85
RATIOS OF OUTSTANDING DEBT BY TYPE	86
RATIOS OF GENERAL BONDED DEBT OUTSTANDING	88
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES	90
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT	91
LEGAL DEBT MARGIN INFORMATION	92
DEMOGRAPHIC AND ECONOMIC STATISTICS – INCOME	94
DEMOGRAPHIC AND ECONOMIC STATISTICS – EMPLOYMENT	95
PRINCIPAL EMPLOYERS	96
EMPLOYEES BY CLASSIFICATIONS	97
STUDENT ENROLLMENT	99
EXPENDITURES PER STUDENT	100
GENERAL FUND – COST PER PUPIL ON WEIGHTED AVERAGE DAILY MEMBERSHIP	101
GENERAL FUND – OPERATING ACCOUNT EXPENDITURES BY PROGRAM	103
SCHOOL BUILDING INFORMATION	105
SUMMARY OF MEALS SERVED	106

INTRODUCTORY SECTION



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: November 15, 2016

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, 2016 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 4,027 ADM's (Average Daily Membership) from a population of over 21,273 citizens residing in a 100 square mile area. During 2015-16 the District operated and owned 5 buildings and leased 1 building with a total square footage of 939,975 square feet having an average age of 30.44 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, 2016, 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 2015-16 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 Statute §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 4,460 accounts have been defined in the District's chart of accounts.

Monticello School District is an equal opportunity employer.

FINANCIAL PROSPECTS FOR FUTURE YEARS

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% to its current level at June 30, 2016 of \$3.5 million, or 6.63% of its General Fund Unassigned expenditures according to the School Board policy 714. This turnaround of \$3.9 million reflects tough decisions that the School Board and administration have had to make to bring the District back to fiscal health.

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. 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, increase technology staff for our 1:1 device initiatives at the Middle School and High School, and staff for building and grounds.

The District's finances are largely dependent on student enrollment. Monticello has been experiencing relatively flat enrollment from FY 2006 to FY 2016 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 in 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.

Minnesota's economic and budget outlook has continued to improve during this past fiscal year. The February 2016 forecast from Minnesota Management and Budget shows a General Fund forecasted surplus for the coming biennium of \$1.184 billion. The Legislature approved basic funding formula increases of 2 percent 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 begins 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.

Monticello School District is an equal opportunity employer.

ECONOMIC FACTORS (CONTINUED)

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 wells 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. Nearly 11,000 pounds of food was delivered over the course of the school year. The District started the program at Pinewood elementary sending an average of 188 backpacks home every week, and the program expanded mid-year to Little Mountain elementary increasing the weekly average to 385 backpacks. The District received over \$31,000 in donations from Monticello Rotary and other local businesses to help fund the program. In 2014-2015, the program was expanded to the middle school and high school. During the 2015-2016 school year, the District sent an average of 423 backpacks home each week with a yearly total of 13,970 backpacks, or 29,000 pounds of food.

AWARDS AND ACKNOWLEDGEMENTS

The District received its first financial reporting recognition in 2013, 2014, 2015, and 2016 from the Minnesota Department of Education through its School Finance Award program. This is the third time the District is submitting for the Comprehensive Annual Financial Report to the ASBO Certificate Program for consideration. The District received this award for the first time with its initial submission in FY 2014 and again in FY 2015 with the second submission. 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 CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

Monticello School District is an equal opportunity employer.

AWARDS AND ACKNOWLEDGEMENTS (CONTINUED)

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

This Page Has Been Intentionally Left Blank.



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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

**Independent School District 882
Monticello Public Schools**

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2015.**

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

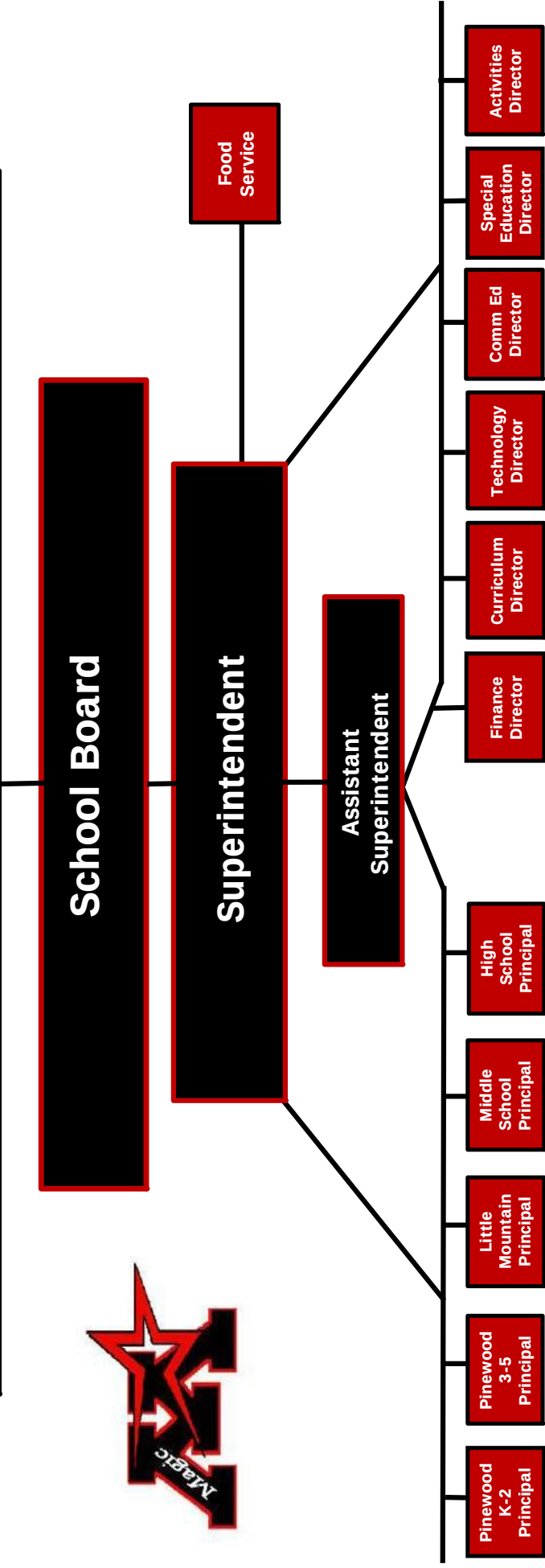


Brenda R. Burkett, CPA, CSBA, SFO
President

John D. Musso, CAE, RSBA
Executive Director

This Page Has Been Intentionally Left Blank.

Monticello School District - Organization Chart



This Page Has Been Intentionally Left Blank.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2016**

SCHOOL BOARD

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

ADMINISTRATION

Jim Johnson	Superintendent
Joe Dockendorf	Assistant Superintendent
Tina Burkholder	Director of Business Services
Linda Borgerding	Curriculum Director
Joel Lundin	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
Nan Records	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

This Page Has Been Intentionally Left Blank.

FINANCIAL SECTION

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, 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.

Report on Summarized Comparative Information

We have previously audited the District's 2015 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 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress, the Schedule of Employers Contributions, 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 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 uniform financial accounting and reporting standards and the Statement of Changes in Agency Fund Assets and Liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Matters (Continued)

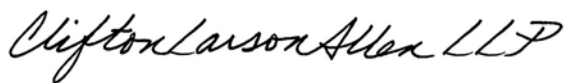
Other Information (Continued)

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 November 15, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 15, 2016

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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, 2016; 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 2015-2016 fiscal year include the following:

- The unassigned fund balance for the General Fund was \$3,484,243, \$723,642 is assigned for special education excess cost revenue and school building carryover and \$1,570,581 is committed for severance benefits.
- The net position increased by \$305,741 from June 30, 2015, with total revenues of \$61,203,384 and total expenses of \$60,897,643.
- Overall General Fund revenues and other financing sources were \$52,275,790 as compared to \$52,546,813 of expenditures.
- The District planned for a decrease in fund balance for the General Fund of \$1,117,460 for the school year. However, the ending fund balance of the General Fund decreased only \$271,023 from the prior year due primarily to delaying large health and safety projects to be combined with bond referendum projects and school buildings carrying over unspent funds for next year.

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, 2016**

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, 2016**

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 \$9,752,060 on June 30, 2016. This was an increase of \$305,741 from the prior year (see Table A-1).

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

	Governmental Activities		Percentage
	2016	2015	Change
Current and Other Assets	\$ 69,673,756	\$ 27,307,968	155.14 %
Capital and Non-Current Assets	39,385,804	35,905,165	9.69
Total Assets	<u>109,059,560</u>	<u>63,213,133</u>	72.53
Deferred Outflows of Resources	6,561,758	5,034,533	30.33
Current Liabilities	10,022,213	10,166,955	(1.42)
Long-Term Liabilities	81,636,517	30,068,296	171.50
Total Liabilities	<u>91,658,730</u>	<u>40,235,251</u>	127.81
Deferred Inflows of Resources	<u>14,210,528</u>	<u>18,566,096</u>	(23.46)
Net Position:			
Net Investment in Capital Assets	34,364,408	32,717,052	5.04
Restricted	2,267,619	2,441,680	(7.13)
Unrestricted	(26,879,967)	(25,712,413)	4.54
Total Net Position	<u>\$ 9,752,060</u>	<u>\$ 9,446,319</u>	

The District's change in financial position is the product of many factors. Long-term liabilities increased approximately \$51.4 million due to the issuance of two bonds. Capital assets increased approximately \$3.5 million mainly due to construction in progress.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Changes in Net Position

The District's total revenues were \$61,203,384 for the year ended June 30, 2016. Property taxes and state formula aid accounted for 64% of total revenue for the year.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Total % Change
	2016	2015	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 9,216,610	\$ 5,078,539	81.48 %
Operating Grants and Contributions	11,499,346	16,109,098	(28.62)
Capital Grants and Contributions	595,653	584,023	1.99
<u>General Revenues</u>			
Property Taxes	11,041,021	10,983,409	0.52
Unrestricted State Aid	28,354,194	27,341,397	3.70
Investment Earnings	151,399	28,125	438.31
Other	345,161	368,024	(6.21)
Total Revenues	61,203,384	60,492,615	1.17
Expenses			
Administration	1,440,429	1,337,795	7.67
District Support Services	1,135,630	1,032,096	10.03
Regular Instruction	23,705,406	21,790,879	8.79
Vocational Education Instruction	773,236	773,340	(0.01)
Special Education Instruction	14,494,246	14,949,615	(3.05)
Instructional Support Services	2,941,917	2,807,152	4.80
Pupil Support Services	3,883,955	3,734,385	4.01
Sites and Buildings	6,206,082	4,571,273	35.76
Fiscal and Other Fixed Cost Programs	183,311	176,392	3.92
Food Service	2,025,562	1,903,682	6.40
Community Service	2,557,334	2,380,265	7.44
Unallocated - Depreciation	1,102,166	1,102,166	-
Interest and Fiscal Charges on Long-Term Liabilities	448,369	128,293	249.49
Total Expenses	60,897,643	56,687,333	7.43
Increase in Net Position	305,741	3,805,282	
Net Position - Beginning of Year	9,446,319	5,641,037	
Net Position - End of Year	\$ 9,752,060	\$ 9,446,319	

The total cost of all programs and services, including interest and fiscal charges, was approximately \$60.9 million. Total revenues exceeded expenses, increasing net position \$305,742 over last year.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The cost of all *governmental* activities this year was \$60,897,643 as shown in Figure A-1.

- Some of the cost was paid by the users of the District's programs (\$9,216,610).
- The federal and state governments subsidized certain programs with grants and contributions (\$12,094,999).
- A significant portion of governmental activities was paid for with \$11,041,021 in property taxes, \$28,354,194 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 2016**

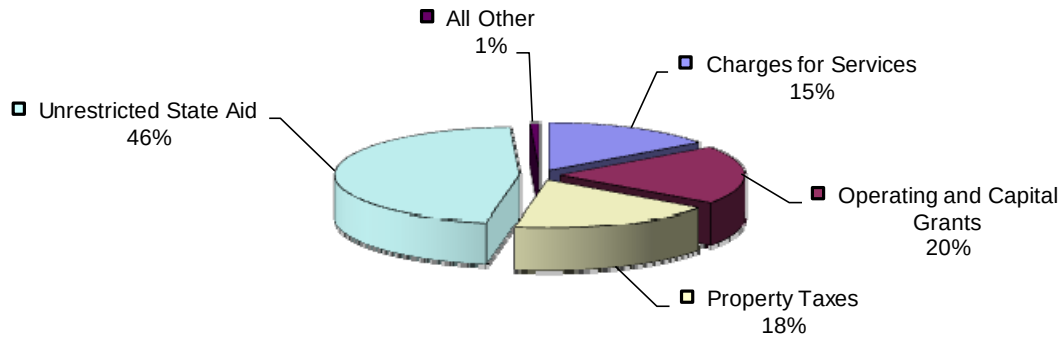
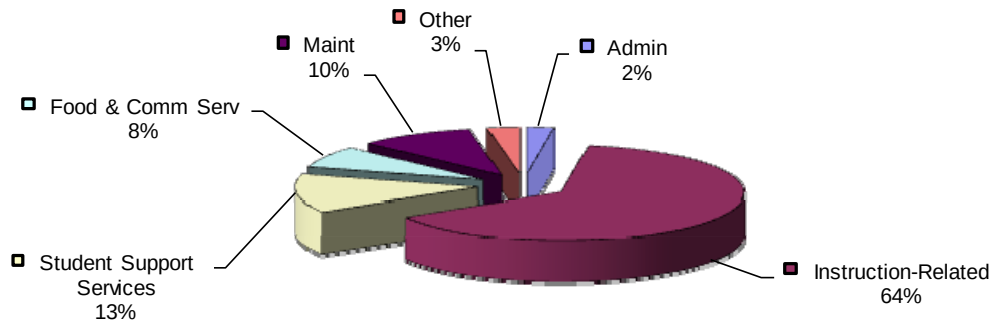


**Figure A-2
District Expenses for Fiscal 2016**



**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 77% 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
	2016	2015		2016	2015	
Administration	\$ 1,440,429	\$ 1,337,795	7.67 %	\$ 1,440,429	\$ 1,337,795	7.67 %
District Support Services	1,135,630	1,032,096	10.03	1,135,630	1,032,096	10.03
Regular Instruction	23,705,406	21,790,879	8.79	20,210,021	18,465,337	9.45
Vocational Education Instruction	773,236	773,340	(0.01)	755,398	760,464	(0.67)
Special Education Instruction	14,494,246	14,949,615	(3.05)	1,686,453	1,391,095	21.23
Instructional Support Services	2,941,917	2,807,152	4.80	2,705,378	2,475,772	9.27
Pupil Support Services	3,883,955	3,734,385	4.01	3,835,336	3,683,589	4.12
Sites and Buildings	6,206,082	4,571,273	35.76	5,893,733	4,201,752	40.27
Fiscal and Other Fixed Cost Programs	183,311	176,392	3.92	183,311	176,392	3.92
Food Service	2,025,562	1,903,682	6.40	(41,223)	(51,980)	20.69
Community Service	2,557,334	2,380,265	7.44	231,033	212,902	8.52
Unallocated - Depreciation	1,102,166	1,102,166	-	1,102,166	1,102,166	-
Interest and Fiscal Charges on Long-Term Liabilities	448,369	128,293	249.49	448,369	128,293	249.49
Total	<u>\$ 60,897,643</u>	<u>\$ 56,687,333</u>	7.43	<u>\$ 39,586,034</u>	<u>\$ 34,915,673</u>	13.38

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 \$50,717,259 which is \$42,207,107 above last year's ending fund balance of \$8,510,152. Revenues and other financing sources for the District's governmental funds were \$107,362,357 while total expenditures and other financing uses were \$65,155,250. 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, 2016**

GENERAL FUND

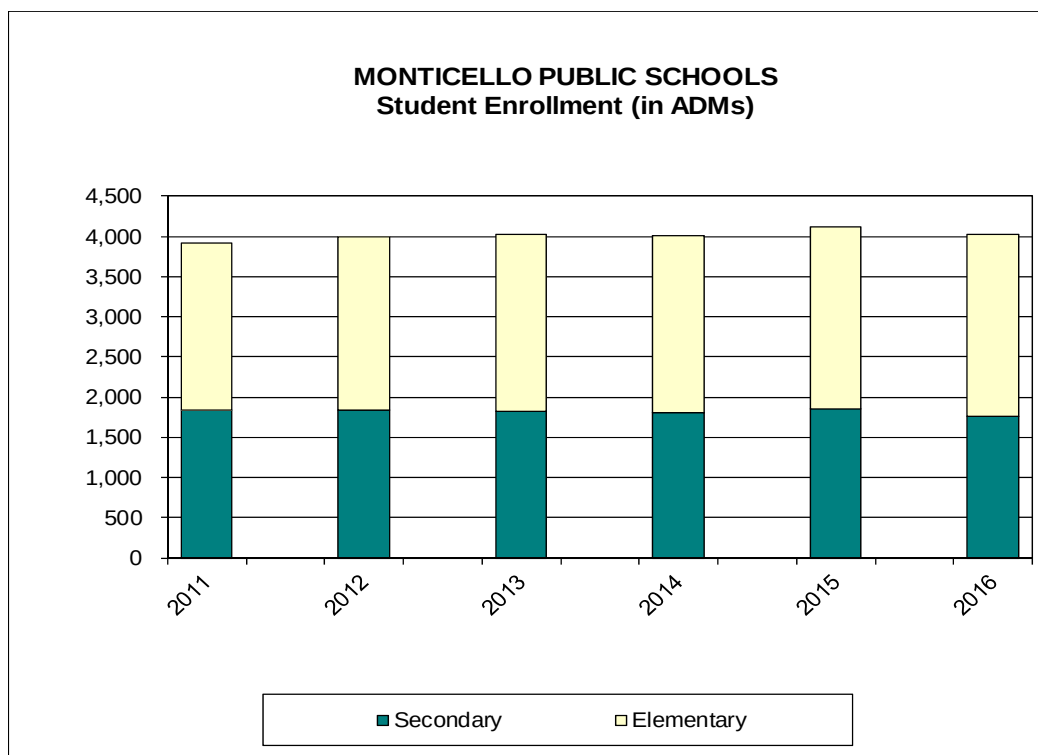
The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12 including pupil transportation activities and capital outlay projects. General Fund operational revenue is controlled by a complex set of state funding formulas 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 over the last couple years.

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

	2011	2012	2013	2014	2015	2016
Elementary	2,078	2,142	2,200	2,202	2,266	2,265
Secondary	1,843	1,847	1,831	1,808	1,849	1,762
Total Students for Aid	3,921	3,989	4,031	4,010	4,115	4,027
Percent Change	-0.13%	1.73%	1.05%	-0.52%	2.61%	-2.12%



In 2016, the District experienced a decrease in enrollment served of 88 ADMs.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following schedule presents a summary of General Fund Revenues.

**Table A-5
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2016	June 30, 2015	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	\$ 6,210,668	\$ 5,639,491	\$ 571,177	10.1 %
Earnings on Investments	18,645	18,478	167	0.9
Other	7,951,131	3,880,497	4,070,634	104.9
State Sources	34,708,376	37,893,692	(3,185,316)	(8.4)
Federal Sources	2,935,963	3,537,322	(601,359)	(17.0)
Total General Fund Revenue	<u>\$ 51,824,783</u>	<u>\$ 50,969,480</u>	<u>\$ 855,303</u>	1.7

Total General Fund Revenue increased by \$855,303 or 1.7% 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. Local property taxes increased due to larger health and safety projects and receiving additional local optional revenue from the State. Previously, the Monticello School District was combined with the Sherburne and Northern Wright Special Education Cooperative as one entity. In 2015-2016, the District had to separate from the Cooperative. When the two were combined, state Special Education Aid flowed through the District. Now that the Cooperative is separate, state Special Education Aid flows to them, and they reimburse the District for the employees they purchased as contracted services.

Federal sources decreased due to slight decreases in grants in addition to the Cooperative separating from the District.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following schedule presents a summary of General Fund Expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2016	June 30, 2015		
Salaries	\$ 30,075,133	\$ 28,854,206	\$ 1,220,927	4.2 %
Employee Benefits	12,850,205	12,138,281	711,924	5.9
Purchased Services	6,069,615	6,733,548	(663,933)	(9.9)
Supplies and Materials	1,679,036	1,623,458	55,578	3.4
Capital Expenditures	1,529,420	1,279,502	249,918	19.5
Other Expenditures	343,404	276,363	67,041	24.3
Total Expenditures	<u>\$ 52,546,813</u>	<u>\$ 50,905,358</u>	<u>\$ 1,641,455</u>	3.2

Total General Fund Expenditures increased \$1,641,455 from the previous year. Besides the contract salary increases, the District hired an additional 4.15 FTE teaching positions to address class sizes and special education needs. Employee benefits also increased with additional staff and salary changes.

In 2015-2016, General Fund expenditures exceeded revenues and other financing sources by \$271,023. Therefore, total fund balance decreased to \$7,028,959 at June 30, 2016. The unassigned fund balance decreased from \$3,814,136 at June 30, 2015 to \$3,484,243 at June 30, 2016.

Unassigned fund balance is the single best measure of overall financial health. The unassigned fund balance of \$3,484,243 at June 30, 2016 represents just over three 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 \$490,069 more than expected from budget. A large portion of this was due to TRA direct aid. The actual expenditures were \$356,368 under budget.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

FOOD SERVICE FUNDS

Revenues exceeded expenditures in the Food Service Fund by \$32,735. Most of this gain came from an increase in federal sources by accessing more food from the commodity program.

COMMUNITY SERVICE FUNDS

Revenues exceeded expenditures in the Community Service Fund by \$96,142. The District received additional revenue due to growth in programs and extra state funding for School Readiness.

CAPITAL PROJECT FUNDS

Revenues and other financing sources exceeded expenditures and other financing uses in the Capital Projects Fund by \$42,743,973 due to the issuance of bonds. 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 \$394,720 in 2015-2016 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 2016, the District had invested about \$80.1 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 \$2,016,086.

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

	2016	2015	Percentage Change
Land	\$ 5,000	\$ 5,000	-
Construction in Progress	5,770,676	756,974	662.3
Land Improvements	4,555,744	4,341,877	4.9
Buildings and Improvements	61,970,269	61,930,208	0.1
Equipment	7,816,845	7,721,221	1.2
Less: Accumulated Depreciation	(41,135,755)	(39,192,354)	5.0
Total	<u>\$ 38,982,779</u>	<u>\$ 35,562,926</u>	9.6

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, 2016**

Long-Term Liabilities

At year-end, the District had \$46,793,398 in general obligation bonds outstanding, net bond premium and discount – an increase of 1719% 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**

	2016	2015	Percentage Change
General Obligation Bonds	\$ 45,215,000	\$ 2,270,000	1891.9 %
Net Bond Premium and (Discount)	1,578,398	302,120	422.4
Obligations Under Capital Leases	<u>421,152</u>	<u>224,554</u>	87.6
Total	<u><u>\$ 47,214,550</u></u>	<u><u>\$ 2,796,674</u></u>	1588.2
Long-Term Liabilities:			
Due Within One Year	\$ 1,203,041	\$ 1,539,979	
Due in More than One Year	<u>46,011,509</u>	<u>1,256,695</u>	
Total	<u><u>\$ 47,214,550</u></u>	<u><u>\$ 2,796,674</u></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.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF NET POSITION
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 56,125,470	\$ 14,422,232
Receivables:		
Property Taxes	5,548,951	5,425,515
Other Governments	6,995,994	6,456,433
Other	248,996	175,904
Prepaid Items	690,298	642,675
Inventories	64,047	84,638
Equity Interest in Joint Venture	336,723	320,112
Due from Trust	-	100,571
Net Supplement Pension Asset	66,302	22,127
Capital Assets:		
Land	5,000	5,000
Construction in Process	5,770,676	756,974
Other Capital Assets, Net of Depreciation	33,207,103	34,800,952
Total Assets	109,059,560	63,213,133
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	6,561,758	5,034,533
LIABILITIES		
Salaries Payable	5,392,253	5,292,803
Accounts and Contracts Payable	806,940	982,569
Accrued Interest	472,965	49,200
Due to Other Governmental Units	83,549	100,617
Due to Other Minnesota School Districts	470,387	824,005
Severance Payable	160,779	131,049
Unearned Revenue:		
Local Sources	1,269,318	1,105,585
Long-Term Liabilities:		
Net Pension Liability	33,638,539	27,230,367
OPEB Liability	1,848,567	1,411,629
Portion Due Within One Year	1,366,022	1,681,127
Portion Due in More Than One Year	46,149,411	1,426,300
Total Liabilities	91,658,730	40,235,251
DEFERRED INFLOWS OF RESOURCES		
Pension Related	3,538,307	8,333,100
Property Taxes Levied for Subsequent Year	10,672,221	10,232,996
Total Deferred Inflows of Resources	14,210,528	18,566,096
NET POSITION		
Net Investment in Capital Assets	34,364,408	32,717,052
Restricted for:		
General Fund Operating Capital Purposes	198,579	309,420
General Fund State-Mandated Restrictions	325,201	100,304
Food Service	157,887	125,152
Community Service	743,327	647,851
Debt Service	842,625	1,258,953
Unrestricted	(26,879,967)	(25,712,413)
Total Net Position	\$ 9,752,060	\$ 9,446,319

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016				2015	
					Net (Expense)	Net (Expense)
					Revenue and	Revenue and
					Changes in	Changes in
					Net Position	Net Position
					Total	Total
Functions	Expenses	Charges for	Operating	Capital	Governmental	Governmental
		Services	Grants and	Grants and	Activities	Activities
			Contributions	Contributions		
Governmental Activities						
Administration	\$ 1,440,429	\$ -	\$ -	\$ -	\$ (1,440,429)	\$ (1,337,795)
District Support Services	1,135,630	-	-	-	(1,135,630)	(1,032,096)
Regular Instruction	23,705,406	398,912	2,816,182	280,291	(20,210,021)	(18,465,337)
Vocational Education Instruction	773,236	-	17,838	-	(755,398)	(760,464)
Special Education Instruction	14,494,246	6,509,474	6,298,319	-	(1,686,453)	(1,391,095)
Instructional Support Services	2,941,917	-	88	236,451	(2,705,378)	(2,475,772)
Pupil Support Services	3,883,955	-	48,619	-	(3,835,336)	(3,683,589)
Sites and Buildings	6,206,082	227,780	5,658	78,911	(5,893,733)	(4,201,752)
Fiscal and Other Fixed Cost Programs	183,311	-	-	-	(183,311)	(176,392)
Food Service	2,025,562	1,059,552	1,007,233	-	41,223	51,980
Community Service	2,557,334	1,020,892	1,305,409	-	(231,033)	(212,902)
Interest and Fiscal Charges on						
Long-Term Liabilities	448,369	-	-	-	(448,369)	(128,293)
Unallocated - Depreciation	1,102,166	-	-	-	(1,102,166)	(1,102,166)
Total School District	<u>\$ 60,897,643</u>	<u>\$ 9,216,610</u>	<u>\$ 11,499,346</u>	<u>\$ 595,653</u>	<u>(39,586,034)</u>	<u>(34,915,673)</u>
General Revenues						
Property Taxes Levied for:						
General Purposes					6,183,526	5,611,498
Community Service					223,361	273,445
Building Construction					3,500,000	-
Debt Service					1,134,134	5,098,466
State Aid Not Restricted to Specific Purposes					28,354,194	27,341,397
Earnings on Investments					151,399	28,125
Gain on Sale of Capital Assets					5,800	25,878
Miscellaneous					339,361	342,146
Total General Revenues					<u>39,891,775</u>	<u>38,720,955</u>
Change in Net Position					305,741	3,805,282
Net Position - Beginning of Year					9,446,319	5,641,037
Net Position - End of Year					<u>\$ 9,752,060</u>	<u>\$ 9,446,319</u>

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2015)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2016	2015
ASSETS							
Cash and Investments	\$ 10,317,470	\$ 294,136	\$ 1,199,960	\$ 42,404,258	\$ 1,909,646	\$ 56,125,470	\$ 14,422,232
Receivables:							
Current Property Taxes	4,290,755	-	132,210	-	1,024,936	5,447,901	5,297,323
Delinquent Property Taxes	63,090	-	2,425	-	35,535	101,050	128,192
Due from Other Minnesota School Districts	2,986,333	-	9,941	-	-	2,996,274	774,714
Due from Minnesota Department of Education	3,731,073	2,058	125,977	-	394	3,859,502	4,278,482
Due from Federal through Minnesota Department of Education	48,097	11,784	1,061	-	-	60,942	1,254,445
Due from Other Governmental Units	79,276	-	-	-	-	79,276	148,792
Other Receivables	83,467	504	67,317	97,708	-	248,996	175,904
Due from Other Funds	-	-	-	-	-	-	276,421
Prepaid Items	690,298	-	-	-	-	690,298	642,675
Inventory	36,415	26,900	732	-	-	64,047	84,638
Total Assets	\$ 22,326,274	\$ 335,382	\$ 1,539,623	\$ 42,501,966	\$ 2,970,511	\$ 69,673,756	\$ 27,483,818
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities:							
Salaries Payable	\$ 2,374,374	\$ 45,789	\$ 26,290	\$ -	\$ -	\$ 2,446,453	\$ 2,356,769
Payroll Deductions and Employer Contributions Payable	2,850,160	66,989	28,651	-	-	2,945,800	2,936,034
Accounts and Contracts Payable	229,326	6,682	51,387	519,545	-	806,940	982,569
Due to Other Governmental Units	82,307	-	1,242	-	-	83,549	100,617
Due to Other Minnesota School Districts	76,576	-	393,811	-	-	470,387	824,005
Due to Other Funds	-	-	-	-	-	-	175,850
Severance Payable	160,779	-	-	-	-	160,779	131,049
Unearned Revenue	1,190,853	58,035	20,430	-	-	1,269,318	1,105,585
Total Liabilities	6,964,375	177,495	521,811	519,545	-	8,183,226	8,612,478
Deferred Inflows of Resources:							
Property Taxes Levied for Subsequent Year	8,269,850	-	274,485	-	2,127,886	10,672,221	10,232,996
Unavailable Revenue - Delinquent Property Taxes	63,090	-	2,425	-	35,535	101,050	128,192
Total Deferred Inflows of Resources	8,332,940	-	276,910	-	2,163,421	10,773,271	10,361,188
Fund Balance							
Nonspendable:							
Prepaid Items	690,298	-	-	-	-	690,298	642,675
Inventory	36,415	26,900	732	-	-	64,047	84,638
Restricted:							
Staff Development	-	-	-	-	-	-	28,788
Deferred Maintenance	74,037	-	-	-	-	74,037	38,568
Health and Safety	222,562	-	-	-	-	222,562	-
Operating Capital	198,579	-	-	-	-	198,579	309,420
Teacher Development and Eval	28,602	-	-	-	-	28,602	32,948
Community Education Programs	-	-	174,065	-	-	174,065	148,913
Early Childhood and Family Educations Programs	-	-	85,192	-	-	85,192	81,420
School Readiness	-	-	98,102	-	-	98,102	59,745
Adult Basic Education	-	-	245,641	-	-	245,641	218,766
Restricted for LTFM	-	-	-	5,782,122	-	5,782,122	-
Restricted for Building Construction	-	-	-	37,037,518	-	37,037,518	-
Other Restricted	-	130,987	137,170	-	807,090	1,075,247	1,442,924
Committed:							
Severance Benefits	1,570,581	-	-	-	-	1,570,581	1,689,771
Assigned:							
Special Education Excess Cost Revenue	542,166	-	-	-	-	542,166	542,166
School Building Carryover	181,476	-	-	-	-	181,476	136,826
Unassigned	3,484,243	-	-	(837,219)	-	2,647,024	3,052,584
Total Fund Balance	7,028,959	157,887	740,902	41,982,421	807,090	50,717,259	8,510,152
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 22,326,274	\$ 335,382	\$ 1,539,623	\$ 42,501,966	\$ 2,970,511	\$ 69,673,756	\$ 27,483,818

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, 2016
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2015)**

	<u>2016</u>	<u>2015</u>
Total Fund Balance for Governmental Funds	\$ 50,717,259	\$ 8,510,152
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	5,000
Construction in Progress	5,770,676	756,974
Land Improvements, Net of Accumulated Depreciation	1,510,806	1,440,063
Buildings and Improvements, Net of Accumulated Depreciation	29,897,466	31,294,652
Equipment, Net of Accumulated Depreciation	1,798,831	2,066,237
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.	101,050	128,192
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	(33,638,539)	(27,230,367)
Deferred Inflows of Resources - Pension Related	(3,538,307)	(8,333,100)
Deferred Outflows of Resources - Pension Contributions	6,561,758	5,034,533
The Net Supplemental Pension assets are not current financial resources and, therefore, are not reported at fund level.	66,302	22,127
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(472,965)	(49,200)
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	336,723	320,112
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	(45,215,000)	(2,270,000)
Unamortized Premiums	(1,578,398)	(302,120)
Obligations Under Capital Leases	(421,153)	(224,554)
Sick Leave	(137,901)	(169,605)
Other Postemployment Benefits Payable	(1,848,567)	(1,411,629)
Compensated Absences Payable	(162,981)	(141,148)
Total Net Position of Governmental Activities	<u><u>\$ 9,752,060</u></u>	<u><u>\$ 9,446,319</u></u>

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Capital Projects	Debt Service	2016	2015
REVENUES							
Local Sources:							
Property Taxes	\$ 6,210,668	\$ -	\$ 266,827	\$ 3,500,000	\$ 1,090,668	\$ 11,068,163	\$ 11,011,402
Earnings on Investments	18,645	796	2,546	125,781	3,631	151,399	28,125
Other	7,951,131	1,059,552	1,024,591	-	-	10,035,274	5,902,663
State Sources	34,708,376	134,507	1,266,673	-	3,938	36,113,494	39,190,816
Federal Sources	2,935,963	872,726	41,907	-	-	3,850,596	4,361,724
Total Revenues	51,824,783	2,067,581	2,602,544	3,625,781	1,098,237	61,218,926	60,494,730
EXPENDITURES							
Current:							
Administration	1,433,362	-	-	-	-	1,433,362	1,343,272
District Support Services	1,094,300	-	-	-	-	1,094,300	1,017,776
Regular Instruction	23,167,361	-	-	-	-	23,167,361	21,840,424
Vocational Education Instruction	770,423	-	-	-	-	770,423	783,246
Special Education Instruction	14,332,384	-	-	-	-	14,332,384	14,948,635
Instructional Support Services	1,939,646	-	-	-	-	1,939,646	1,976,662
Pupil Support Services	3,865,216	-	-	-	-	3,865,216	3,708,963
Sites and Buildings	3,978,858	-	-	-	-	3,978,858	3,674,596
Fiscal and Other Fixed Cost Programs	183,311	-	-	-	-	183,311	176,392
Food Service	-	1,993,950	-	-	-	1,993,950	1,892,382
Community Service	-	-	2,459,126	-	-	2,459,126	2,357,812
Capital Outlay	1,529,420	40,896	47,276	6,568,646	-	8,186,238	2,120,051
Debt Service:							
Principal	242,808	-	-	-	1,395,000	1,637,808	4,847,978
Interest and Fiscal Charges	9,724	-	-	-	100,750	110,474	310,087
Total Expenditures	52,546,813	2,034,846	2,506,402	6,568,646	1,495,750	65,152,457	60,998,276
Excess (Deficiency) of Revenues Over (Under) Expenditures	(722,030)	32,735	96,142	(2,942,865)	(397,513)	(3,933,531)	(503,546)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Equipment	11,600	-	-	-	-	11,600	26,086
Bond Proceeds	-	-	-	44,340,000	-	44,340,000	-
Capital Lease Proceeds	439,407	-	-	-	-	439,407	-
Bond Premium (Discount)	-	-	-	1,349,631	-	1,349,631	-
Transfers In	-	-	-	-	2,793	2,793	-
Transfers Out	-	-	-	(2,793)	-	(2,793)	-
Total Other Financing Sources	451,007	-	-	45,686,838	2,793	46,140,638	26,086
Net Change in Fund Balances	(271,023)	32,735	96,142	42,743,973	(394,720)	42,207,107	(477,460)
Fund Balances - Beginning of Year	7,299,982	125,152	644,760	(761,552)	1,201,810	8,510,152	8,987,612
Fund Balances - End of Year	\$ 7,028,959	\$ 157,887	\$ 740,902	\$ 41,982,421	\$ 807,090	\$ 50,717,259	\$ 8,510,152

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, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)**

	2016	2015
Net Change in Fund Balance - Total Governmental Funds	\$ 42,207,107	\$ (477,460)

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	5,540,771	1,363,663
Gain (Loss) on Disposal of Capital Assets	(104,832)	(208)
Depreciation Expense	(2,016,086)	(2,025,755)

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.

Other Financing Source - Capital Lease Proceeds	(439,407)	-
Change in Accrued Interest Expense - Capital Leases	9,881	6,549
Principal Payments - Capital Leases	242,808	137,978

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	(44,340,000)	-
Bond Discount (Premium)	(1,349,631)	-
Repayment of Bond Principal	1,395,000	4,710,000
Change in Accrued Interest Expense - General Obligation Bonds	(433,646)	79,656
Amortization of Bond Premium	73,353	77,677

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.	(27,142)	(27,993)
--	----------	----------

Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	16,611	(252,849)
--	--------	-----------

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).	(382,892)	(257,626)
--	-----------	-----------

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.

	(86,154)	471,650
Change in Net Position of Governmental Activities	\$ 305,741	\$ 3,805,282

See accompanying Notes to Basic Financial Statements.

**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, 2016**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Property Taxes	\$ 6,192,740	\$ 6,225,861	\$ 6,210,668	\$ (15,193)
Earnings on Investments	10,000	10,000	18,645	8,645
Other	8,473,251	8,577,733	7,951,131	(626,602)
State Sources	33,574,598	33,953,170	34,708,376	755,206
Federal Sources	2,534,644	2,547,547	2,935,963	388,416
Total Revenues	50,785,233	51,314,311	51,824,783	510,472
EXPENDITURES				
Current:				
Administration	1,406,535	1,396,765	1,433,362	36,597
District Support Services	1,121,504	1,133,974	1,094,300	(39,674)
Elementary and Secondary Regular Instruction	22,752,221	23,268,978	23,167,361	(101,617)
Vocational Education Instruction	762,463	762,463	770,423	7,960
Special Education Instruction	14,159,041	14,310,487	14,332,384	21,897
Instructional Support Services	1,649,885	1,695,952	1,939,646	243,694
Pupil Support Services	3,869,595	3,898,472	3,865,216	(33,256)
Sites and Buildings	4,900,627	4,066,029	3,978,858	(87,171)
Fiscal and Other Fixed Cost Programs	184,045	184,045	183,311	(734)
Capital Outlay	1,153,500	1,964,314	1,529,420	(434,894)
Debt Service:				
Principal	211,978	211,978	242,808	30,830
Interest and Fiscal Charges	9,724	9,724	9,724	-
Total Expenditures	52,181,118	52,903,181	52,546,813	(356,368)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,395,885)	(1,588,870)	(722,030)	866,840
OTHER FINANCING SOURCES				
Proceeds from Sale of Equipment	2,000	12,000	11,600	(400)
Insurance Recovery Proceeds	10,000	10,000	-	(10,000)
Capital Lease Proceeds	-	449,410	439,407	(10,003)
Total Other Financing Sources	12,000	471,410	451,007	(20,403)
Net Change in Fund Balance	\$ (1,383,885)	\$ (1,117,460)	(271,023)	\$ 846,437
FUND BALANCE				
Beginning of Year			7,299,982	
End of Year			\$ 7,028,959	

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, 2016**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Earnings on Investments	\$ 100	\$ 100	\$ 796	\$ 696
Other - Primarily Meal Sales	1,060,990	1,063,560	1,059,552	(4,008)
State Sources	133,500	134,980	134,507	(473)
Federal Sources	811,195	799,755	872,726	72,971
Total Revenues	2,005,785	1,998,395	2,067,581	69,186
EXPENDITURES				
Current:				
Food Service	1,967,016	1,947,726	1,993,950	46,224
Capital Outlay	30,535	40,530	40,896	366
Total Expenditures	1,997,551	1,988,256	2,034,846	46,590
Net Change in Fund Balance	<u>\$ 8,234</u>	<u>\$ 10,139</u>	32,735	<u>\$ 22,596</u>
FUND BALANCE				
Beginning of Year			125,152	
End of Year			<u>\$ 157,887</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, 2016**

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final	Amounts	
REVENUES				
Local Sources:				
Property Taxes	\$ 261,214	\$ 261,214	\$ 266,827	\$ 5,613
Earnings on Investments	1,500	1,500	2,546	1,046
Other - Primarily Tuition and Fees	1,003,200	1,003,200	1,024,591	21,391
State Sources	1,169,789	1,169,789	1,266,673	96,884
Federal Sources	43,000	43,000	41,907	(1,093)
Total Revenues	2,478,703	2,478,703	2,602,544	123,841
EXPENDITURES				
Current:				
Community Service	2,362,412	2,362,412	2,459,126	96,714
Capital Outlay	56,100	56,100	47,276	(8,824)
Total Expenditures	2,418,512	2,418,512	2,506,402	87,890
Net Change in Fund Balance	<u>\$ 60,191</u>	<u>\$ 60,191</u>	96,142	<u>\$ 35,951</u>
FUND BALANCE				
Beginning of Year			644,760	
End of Year			<u>\$ 740,902</u>	

See accompanying Notes to Basic Financial Statements.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016**

	<u>Agency Fund</u>	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ASSETS		
Cash and Investments	\$ 2,825,438	\$ 1,946,793
	<u>2,825,438</u>	
LIABILITIES		
Accounts Payable	\$ 2,825,438	-
	<u>2,825,438</u>	
NET POSITION		
Held in Trust for Employee Benefits		<u>\$ 1,946,793</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2016**

	<u>Postemployment Benefits Irrevocable Trust Fund</u>
ADDITIONS	
Earnings on Investments	\$ 36,941
Employer Contributions	50,000
Total Additions	<u>86,941</u>
DEDUCTIONS	
Health Premiums	<u>74,502</u>
Change in Net Assets	12,439
Net Position - Beginning of Year	<u>1,934,354</u>
Net Position - End of Year	<u>\$ 1,946,793</u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 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, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or 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: private purpose trust. 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 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, 2016**

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, 2016**

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, 2016**

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, 2016**

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, 2016, 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	\$ 50,785,233	\$ 529,078	\$ 51,314,311
Special Revenue Funds:			
Food Service Fund	2,005,785	(7,390)	1,998,395
<u>Expenditures</u>			
General Fund	\$ 52,181,118	\$ 722,063	\$ 52,903,181
Special Revenue Funds:			
Food Service Fund	1,997,551	(9,295)	1,988,256

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, 2016**

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 using the consumption method.

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, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at \$480,526) for the District. Certain other portions of the District's 2015 pay 2016 levy, normally revenue for the 2016-17 fiscal year, are also advance recognized at June 30, 2016, 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, 2016, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$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, 2016**

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. 27.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Accrued Employee Benefits (Continued)

Postemployment Health Care Benefits

Under the terms of certain collectively bargained employment contracts, including the teachers' and administrators' contracts, the District is required to pay the health and dental insurance premiums for retired employees until they reach specified age requirements such as Medicare eligibility. Dental retiree insurance is only given to the administrators. These plans are no longer available to employees hired subsequent to July 1, 2000, based on the collectively bargained employment contracts. GASB Statement No. 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition. The OPEB liability is being amortized (phased-in) over 30 years as allowed by GASB Statement No. 45.

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, 2016**

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 from 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. Risk Management

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

T. 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 their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. 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.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 1,988,256	\$ 2,034,846	\$ 46,590
Community Service Fund	2,418,512	2,506,402	87,890

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

B. Interfund Transfers

The District transferred \$2,793 from the Capital Projects Fund to the Debt Service Fund due to the requirements of the bond document. 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, 2016**

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, 2016 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, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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

	<u>Amount</u>
MSDLAF	\$ 29,058,970
MN Trust Term Series	983,238
Mutual Funds	16,868
Negotiable Certificates of Deposit	497,270
Commercial Paper	7,841,765
FNMA	3,686,856
FHLMC	993,179
Freddie Mac	6,423,629
Guaranteed Investment Contract	1,946,793
Insurance Annuity	108,045
Total Investments	<u>\$ 51,556,613</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.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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	\$ 29,058,970	\$ 29,058,970	\$ -
MN Trust Term Series	983,238	983,238	-
Mutual Funds	16,868	16,868	-
Negotiable Certificates of Deposit	497,270	249,054	248,216
Commercial Paper	7,841,765	7,841,765	-
FNMA	3,686,856	3,686,856	-
FHLMC	993,179	-	993,179
Freddie Mac	6,423,629	-	6,423,629
Guaranteed Investment Contract	1,946,793	1,946,793	-
Insurance Annuity	108,045	108,045	-
Total	<u>\$ 51,556,613</u>	<u>\$ 43,891,589</u>	<u>\$ 7,665,024</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 School District's investments as rated by Moody's Investors Service:

Type	Credit Quality Rating	Amount
MSDLAF Liquid Class	AAAm	\$ 5,008,054
MSDLAF Max Class	AAAf	24,050,916
MN Trust Term Series	AAA	983,238
Mutual Funds	AAA	16,868
Guaranteed Investment Contract	AA	1,946,793
Insurance Annuity	AA	108,045
FNMA	AA	3,686,856
FHLMC	AA	993,179
Freddie Mac	AA	6,423,629
Commercial Paper	A	7,841,765
Negotiable Certificates of Deposit	NR	497,270
Total		<u>\$ 51,556,613</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 than 5% of the School District's total investments:

Type	Amount	Percentage
MSDLAF	\$ 29,058,970	46.65%
Freddie Mac	6,423,629	12.46%
FNMA	3,686,856	7.15%

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, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The deposits and investments are made up of the following:

Deposits	\$ 9,341,088
Negotiable Certificates of Deposits	497,270
Minnesota School District Liquid Asset Fund (MSDLAF)	29,058,970
MN Trust Term Series	983,238
Investments	21,017,135
Total Deposits and Investments	<u>\$ 60,897,701</u>

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

Cash and Investments - Statement of Net Position	\$ 56,125,470
Cash and Investments - Statement of Fiduciary Fund Net Position	4,772,231
Total Cash and Investments	<u>\$ 60,897,701</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.

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.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements (Continued)

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Government/Agency Obligations	\$ 11,103,664	\$ -	\$ -	\$ 11,103,664
CD's	497,271	-	-	497,271
	<u>11,600,935</u>	<u>-</u>	<u>-</u>	<u>11,600,935</u>
Investments measured at Net Asset Value (NAV)				29,058,970
Total Investments				<u>\$ 40,659,905</u>

The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00.

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

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

	Net Asset Value	Unfunded Commitments
MSDLAF Liquid Class	\$ 5,008,054	\$ -
MSDLAF Max Class	24,050,916	-

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Construction in Progress	756,974	5,013,702	-	5,770,676
Total Capital Assets, Not Being Depreciated	761,974	5,013,702	-	5,775,676
Capital Assets, Being Depreciated:				
Land Improvements	4,341,877	213,867	-	4,555,744
Buildings and Improvements	61,930,208	40,061	-	61,970,269
Equipment	7,721,221	273,141	(177,517)	7,816,845
Total Capital Assets, Being Depreciated	73,993,306	527,069	(177,517)	74,342,858
Accumulated Depreciation for:				
Land Improvements	(2,901,814)	(143,124)	-	(3,044,938)
Buildings and Improvements	(30,635,556)	(1,437,247)	-	(32,072,803)
Equipment	(5,654,984)	(435,715)	72,685	(6,018,014)
Total Accumulated Depreciation	(39,192,354)	(2,016,086)	72,685	(41,135,755)
Total Capital Assets, Being Depreciated, Net	34,800,952	(1,489,017)	(104,832)	33,207,103
Governmental Activities Capital Assets, Net	<u>\$ 35,562,926</u>	<u>\$ 3,524,685</u>	<u>\$ (104,832)</u>	<u>\$ 38,982,779</u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 CAPITAL ASSETS (CONTINUED)

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

Governmental Activities

District Support Services	\$ 6,393
Regular Instruction	74,626
Special Education Instruction	15,498
Instructional Support Services	26,339
Pupil Support Services	233,724
Sites and Buildings	17,025
Community Service	540,315
Unallocated	<u>1,102,166</u>
Total Depreciation Expense, Governmental Activities	<u><u>\$ 2,016,086</u></u>

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	\$ 160,000	\$ 875,000
2/23/2016	2.00% - 4.00%	38,640,000	2/1/2040	725,000	38,640,000
2/23/2016	2.00% - 3.00%	5,700,000	2/1/2031	<u>160,000</u>	<u>5,700,000</u>
Total General Obligation Bonds				1,045,000	45,215,000
Bond Premium - Net				-	1,578,398
Lease Purchase Obligations:					
Phone Equipment				79,575	79,575
MS Track/HVAC				<u>78,466</u>	<u>341,577</u>
Total Leases Purchase Obligations				158,041	421,152
Sick Leave Payable				-	137,901
Compensated Absences Payable				<u>162,981</u>	<u>162,981</u>
				<u><u>\$ 1,366,022</u></u>	<u><u>\$ 47,515,432</u></u>

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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>
2017	\$ 1,045,000	\$ 1,234,313	\$ 158,041	\$ 21,653
2018	1,835,000	1,288,275	82,915	14,915
2019	1,570,000	1,248,275	87,615	10,215
2020	1,655,000	1,213,375	92,582	5,248
2021	1,660,000	1,176,575	-	-
2022 - 2026	8,865,000	5,310,125	-	-
2027 - 2031	10,295,000	3,912,425	-	-
2032 - 2036	9,555,000	2,255,125	-	-
2037 - 2041	8,735,000	704,238	-	-
Total	<u>\$ 45,215,000</u>	<u>\$ 18,342,726</u>	<u>\$ 421,152</u>	<u>\$ 52,032</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, 2016 is \$66,735,612. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statute.

2. Capital Lease

On October 1, 2007, the District entered into a lease purchase agreement for the acquisition of a phone system. The capital lease obligation and corresponding equipment totaled \$455,970. The capital lease agreement includes annual principal and interest payments of \$72,840.

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
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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:

Phone System	\$ 471,982
MS HVAC	235,290
MS Track	204,117
Less: Accumulated Depreciation	<u>(406,287)</u>
Total	<u><u>\$ 505,102</u></u>

D. Changes in Long-Term Debt

	June 30, 2015	Net Additions	Retirements	June 30, 2016
Bonds Payable	\$ 2,270,000	\$ 44,340,000	\$ 1,395,000	\$ 45,215,000
Bond Premium	302,120	1,349,631	73,353	1,578,398
Lease Purchase Obligations	224,554	439,407	242,808	421,153
Sick Leave Payable	169,605	299,853	331,557	137,901
Compensated Absences Payable - Net	<u>141,148</u>	<u>360,976</u>	<u>339,143</u>	<u>162,981</u>
Total	<u><u>\$ 3,107,427</u></u>	<u><u>\$ 46,789,867</u></u>	<u><u>\$ 2,381,861</u></u>	<u><u>\$ 47,515,433</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.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Restricted, Committed and Assigned fund balances at June 30, 2016 are as follows:

	Restricted	Committed	Assigned
General Fund:			
Restricted for Deferred Maintenance	\$ 74,037	\$ -	\$ -
Restricted for Health and Safety	222,562	-	-
Restricted for Operating Capital	198,579	-	-
Restricted for Teacher Development and Eval	28,602	-	-
Committed for Severance Benefits	-	1,570,581	-
Assigned for Special Education Costs	-	-	542,166
Assigned for School Building Carryover	-	-	181,476
Total General Fund	523,780	1,570,581	723,642
Special Revenue Funds:			
Food Service Fund:			
Restricted for Food Service	130,987	-	-
Community Service Fund:			
Restricted for Community Education Programs	174,065	-	-
Restricted for Early Childhood and Family Education Programs	85,192	-	-
Restricted for School Readiness	98,102	-	-
Restricted for Adult Basic Education	245,641	-	-
Restricted for Community Service	137,170	-	-
Total Special Revenue Funds	871,157	-	-
Capital Projects - Building Construction Fund:			
Restricted for LTFMR	5,782,122	-	-
Restricted for Building Construction	37,037,518	-	-
Total Capital Projects - Building Construction Fund	42,819,640	-	-
Debt Service:			
Restricted for Debt Service	807,090	-	-
Total All Funds	\$ 45,021,667	\$ 1,570,581	\$ 723,642

A. Restricted for Deferred Maintenance

Represents accumulated resources available for deferred maintenance.

B. 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.

C. 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
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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

D. Restricted for Teacher Development and Evaluation

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

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 Long-Term Facilities Maintenance (LTFM)

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

J. Restricted for Building Construction

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

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.

L. Committed for Severance Benefits

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

M. Assigned for Special Education Excess Cost Revenue

This assignment represents resources segregated by the District related to the payment of additional special education money from the state.

N. Assigned for School Building Carryover

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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. PERA and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (GERF)

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

2. Teachers Retirement Fund (TRA)

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

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 cities of Duluth and St. Paul, and by the University of Minnesota system) are required to be TRA members. State university, community college, and technical college teachers first employed by the Minnesota State College and Universities (MnSCU) may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

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

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are 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. GERS Benefits

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

2. TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota 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
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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 Statutes. 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
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. The District's contributions to the GERF for the Plan's fiscal year ended June 30, 2016, were \$489,231. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	<u>Ending June 30, 2015</u>		<u>Ending June 30, 2016</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0 %	11.5 %	11.0 %	11.5 %
Coordinated	7.5	7.5	7.5	7.5

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016, were \$1,815,948. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$5,659,311 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was .1092% which was a decrease of .0012% from its proportion measured as of June 30, 2014.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$594,095 for its proportionate share of GERF's pension expense.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 52,483	\$ 285,326
Changes in Actuarial Assumptions	352,442	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	503,783
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	48,695
District Contributions Subsequent to the Measurement Date	489,231	-
Total	<u>\$ 894,156</u>	<u>\$ 837,804</u>

\$489,231 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2017	\$ (121,450)
2018	(121,450)
2019	(323,913)
2020	133,934

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$27,979,228 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.4523% at the end of the measurement period and 0.4784% 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	\$ 27,979,228
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	3,432,062

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

For the year ended June 30, 2016, the District recognized pension expense of \$1,815,408. It also recognized \$606,744 as pension expense for the support provided by direct aid.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,433,651	\$ -
Changes in Actuarial Assumptions	2,150,860	-
Net Difference Between Projected and Actual Investment Earnings	-	2,139,911
Changes in Proportion Differences Between Contributions and Made and the District's Proportionate Share of Contributions (Second Part to be determined by District)	267,143	560,592
District Contributions Subsequent to the Measurement Date	1,815,948	-
Total	<u>\$ 5,667,602</u>	<u>\$ 2,700,503</u>

\$1,815,948 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2017	\$ (182,558)
2018	(182,558)
2019	(182,558)
2020	1,362,775
2021	336,050

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 PENSION PLANS (CONTINUED)

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

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

	<u>6/30/2014 CAFR</u>	<u>Restated</u>
Total Pension Liability (A)	\$ 24,901,612,000	\$ 25,299,564,000
Plan Fiduciary Net Position (B)	<u>20,293,684,000</u>	<u>20,519,756,000</u>
Net Pension Liability (A-B)	<u>\$ 4,607,928,000</u>	<u>\$ 4,779,808,000</u>

F. Actuarial Assumptions

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

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per Year	3.50%
Active Member Payroll Growth	3.50% per Year	3.75% Based on Years of Service
Investment Rate of Return	7.90%	8.00%

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

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

The following changes in actuarial assumptions for GERF occurred in 2015: the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9% for GERS and 8.00% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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>GERF Discount Rate</u>	6.90%	7.90%	8.90%
District's Proportionate Share of the GERF Net Pension Liability	\$ 8,898,448	\$ 5,659,311	\$ 2,948,281
<u>TRA Discount Rate</u>	7.00%	8.00%	9.00%
District's Proportionate Share of the TRA Net Pension Liability	\$ 42,588,007	\$ 27,979,228	\$ 15,787,780

I. Pension Plan Fiduciary Net Position

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

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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District provides postemployment healthcare benefits to certain eligible employees. The District provides these benefits in a single-employer defined benefit healthcare plan administered by the District. All of the postemployment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. The plan does not issue a publicly available financial report.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the District. The District has established an Other Postemployment Benefits Trust Fund to fund these obligations. For fiscal year 2016, the District contributed \$50,000 to the plan.

As of June 30, 2016, there were 64 retirees and beneficiaries receiving health benefits from the District's health plan. The plan has a total of 1,345 active participants and dependents. Of that total, 342 are not yet eligible to receive benefits.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 1,535,687
Interest on Net OPEB Obligation	53,994
Adjustment to ARC	<u>(82,447)</u>
Annual OPEB Cost	1,507,234
Contributions During the Year	<u>(1,040,566)</u>
Increase in Net OPEB Obligation	466,668
Net OPEB - Beginning of the Year	<u>1,542,678</u>
Net OPEB - End of the Year	<u><u>\$ 2,009,346</u></u>

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

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2014	\$ 1,355,623	\$ 1,088,645	80.59%	\$ 1,200,311
June 30, 2015	1,487,684	1,145,317	76.99	1,542,678
June 30, 2016	1,507,234	1,040,566	69.04	2,009,346

D. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ 1,940,955	\$ 15,934,187	\$ 13,993,232	12.18%	\$ 27,210,555	51.43%

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Funded Status and Funding Progress (Continued)

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.5% to 5.0% after ten years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis over a 30-year period.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 SUPPLEMENTAL BENEFIT PLAN

A. Plan Description

The District provides a defined contribution 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.

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.

The District's annual pension cost (expense) is calculated based on annual required contributions (ARC) of the District, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 27. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual pension cost for the year, the amount actually contributed to the plan, and the changes in the District net pension obligation to the plan:

Annual Required Contribution (ARC)	\$ 132,327
Interest on Net Pension Obligation	(775)
Adjustment to ARC	<u>1,183</u>
Annual Pension Cost	132,735
Contributions During the Year	<u>(176,911)</u>
Increase in Net Pension Obligation/ (Asset)	(44,176)
Net Pension (Asset) - Beginning of the Year	<u>(22,127)</u>
Net Pension Obligation - End of the Year	<u><u>\$ (66,303)</u></u>

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

Fiscal Year Ended	Annual Pension Cost	Employer Contribution	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
June 30, 2014	\$ 136,791	\$ 152,506	111.49 %	\$ 10,341
June 30, 2015	132,194	164,662	124.56	(22,127)
June 30, 2016	132,736	176,911	133.28	(66,303)

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 SUPPLEMENTAL BENEFIT PLAN (CONTINUED)

C. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2014	\$ -	\$ 1,383,012	\$ 1,383,012	- %	\$ 9,823,844	14.08%

The Schedule of Funding Progress, presented as required supplementary information following the notes to the basic financial statements present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

D. Actuarial Methods and Assumptions

The annual required contribution for the current year was determined as part of the July 1, 2014, actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 3.5% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3%.

The actuarial methods and assumptions include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll over a 30-year period.

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.

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 JOINT VENTURE AGREEMENT (CONTINUED)

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, 2016**

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 2016 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 \$9,538,142 as of the end of the year.

This Page Has Been Intentionally Left Blank.

REQUIRED SUPPLEMENTARY INFORMATION

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF FUNDING PROGRESS**

The following schedules present trend information about the amounts contributed to the Postemployment Healthcare Benefit Plan and the Supplemental Pension Plan by the District:

Schedule of Funding Progress – OPEB

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ 1,069,366	\$ 15,176,676	\$ 14,107,310	7.05 %	\$ 22,280,892	63.32 %
7/1/2012	1,645,940	13,789,212	12,143,272	11.94	24,843,560	48.88
7/1/2014	1,940,955	15,934,187	13,993,232	12.18	27,210,555	51.43

Schedule of Funding Progress – Supplemental Pension

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2010	\$ -	\$ 1,507,614	\$ 1,507,614	- %	\$ 11,834,667	12.74 %
7/1/2012	-	1,472,367	1,472,367	-	10,185,485	14.46
7/1/2014	-	1,383,012	1,383,012	-	9,823,844	14.08

Schedule of Employer Contributions – OPEB

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
June 30, 2009	\$ 1,089,418	\$ 671,817	61.67 %	\$ 417,601
June 30, 2010	1,083,866	793,932	73.25	707,535
June 30, 2011	1,435,010	1,141,713	79.56	100,832
June 30, 2012	1,445,719	1,207,126	83.50	1,239,425
June 30, 2013	1,316,551	999,458	75.91	1,556,518
June 30, 2014	1,355,623	1,088,645	80.31	1,200,311
June 30, 2015	1,487,684	1,145,317	76.99	1,542,678
June 30, 2016	1,507,234	1,040,566	69.04	2,009,346

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2016**

	Measurement Date June 30, 2015	Measurement Date June 30, 2014
PERA		
District's Proportion of the Net Pension Liability (Asset)	0.1092%	0.1104%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 5,659,311	\$ 5,186,039
District's Covered-Employee Payroll	\$ 6,291,980	\$ 5,986,992
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	89.94%	86.62%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%	78.75%
TRA		
District's Proportion of the Net Pension Liability (Asset)	0.4523%	0.4784%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 27,979,228	\$ 22,044,328
State's Proportionate Share of the Net Pension Liability Associated with District	\$ 3,432,062	\$ 1,550,926
Total of District's and State's Proportionate Share of the Net Pension Liability	\$ 31,411,290	\$ 23,595,254
District's Covered-Employee Payroll	\$ 23,150,263	\$ 21,836,533
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	120.86%	100.95%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	76.77%	81.50%

NOTE: Information prior to 2014 is unavailable.

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

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

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

This Page Has Been Intentionally Left Blank.

SUPPLEMENTARY INFORMATION

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
STATEMENT OF CHANGES IN AGENCY FUND
ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2016**

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
ASSETS				
Cash and Investments	\$ 1,168,689	\$ 1,761,691	\$ 104,942	\$ 2,825,438
LIABILITIES				
Accounts Payable	\$ 1,168,689	\$ 1,761,691	\$ 104,942	\$ 2,825,438

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2016**

01 GENERAL FUND

Total Revenues	\$ 51,824,783	\$ 51,824,780	\$ 3
Total Expenditures	52,546,813	52,546,813	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	726,713	726,713	-
<i>Restricted/Reserve:</i>			
403 Staff Development	-	-	-
405 Deferred Maintenance	74,037	74,037	-
406 Health & Safety *	222,562	222,562	-
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	198,579	198,579	-
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	28,602	28,602	-
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	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	-	-	-
<i>Committed:</i>			
418 Committed For Separation	1,570,581	1,570,581	-
461 Committed Fund Balance	-	-	-
<i>Assigned:</i>			
462 Assigned Fund Balance	723,642	723,642	-
<i>Unassigned:</i>			
422 Unassigned Fund Balance *	3,484,243	3,484,245	(2)

02 FOOD SERVICE

Total Revenues	2,067,581	2,067,581	-
Total Expenditures	2,034,846	2,034,848	(2)
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	26,900	26,900	-
<i>Restricted:</i>			
452 OPEB Liab. Not in Trust	-	-	-
464 Restricted Fund Balance	130,987	130,987	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE

Total Revenues	2,602,544	2,602,544	-
Total Expenditures	2,506,402	2,506,399	3
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	732	732	-
<i>Restricted/Reserve:</i>			
426 \$25 Taconite	-	-	-
431 Community Education	174,065	174,065	-
432 E.C.F.E.	85,192	85,192	-
444 School Readiness	98,102	98,102	-
447 Adult Basic Education	245,641	245,641	-
452 OPEB Liab. Not in Trust	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	137,170	137,171	(1)
<i>Unassigned:</i>			
463 Unassigned Fund Balance	-	-	-

06 BUILDING CONSTRUCTION

Total Revenues	\$ 3,625,781	\$ 3,625,781	\$ -
Total Expenditures	6,568,646	6,568,646	-
<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	5,782,122	5,782,122	-
<i>Restricted:</i>			
464 Restricted Fund Balance	37,037,518	37,037,518	-
<i>Unassigned:</i>			
463 Unassigned Fund Balance	(837,219)	(837,219)	-

07 DEBT SERVICE

Total Revenues	1,098,237	1,098,235	2
Total Expenditures	1,495,750	1,495,750	-
<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-
<i>Restricted/Reserve:</i>			
425 Bond Refundings	-	-	-
451 QZAB Payments	-	-	-
<i>Restricted:</i>			
464 Restricted Fund Balance	807,090	807,089	1
<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	86,941	86,941	-
Total Expenditures	74,502	74,502	-
422 Net Position	1,946,793	1,946,793	-

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			
	2007	2008	2009	2010
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ 8,786,289	\$ 11,280,973	\$ 13,100,738	\$ 16,123,282
Restricted	1,371,841	1,027,225	1,652,898	2,056,926
Unrestricted	(713,128)	(1,684,493)	2,329,798	2,303,371
Total Governmental Activities				
Net Position	<u>\$ 9,445,002</u>	<u>\$ 10,623,705</u>	<u>\$ 17,083,434</u>	<u>\$ 20,483,579</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 18,464,430	\$ 21,653,918	\$ 25,135,009	\$ 28,367,492	\$ 32,717,052	\$ 34,364,408
2,663,080	2,562,247	2,055,494	2,023,358	2,441,680	2,267,619
3,073,882	5,003,147	5,498,909	6,250,771	(25,712,413)	(26,879,967)
<u>\$ 24,201,392</u>	<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>

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

	Fiscal Year			
	2007	2008	2009	2010
EXPENSES				
Governmental Activities				
Administration	\$ 990,326	\$ 1,146,092	\$ 1,124,411	\$ 1,149,694
District Support Services	649,984	621,658	588,469	616,022
Elementary and Secondary Regular Instruction	15,468,796	16,496,827	16,493,961	18,257,741
Vocational Education Instruction	576,116	599,325	524,688	559,909
Special Education Instruction	10,284,200	10,892,411	10,927,879	13,416,243
Instructional Support Services	1,284,181	1,405,436	2,052,266	2,720,381
Pupil Support Services	2,269,800	2,194,040	2,461,210	2,859,247
Sites and Buildings	4,158,256	3,545,462	3,640,709	3,662,930
Fiscal and Other Fixed Cost Programs	319,791	335,295	122,634	127,487
Food Service	1,504,093	1,614,858	1,637,369	1,683,012
Community Education and Services	2,024,865	2,248,301	2,312,188	2,332,468
Interest and Fiscal Charges on Long-Term Debt	1,150,408	1,257,802	1,312,832	1,100,456
Depreciation not Included in Other Functions	1,131,801	1,120,058	1,120,058	1,120,031
Total Governmental Activities Expenses	41,812,617	43,477,565	44,318,674	49,605,621
PROGRAM REVENUES				
Governmental Activities				
Charges for Services:				
Administration	13,680	-	-	-
District Support Services	43,440	-	-	-
Elementary and Secondary Regular Instruction	848,212	571,312	742,633	683,946
Special Education Instruction	1,074,787	1,422,184	1,500,729	1,684,853
Pupil Support Services	26,196	-	-	-
Sites and Buildings	-	28,928	194,481	491,828
Food Service	1,031,916	1,034,063	1,038,445	992,280
Community Education and Services	1,014,594	1,074,508	981,705	1,003,557
Operating Grants and Contributions	11,368,443	10,028,316	11,261,504	14,507,859
Capital Grants and Contributions	444,465	564,436	375,262	373,843
Total Governmental Activities Program Revenues	15,865,733	14,723,747	16,094,759	19,738,166
Net Expense	(25,946,884)	(28,753,818)	(28,223,915)	(29,867,455)
GENERAL REVENUES				
Governmental Activities				
Taxes:				
Property Taxes, Levied for General Purposes	2,171,900	2,625,226	5,232,133	5,861,403
Property Taxes, Levied for Community Service	239,076	281,691	241,955	243,611
Property Taxes, Levied for Building Construction	-	-	-	-
Property Taxes, Levied for Debt Service	3,496,308	3,567,870	4,340,505	4,528,185
General Grants and Aids	20,605,050	23,474,060	23,962,390	22,029,016
Earnings on Investments	425,381	482,383	220,145	81,766
Gain on Sale of Capital Assets	-	-	-	-
Other General Revenues	1,655,438	731,881	686,516	523,619
Total Governmental Activities	28,593,153	31,163,111	34,683,644	33,267,600
Change in Net Position	\$ 2,646,269	\$ 2,409,293	\$ 6,459,729	\$ 3,400,145

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,184,185	\$ 1,216,697	\$ 1,238,134	\$ 1,283,586	\$ 1,337,795	\$ 1,440,429
833,676	603,853	674,478	1,018,438	1,032,096	1,135,630
18,695,900	19,396,341	19,757,587	19,835,124	21,790,879	23,705,406
549,592	569,583	824,747	694,045	773,340	773,236
13,642,379	12,637,148	13,076,583	13,944,470	14,949,615	14,494,246
2,167,791	2,248,005	2,804,514	2,625,955	2,807,152	2,941,917
2,811,034	3,196,743	3,408,107	3,640,273	3,734,385	3,883,955
3,474,577	3,563,962	3,684,303	4,129,356	4,571,273	6,206,082
146,367	161,381	171,889	172,537	176,392	183,311
1,666,320	1,742,052	1,733,824	1,780,814	1,903,682	2,025,562
2,381,439	2,514,577	2,527,475	2,745,243	2,380,265	2,557,334
822,153	694,614	477,787	250,817	128,293	448,369
1,120,003	1,111,084	1,102,166	1,102,165	1,102,166	1,102,166
49,495,416	49,656,040	51,481,594	53,222,823	56,687,333	60,897,643
-	-	-	-	-	-
-	-	-	-	-	-
684,738	655,047	675,556	601,835	428,959	398,912
1,839,961	2,236,953	1,533,286	2,104,156	2,409,961	6,509,474
-	-	4,925	-	-	-
27,612	16,027	-	300	222,464	227,780
977,436	969,110	992,863	1,024,734	1,040,232	1,059,552
977,332	1,065,495	1,152,504	1,223,615	976,923	1,020,892
12,671,828	12,945,144	14,309,359	15,133,838	16,109,098	11,499,346
389,154	480,477	446,483	476,050	584,023	595,653
17,568,061	18,368,253	19,114,976	20,564,528	21,771,660	21,311,609
(31,927,355)	(31,287,787)	(32,366,618)	(32,658,295)	(34,915,673)	(39,586,034)
7,561,018	5,874,159	6,022,840	4,238,226	5,611,498	6,183,526
359,136	238,143	257,587	214,829	273,445	223,361
-	-	-	-	-	3,500,000
4,568,134	4,561,832	4,415,071	4,004,789	5,098,466	1,134,134
22,462,895	24,018,379	24,200,096	27,564,512	27,341,397	28,354,194
58,189	95,297	42,885	27,634	28,125	151,399
-	-	-	7,845	25,878	5,800
635,796	947,078	898,239	552,669	342,146	339,361
35,645,168	35,734,888	35,836,718	36,610,504	38,720,955	39,891,775
\$ 3,717,813	\$ 4,447,101	\$ 3,470,100	\$ 3,952,209	\$ 3,805,282	\$ 305,741

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

	Fiscal Year			
	2007	2008	2009	2010
GENERAL FUND				
Reserved	\$ 417,013	\$ 573,171	\$ 350,625	\$ 255,713
Unreserved	(60,613)	1,109,085	2,670,940	2,990,546
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	<u>\$ 356,400</u>	<u>\$ 1,682,256</u>	<u>\$ 3,021,565</u>	<u>\$ 3,246,259</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Reserved	4,879,945	1,426,217	1,655,312	433,393
Unassigned/ Unreserved, Reported in:				
Special Revenue Funds	73,268	84,420	107,479	1,694,408
Capital Projects Fund	-	-	-	-
Total All Other Governmental Funds	<u>\$ 4,953,213</u>	<u>\$ 1,510,637</u>	<u>\$ 1,762,791</u>	<u>\$ 2,127,801</u>
Unreserved/Unassigned - Operating Account as a % of Total Expenditures	<u>-0.13%</u>	<u>2.25%</u>	<u>5.09%</u>	<u>5.74%</u>

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

Only years 2011-2016 are reported in compliance with GASB Statement No. 54; years 2007-2010 are reported as previously stated.

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
250,536	95,469	642,926	687,121	707,359	726,713
170,396	119,800	119,920	175,271	409,724	523,780
1,199,356	2,763,239	2,695,080	717,468	678,992	723,642
-	-	-	1,816,655	1,689,771	1,570,581
2,617,289	2,928,881	3,239,568	3,814,657	3,814,320	3,484,243
<u>\$ 4,237,577</u>	<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>
\$ 25,472	\$ 20,989	\$ 23,081	\$ 26,059	\$ 19,954	\$ 27,632
2,281,172	2,238,291	1,793,181	1,750,381	1,951,768	44,497,887
-	-	-	-	-	-
-	(10,427)	-	-	-	-
-	-	-	-	(761,552)	(837,219)
<u>\$ 2,306,644</u>	<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>7.27%</u>	<u>10.32%</u>	<u>5.81%</u>	<u>9.91%</u>	<u>7.49%</u>	<u>6.63%</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			
	2007	2008	2009	2010
REVENUES				
Local Sources				
Taxes	\$ 5,859,624	\$ 6,481,457	\$ 9,703,188	\$ 10,577,164
Investment Earnings	-	-	-	81,766
Other	6,128,738	5,409,461	5,187,704	4,865,086
State Sources	29,279,534	31,023,930	32,630,314	29,821,833
Federal Sources	3,143,330	2,978,680	2,951,311	7,088,885
Total Revenues	<u>44,411,226</u>	<u>45,893,528</u>	<u>50,472,517</u>	<u>52,434,734</u>
EXPENDITURES				
Current				
Administration	1,002,197	1,103,536	1,234,576	1,131,366
District Support Services	635,592	657,224	611,097	568,712
Elementary and Secondary Regular Instruction	15,418,965	16,052,134	18,024,626	18,124,000
Vocational Education Instruction	575,354	598,563	523,926	554,937
Special Education Instruction	10,380,635	10,682,117	11,258,209	13,228,251
Instructional Support Services	1,318,752	1,799,106	2,517,208	1,952,354
Pupil Support Services	2,318,467	2,241,007	2,514,934	2,811,161
Sites and Buildings	5,626,831	6,612,794	3,845,828	3,300,801
Fiscal and Other Fixed Cost Programs	319,791	335,295	122,634	127,487
Food Service	1,503,260	1,566,992	1,628,182	1,655,422
Community Service	2,032,014	2,236,737	2,310,278	2,274,375
Capital Outlay	-	-	-	1,852,359
Debt Service				
Principal	2,535,000	3,309,510	3,341,596	3,559,763
Interest and Fiscal Charges	1,237,832	1,271,729	1,379,570	1,315,506
Total Expenditures	<u>44,904,690</u>	<u>48,466,744</u>	<u>49,312,664</u>	<u>52,456,494</u>
Excess of Revenues Under Expenditures	(493,464)	(2,573,216)	1,159,853	(21,760)
OTHER FINANCING SOURCES (USES)				
Bonds Issued	4,555,000	-	-	-
Premium on Bonds Issued	109,639	-	-	586,467
Debt Service Loans Proceeds	-	-	-	6,960,000
Insurance Recovery	-	-	194,481	514,997
Capital Lease/Certificates of Participation	-	455,970	237,129	-
Proceeds from Sale of Assets	-	526	-	-
Debt Retirement from Escrow Account	-	-	-	(7,450,000)
Total Other Financing Sources (Uses)	<u>4,664,639</u>	<u>456,496</u>	<u>431,610</u>	<u>611,464</u>
Net Change in Fund Balances	<u>\$ 4,171,175</u>	<u>\$ (2,116,720)</u>	<u>\$ 1,591,463</u>	<u>\$ 589,704</u>
Debt Services as a Percentage of Noncapital Expenditures	<u>8.75%</u>	<u>10.33%</u>	<u>9.81%</u>	<u>9.55%</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 12,449,939	\$ 10,678,274	\$ 10,822,864	\$ 8,559,270	\$ 11,011,402	\$ 11,068,163
58,189	95,297	42,885	27,634	28,125	151,399
5,115,263	5,853,183	5,257,291	5,507,309	5,902,663	10,035,274
30,385,637	33,088,756	35,156,182	39,273,363	39,190,816	36,113,494
5,138,240	4,355,244	3,799,756	3,901,037	4,361,724	3,850,596
<u>53,147,268</u>	<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>
1,168,957	1,199,827	1,238,962	1,288,619	1,343,272	1,433,362
792,226	591,325	663,804	981,089	1,017,776	1,094,300
18,505,788	19,214,406	19,463,733	19,848,466	21,840,424	23,167,361
547,729	567,069	820,505	697,512	783,246	770,423
13,528,893	12,502,655	12,971,354	13,988,966	14,948,635	14,332,384
1,625,140	1,458,355	1,868,483	1,756,208	1,976,662	1,939,646
2,768,738	3,164,655	3,406,058	3,585,601	3,708,963	3,865,216
2,992,588	3,260,709	3,332,848	3,527,631	3,674,596	3,978,858
146,367	161,381	171,889	172,537	176,392	183,311
1,666,320	1,742,052	1,723,438	1,780,814	1,892,382	1,993,950
2,315,766	2,497,267	2,575,700	2,679,285	2,357,812	2,459,126
1,115,665	1,019,954	1,688,298	1,462,339	2,120,051	8,186,238
3,972,712	4,226,150	4,548,262	4,606,385	4,847,978	1,637,808
978,713	877,517	705,644	427,150	310,087	110,474
<u>52,125,602</u>	<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>
1,021,666	1,587,432	(100,000)	466,011	(503,546)	(3,933,531)
-	-	5,970,000	-	-	44,340,000
-	-	73,276	-	-	1,349,631
-	-	-	-	-	-
27,612	24,589	-	-	-	-
120,883	-	384,313	-	-	439,407
-	-	4,925	7,845	26,086	11,600
-	-	(5,975,000)	-	-	-
<u>148,495</u>	<u>24,589</u>	<u>457,514</u>	<u>7,845</u>	<u>26,086</u>	<u>46,140,638</u>
<u>\$ 1,170,161</u>	<u>\$ 1,612,021</u>	<u>\$ 357,514</u>	<u>\$ 473,856</u>	<u>\$ (477,460)</u>	<u>\$ 42,207,107</u>
<u>9.63%</u>	<u>9.87%</u>	<u>9.73%</u>	<u>8.94%</u>	<u>8.65%</u>	<u>2.93%</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>
2007	\$ 11,298,463	\$ 5,003,947	\$ 7,873,943	\$ 895,810
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

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
\$ 23,280,543	23.146	\$ 1,985,898,700	1.17
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

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

	<u>2006-2007</u>	<u>2007-2008</u>	<u>2008-2009</u>	<u>2009-2010</u>
GOVERNMENTAL UNIT				
ISD No. 882 (Monticello)	23.146%	25.254%	26.083%	24.948%
Overlapping Governments:				
Wright County	30.714%	31.648%	32.567%	35.819%
Sherburne County	40.720%	40.675%	41.999%	44.519%
City of Monticello	42.458%	46.942%	46.191%	45.822%
City of Otsego	26.673%	26.501%	26.972%	29.342%
City of Big Lake	40.761%	41.605%	41.573%	42.713%
Big Lake Twp	21.290%	18.809%	14.960%	13.798%
Buffalo Twp	17.658%	20.093%	19.583%	20.701%
Clearwater Twp	21.711%	21.283%	21.348%	24.068%
Maple Lake Twp	14.175%	13.125%	17.755%	17.826%
Monticello Twp	8.080%	7.695%	12.760%	10.398%
Silver Creek Twp	25.801%	23.915%	23.809%	24.016%
Hospital District	2.951%	2.520%	2.067%	1.754%
State	74.000%	64.591%	63.749%	63.636%

The state information for 2011-2016 is unavailable.

Source: Wright & Sherburne Counties

<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>
27.029%	28.262%	26.229%	28.269%	22.882%	20.857%
39.306%	43.452%	44.288%	43.450%	40.593%	39.970%
46.342%	52.014%	54.420%	54.861%	51.979%	50.478%
46.729%	49.773%	42.262%	44.709%	35.737%	34.471%
34.014%	41.454%	46.229%	44.575%	41.202%	37.921%
43.652%	50.404%	55.198%	60.048%	57.518%	57.112%
14.628%	15.784%	15.306%	15.591%	16.058%	19.004%
23.128%	24.675%	25.514%	25.310%	24.432%	23.379%
25.815%	28.507%	28.574%	27.905%	27.826%	24.135%
19.310%	21.013%	22.328%	22.073%	20.372%	18.678%
16.883%	18.357%	24.483%	24.879%	24.952%	23.386%
25.923%	27.726%	28.286%	32.261%	28.716%	27.412%
1.501%	1.240%	0.608%	0.000%	0.000%	0.000%
68.188%	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	2016			2007		
	Net Tax Capacity	Rank	Percentage Total District Tax Valuation	Net Tax Capacity	Rank	Percentage Total District Tax Valuation
Northern States Power Co.	\$ 16,080,145	1	47.05 %	\$ 5,225,579	1	22.45 %
Wal-Mart Real Est. Business Tr.	209,650	2	0.61	246,886	2	1.06
Target Corporation	201,658	3	0.59			
Minnegasco Inc.	179,022	4	0.52	113,604	6	0.49
Monti-Big Lake Comm Hospital	148,880	5	0.44			
Home Depot USA Inc.	133,664	6	0.39			
Muller Fam Theatres of Monti	106,895	7	0.31	113,102	5	0.49
Ax TC Retail LP	101,598	8	0.30			
Tapper's Holdings LLC	77,636	9	0.23	98,762	9	0.42
WSI Industries Inc	77,252	10	0.23			
Jacob Holdings of Monti LLC				140,102	3	0.60
Ocello LLC				171,479	4	0.74
Peterson Holdings				105,070	7	0.45
Gould Brothers Chevrolet LLP				101,174	8	0.43
Monticello/Washington Assoc.				91,096	10	0.39
Total for Ten Largest Principal Taxpayers	<u>\$ 17,316,400</u>			<u>\$ 6,406,854</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
2007	\$ 6,653,830	\$ 6,643,742	99.85 %	\$ 10,088	\$ 6,653,830	100.00 %
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	65,648	10,714,309	99.41
2014	10,780,124	10,676,682	99.04	60,372	10,737,054	99.60
2015	10,938,113	10,846,305	99.16	36,934	10,883,239	99.50
2016	11,304,610	5,594,343	49.49	-	5,594,343	49.49

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
2007	\$ 34,045,000	\$ 3,780,000	\$ 158,908	\$ 37,983,908
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	-	421,152	45,636,152

* 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
18,848	*	2,015	13.45
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

**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
2007	\$ 34,045,000	\$ 1,220,274	\$ 32,824,726	\$ 23,280,543
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

* 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
141.00	18,848	*	1,742
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

**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>
2007	\$ 2,535,000	\$ 1,237,832	\$ 3,772,832	\$ 36,583,504	10.31
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

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, 2016
(UNAUDITED)**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt Repaid with Property Taxes			
Wright County	\$ 55,945,000	23.61 %	\$ 13,208,615
Sherburne County	12,910,000	1.74	224,634
City of Big Lake	31,855,000	0.15	47,783
City of Monticello	25,123,268	100.00	25,123,268
City of Otsego	37,345,000	8.69	3,245,281
Becker Township	160,000	11.85	18,960
Big Lake Township	725,000	14.02	101,645
Maple Lake Township	<u>71,000</u>	9.59	<u>6,809</u>
Subtotal, Overlapping Debt	164,134,268		41,976,993
Independent School District No. 882 - Direct Debt	45,215,000	100.00 %	<u>45,215,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 87,191,993</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			
	2007	2008	2009	2010
Debt Limit	\$ 297,884,805	\$ 318,989,460	\$ 329,484,435	\$ 318,634,290
Total Net Debt Applicable to Limit	<u>34,045,000</u>	<u>30,810,000</u>	<u>27,675,000</u>	<u>23,735,000</u>
Legal Debt Margin	<u>\$ 263,839,805</u>	<u>\$ 288,179,460</u>	<u>\$ 301,809,435</u>	<u>\$ 294,899,290</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	11.43%	9.66%	8.40%	7.45%

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					
2011	2012	2013	2014	2015	2016
\$ 299,163,750	\$ 285,943,755	\$ 290,764,155	\$ 288,010,665	\$ 343,917,525	\$ 391,376,295
19,925,000	15,875,000	11,455,000	6,980,000	2,270,000	45,215,000
<u>\$ 279,238,750</u>	<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>
6.66%	5.55%	3.94%	2.42%	0.66%	11.55%

Legal Debt Margin Calculation for Year 2016:

Market Value	\$ 2,609,175,300
Debt Limit (15% of Market Value)	391,376,295
Debt Applicable to Limit:	
G.O. Bonds	<u>45,215,000</u>
Total Net Debt Applicable to Limit	<u>45,215,000</u>
Legal Debt Margin	<u>\$ 346,161,295</u>

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

Year	Estimated Population		Personal Income	Per Capita Personal Income
2006	18,848	*	\$ 263,090,698	\$ 13,959
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

* 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>
2007	62,810	5.12	4.60
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

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

This Page Has Been Intentionally Left Blank.

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

Employer	2016*			2007*		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Xcel Energy	2,000	1	0.89 %	450	3	0.20 %
Wright County	700	2	0.31			
ISD No. 882	564	3	0.25	470	2	0.20
CentraCare Health Monticello	500	4	0.22			
Wal-Mart	325	5	0.14	350	5	0.15
Cargil Kitchen Solutions	305	6	0.14			
City of Monticello	155	7	0.07	127	7	0.06
Target	150	8	0.07			
Home Depot	150	9	0.07			
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>4,949</u>			<u>2,755</u>		

* Most current information available.

Source: 2016 and 2017 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
308	307	319	317	326	330
15	14	16	15	16	16
15	15	17	20	20	20
11	12	11	12	12	12
5	5	6	7	7	7
28	28	29	29	29	29
32	31	32	32	31	31
108	110	110	106	105	115
522	522	540	538	546	560

**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	
2007	52.95	259.82	1,789.29	1,809.95	3,912.01	4,506.21
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

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
EXPENDITURES PER STUDENT
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2015)
(UNAUDITED)**

	<u>State Average</u>	<u>ISD No. 882</u>	
	<u>2015</u>	<u>2015</u>	<u>2016</u>
EXPENDITURES PER STUDENT (ADM) (1)			
General Fund - Operating Account			
District and School Administration	\$ 547	\$ 326	\$ 356
District Support Services	444	247	272
Elementary and Secondary Regular Instruction	4,972	5,308	5,752
Vocational Education Instruction	140	190	191
Special Education Instruction	2,050	3,633	3,561
Instructional Support Services	572	480	482
Pupil Support Services	326	901	958
Sites and Buildings, Fiscal and Other Fixed Cost Programs	<u>868</u>	<u>974</u>	<u>1,096</u>
Total General Fund - Operating Account	9,919	12,059	12,668
Food Service Special Revenue Fund	<u>525</u>	<u>471</u>	<u>505</u>
Total PK - 12 Operating Expenditures	10,444	12,530	13,173
General Fund - Capital Expenditure Account	649	311	380
Community Service Special Revenue Fund	521	581	622
Capital Projects Fund	949	185	1,631
Debt Service Fund	<u>1,406</u>	<u>1,216</u>	<u>371</u>
Total Expenditures Per Student	<u>\$ 13,969</u>	<u>\$ 14,823</u>	<u>\$ 16,177</u>
ADM Served	<u>855,458</u>	<u>4,115</u>	<u>4,027</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			
	2007	2008	2009	2010
District and School Administration	\$ 1,002,197	\$ 1,103,536	\$ 1,234,576	\$ 1,138,623
District Support Services	635,592	657,224	611,097	594,138
Elementary and Secondary Regular Instruction	15,418,965	16,052,134	18,024,626	18,133,156
Vocational Education Instruction	575,354	598,563	523,926	554,937
Special Education Instruction	10,380,635	10,682,117	11,258,209	13,248,689
Instructional Support Services	1,318,752	1,799,106	2,517,208	2,617,214
Pupil Support Services	2,318,467	2,241,007	2,514,934	2,818,189
Sites, Buildings and Equipment	4,613,751	3,696,952	3,785,711	4,486,808
Fiscal and Other Fixed Cost Programs	319,791	421,589	483,932	234,105
Total	<u>\$ 36,583,504</u>	<u>\$ 37,252,228</u>	<u>\$ 40,954,219</u>	<u>\$ 43,825,859</u>
Weighted ADM	4506.21	4515.42	4515.88	4514.08
District and School Administration	\$ 222	\$ 244	\$ 273	\$ 252
District Support Services	141	146	135	132
Elementary and Secondary Regular Instruction	3,422	3,555	3,991	4,017
Vocational Education Instruction	128	133	116	123
Special Education Instruction	2,304	2,366	2,493	2,935
Instructional Support Services	293	398	557	580
Pupil Support Services	515	496	557	624
Sites, Buildings and Equipment	1,024	819	838	994
Fiscal and Other Fixed Cost Programs	71	93	107	52
Total	<u>\$ 8,118</u>	<u>\$ 8,250</u>	<u>\$ 9,069</u>	<u>\$ 9,709</u>

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ 1,168,954 821,096	\$ 1,199,831 596,071	\$ 1,238,964 666,738	\$ 1,288,895 996,061	\$ 1,343,272 1,020,440	\$ 1,434,362 1,111,558
18,562,587	19,287,538	19,731,629	20,035,453	22,068,662	23,383,945
547,727	567,070	820,507	697,512	783,246	770,423
13,574,249	12,522,266	13,006,471	14,160,588	15,038,457	14,333,587
2,312,497	2,322,271	2,731,848	2,474,474	2,672,818	2,699,263
2,768,736	3,164,653	3,426,332	3,596,695	3,710,506	3,869,327
3,419,240	3,482,119	3,535,937	3,975,334	4,091,565	4,761,037
231,567	265,548	232,306	172,537	176,392	183,311
<u>\$ 43,406,653</u>	<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>
4537.99	4587.68	4635.19	4631.91	4741.41	4379.77
\$ 258 181	\$ 262 130	\$ 267 144	\$ 278 215	\$ 283 215	\$ 327 254
4,090	4,204	4,257	4,326	4,654	5,339
121	124	177	151	165	176
2,991	2,730	2,806	3,057	3,172	3,273
510	506	589	534	564	616
610	690	739	777	783	883
753	759	763	858	863	1,087
51	58	50	37	37	42
<u>\$ 9,565</u>	<u>\$ 9,462</u>	<u>\$ 9,793</u>	<u>\$ 10,233</u>	<u>\$ 10,736</u>	<u>\$ 11,998</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>
2007	\$ 1,002,197 2.7%	\$ 635,592 1.7%	\$ 15,418,965 42.1%	\$ 575,354 1.6%	\$ 10,380,635 28.4%	\$ 1,318,752 3.6%
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%

<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>
\$ 2,318,467 6.3%	\$ 4,613,751 12.6%	\$ 319,791 0.9%	\$ - 0.0%	\$ 36,583,504 100.0%	1.78%
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%

**MONTICELLO PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 882
SCHOOL BUILDING INFORMATION
JUNE 30, 2016
(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		2004		5,960
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, 2016
(UNAUDITED)**

Meals	Number of Meals Served
Elementary Full Paid Lunch	141,446
Secondary Full Paid Lunch	162,498
Reduced Price Lunch	49,416
Free Lunch	108,099
Adult Lunch	6,644
Total Lunches Served	<u>468,103</u>
Elementary Full Paid Breakfast	42,636
Secondary Full Paid Breakfast	9,054
Reduced Price Breakfast	15,525
Free Breakfast	38,148
Adult Breakfast	59
Total Breakfasts Served	<u>105,422</u>

This Page Has Been Intentionally Left Blank.