

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF SCHOOL BOARD MEMBERS AND OFFICIALS
JUNE 30, 2017**

<u>SCHOOL BOARD MEMBERS</u>		<u>TERM EXPIRES</u>
Eric Dahlager	Chairperson	2018
Carnie Allex	Vice-Chairperson	2020
Liza Fagen	Clerk	2020
Todd Terhaar	Treasurer	2020
Darin Bratsch	Director	2018
Maria Kramer	Director	2020
Ryan Lippert	Director	2018
 <u>SCHOOL OFFICIAL</u>		
Michelle Mortensen	Superintendent of Schools	



PLLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, 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. 2890, Renville County West, Renville, Minnesota as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements. The introductory section, other supplementary information, and the uniform financial accounting and reporting standards compliance table listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table is the responsibility of management and was derived from and relates 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 uniform financial accounting and reporting standards compliance table is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other supplementary information 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.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2016 financial statements, and our report, dated November 7, 2016, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2017, on our consideration of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and compliance.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 9, 2017

REQUIRED SUPPLEMENTAL INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

As management of Independent School District No. 2890, Renville County West, Renville, Minnesota, we offer readers of Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements this narrative overview and analysis of the financial activities of Independent School District No. 2890, Renville County West, Renville, Minnesota for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

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

- Net position in the Statement of Net Position decreased \$1,885,820 from the prior year to \$227,259. This decrease was primarily the result of a change in estimated discount rate used by Teacher Retirement Association relating to the calculation of the District's proportion of the State's Net Pension Liability. In the prior year, the discount rate was 8.00%. In the current year, the discount rate was 4.66%. The decrease in net position from pension expense of \$2,019,835 was offset by receiving state aid related to pension, an increase in capital assets, and the decrease in District debt due to the scheduled principal payments on long-term debt.
- The General Fund fund balance increased \$189,350 to \$3,325,662. The unassigned fund balance decreased \$440,709 to \$2,449,245. The combined total of the committed, assigned and unassigned fund balance in the General Fund amounts to 44.0% of annual budgeted expenditures which meets the District's fund balance goal of a minimum of 10% of operating budget.
- During the 2017 fiscal year, the District received voluntary pre-kindergarten revenue for the purpose of preparing children for success as they enter kindergarten in the following year. This revenue increased the general education aid in the General Fund. The salary and wages for the pre-kindergarten teachers was included in the General Fund expenditures whereas in the previous fiscal year this was included in the Community Service Fund. Due to receiving the voluntary pre-kindergarten revenue, the District only charged a registration fee for the pre-kindergarten class resulting in a decrease in tuition and fees from patrons revenue in the Community Service Fund.
- During the 2015 fiscal year, the District incurred new debt of \$5,360,000 to fund an addition of classrooms and a gymnasium expansion. All activity related to this project is reflected in the Building Construction Fund. Expenditures on these projects for the current fiscal year totaled \$787,309. The fund balance of \$411,573 will be used to complete a refurbishing of the parking lot and any additional projects that can be completed with the excess fund balance during the fiscal year ended June 30, 2018.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section),
- Basic financial statements, notes to financial statements, and
- Other supplementary information and other required reports and information.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

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

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending. The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The government-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 government-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 are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs 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 government-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 service, 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 – rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focuses 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 less 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 government-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FUND FINANCIAL STATEMENTS (Cont'd)

- **Fiduciary funds** – The District is the trustee, or fiduciary, for various funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. 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's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
NET POSITION**

The District's combined net position was \$227,259 on June 30, 2017. This was a decrease of 89.2% from the previous year total of \$2,113,079. A summary of the District's net position is as follows:

Net Position – Governmental Activities			Percentage Change
	<u>6/30/2017</u>	<u>6/30/2016</u>	
Current and Other Assets	\$ 6,072,163	\$ 6,969,814	
Capital Assets	<u>13,406,867</u>	<u>13,111,108</u>	
Total Assets	<u>19,479,030</u>	<u>20,080,922</u>	(3.0%)
Related to Pensions	<u>9,290,961</u>	<u>854,266</u>	
Total Deferred Outflows of Resources	<u>9,290,961</u>	<u>854,266</u>	987.6%
Current Liabilities	823,670	1,056,891	
Noncurrent Liabilities	<u>25,506,523</u>	<u>15,336,127</u>	
Total Liabilities	<u>26,330,193</u>	<u>16,393,018</u>	60.6%
Property Taxes Levied for Subsequent Year's Expenditures	1,927,923	1,826,883	
Related to Pensions	<u>284,616</u>	<u>602,208</u>	
Total Deferred Inflows of Resources	<u>2,212,539</u>	<u>2,429,091</u>	(8.9%)
Invested in Capital Assets	2,736,236	3,423,935	
Restricted	254,014	314,361	
Unrestricted	<u>(2,762,991)</u>	<u>(1,625,217)</u>	
Total Net Position	<u>\$ 227,259</u>	<u>\$ 2,113,079</u>	(89.2%)

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
(Cont'd)**

CHANGE IN NET POSITION

The change in net position occurs as a result of expenses being greater than its revenues for the year ended June 30, 2017 mainly due to the District incurring \$2,346,087 in pension expense. This pension expense (as required by GASB Statement No. 68) is allocated among all programs of the District. A summary of the District's revenues and expenses is as follows:

Change in Net Position – Governmental Activities			Percentage
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 288,443	\$ 314,303	
Operating Grants and Contributions	1,796,186	1,642,516	
General Revenues			
Property Taxes	2,020,180	1,950,306	
Unallocated Federal and State Aid	4,276,571	3,929,944	
Other	<u>49,035</u>	<u>26,597</u>	
Total Revenues	<u>8,430,415</u>	<u>7,863,666</u>	7.2%
Expenses			
District and School Administration	756,249	514,685	
District Support Services	547,273	386,970	
Regular Instruction	4,784,207	3,347,868	
Vocational Instruction	124,473	83,205	
Exceptional Instruction	1,379,860	1,089,048	
Community Education and Services	153,003	198,954	
Instructional Support Services	91,299	84,332	
Pupil Support Services	1,077,061	942,427	
Site, Buildings and Equipment	920,173	932,658	
Fiscal and Other Fixed Cost Programs	41,236	38,308	
Interest on Long-Term Debt	296,850	297,260	
Loss on the Disposal of Equipment	<u>144,551</u>	<u>3,270</u>	
Total Expenses	<u>10,316,235</u>	<u>7,918,985</u>	30.3%
Increase (Decrease) in Net Position	<u>(1,885,820)</u>	<u>(55,319)</u>	
Beginning of Year Net Position,			
As Originally Stated	2,113,079	2,268,948	
Prior Period Adjustment (GASB 68)	-	(100,550)	
Beginning Net Position, as Restated	<u>2,113,079</u>	<u>2,168,398</u>	
End of Year Net Position	<u>\$ 227,259</u>	<u>\$ 2,113,079</u>	(89.2%)

The District's total revenues consisted of program revenues of \$2,084,629, property taxes of \$2,020,180, unallocated federal and state aids of \$4,276,571 and a small amount from miscellaneous other sources. Expenses totaling \$10,316,235 consisted primarily of student instructional costs of \$6,288,540, student support services of \$1,168,360, administration costs of \$1,303,522, site, buildings and equipment costs of \$920,173, community education services of \$153,003 and minor other amounts.

The cost of all governmental activities this year was \$10,316,235.

- The users of the District's programs paid for 2.8%, or \$288,443, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$1,796,186 or 17.4% of the total costs.
- Most of the District's net cost of services (\$8,231,606), however, were paid for by state taxpayers based on the statewide education aid formula and by District taxpayers.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)

FUND BALANCE

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 \$3,917,816. This was down from \$4,675,049 at the end of the prior year, a decrease of \$757,233. This overall decrease is primarily due to capital outlay for the construction of the new gymnasium and classrooms in the Building Construction Fund. The General Fund increased due the voluntary pre-kindergarten revenue included in general education aid and state special education revenue offset by an increase for salaries and wages. The Food Service Fund increased due to additional students in pre-kindergarten and an increase in federal lunch aid, in addition to the District's decision not to allocate a portion of the utility costs to this fund. The Community Service Fund increased due to the District receiving the voluntary pre-kindergarten revenue which was recorded in the General Fund along with the associated salaries. The decrease in the Building Construction Fund was due to expenditures for capital outlay. The Debt Service Fund decreased due to District's intent to use a portion of accumulated fund balance to pay for the planned principal and interest payments.

REVENUES AND EXPENDITURES

Revenues and other financing sources of the District's governmental funds totaled \$8,246,317. This was an increase of 5.8% from the previous year total of \$7,792,610. Total expenditures were \$9,003,550. This was a decrease of 22.6% from the previous year total of \$11,639,111. A summary of the revenues, expenditures, and other sources (uses) reported on the governmental financial statements is as follows:

Revenues and Expenditures – Governmental Funds				
	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 7,286,939	\$ 7,107,092	\$ 9,503	\$ 189,350
Food Service Fund	326,765	310,217	-	16,548
Community Service Fund	145,868	123,334	-	22,534
Building Construction Fund	7,670	787,309	-	(779,639)
Debt Service Fund	469,572	675,598	-	(206,026)
Totals	<u>\$ 8,236,814</u>	<u>\$ 9,003,550</u>	<u>\$ 9,503</u>	<u>\$ (757,233)</u>

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade twelve. Pupil transportation activities, capital purchases and major maintenance projects are also included in the General Fund.

The following schedule presents a summary of General Fund revenues and other financing sources:

Revenues – General Fund				
	<u>Year Ended 6/30/2017</u>	<u>Year Ended 6/30/2016</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Local Sources				
Property Taxes	\$ 1,483,534	\$ 1,489,283	\$ (5,749)	(0.4%)
Tuition Contracts	69,131	57,001	12,130	21.3%
Other Local Sources	166,714	144,669	22,045	15.2%
State Sources	5,291,062	4,960,689	330,373	6.7%
Federal Sources	276,498	215,991	60,507	28.0%
Total Revenues	<u>7,286,939</u>	<u>6,867,633</u>	<u>419,306</u>	<u>6.1%</u>
Other Financing Sources				
Proceeds from Sale of Equipment	<u>9,503</u>	<u>360</u>	<u>9,143</u>	<u>2,539.7%</u>
Total Revenues and Other Financing Sources	<u>\$ 7,296,442</u>	<u>\$ 6,867,993</u>	<u>\$ 428,449</u>	<u>6.2%</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
GENERAL FUND (Cont'd)**

The following schedule presents a summary of General Fund expenditures:

Expenditures – General Fund				
	Year Ended 6/30/2017	Year Ended 6/30/2016	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Wages	\$ 4,357,972	\$ 4,121,640	\$ 236,332	5.7%
Employee Benefits	1,093,121	1,069,938	23,183	2.2%
Purchased Services	820,074	805,437	14,637	1.8%
Supplies and Materials	332,411	227,452	104,959	46.1%
Other Expenditures	29,918	26,318	3,600	13.7%
Capital Expenditures	351,755	344,380	7,375	2.1%
Debt Service Expenditures	121,841	121,840	1	0.0%
Total Expenditures	<u>\$ 7,107,092</u>	<u>\$ 6,717,005</u>	<u>\$ 390,087</u>	5.8%

In summary, the 2016-2017 General Fund revenues and other financing sources exceeded expenditures by \$189,350 resulting in the total fund balance increasing to \$3,325,662 at June 30, 2017. After deducting statutory and accounting standards restrictions and fund balance policy commitments and assignments, the unassigned fund balance decreased \$440,709 to \$2,449,245 at June 30, 2017. The District closely monitors the General Fund unassigned fund balance through its budgeting process throughout the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2017 the District revised its operating budget once. This revision was planned, and was necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, salary details, staffing levels, and other significant information items were not yet known. This revision was made in April to reflect significant changes in enrollment data, state funding adjustments, and unforeseen changes in revenue and expenditure categories.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues and other financing sources by \$140,975; the actual results for the year showed a surplus of \$189,350.

- Actual revenues were \$135,681, or 1.9 percent, more than budget. This was due to additional federal and state special education revenue.
- Actual expenditures were \$194,644, or 2.7 percent, less than budget. This was due to the District paying less than expected for salaries, benefits, and purchased services for exceptional instruction, and less than expected for purchased services for pupil support services.

FOOD SERVICE FUND

The Food Service Fund revenue for 2016-2017 totaled \$326,765 and expenditures were \$310,217, resulting in a fund balance increase of \$16,548. The Food Service Fund increased due to additional students in pre-kindergarten and an increase in federal lunch aid, in addition to the District's decision not to allocate a portion of the utility costs to this fund. The June 30, 2017 Food Service Fund fund balance is \$48,021.

COMMUNITY SERVICE FUND

In 2016-2017, the total revenues for the Community Service Fund were \$145,868 and total expenditures were \$123,334, resulting in a fund balance increase of \$22,534. The Community Service Fund fund balance as of June 30, 2017 is \$23,972.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
BUILDING CONSTRUCTION FUND**

Total expenditures exceeded revenues by \$779,639 for 2016-2017 in the Building Construction Fund. This decrease is due to spending funds for the construction of new classrooms and a gymnasium expansion for the Renville County West school facility. The fund balance at June 30, 2017 is \$411,573, which is anticipated to be spent in the next fiscal year to complete additional projects.

DEBT SERVICE

In 2016-2017, total revenues were \$469,572 and total expenditures were \$675,598. This resulted in a fund balance decrease of \$206,026. The fund balance at June 30, 2017 is \$108,588.

TRUST FUND

The Trust Fund deductions exceeded additions by \$250 in 2016-2017. The net position of \$43,975 at June 30, 2017 is available for scholarships.

**CAPITAL ASSET AND DEBT ADMINISTRATION
CAPITAL ASSETS**

As of June 30, 2017, the District had net capital assets of \$13,406,867 representing a broad range of capital assets, including school buildings and improvements, computer and audio-visual equipment, and various other equipment for instructional support and administrative purposes. Total depreciation expense for the year was \$421,762. Information about the District's capital assets is shown below. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

	Capital Assets		Percentage
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
Land	\$ 10,350	\$ 10,350	0.0%
Construction in Progress	-	3,641,136	(100.0%)
Buildings and Improvements	16,638,928	12,515,541	32.9%
Equipment and Vehicles	1,643,299	1,627,732	1.0%
Less Accumulated Depreciation	<u>(4,885,710)</u>	<u>(4,683,651)</u>	4.3%
Net Capital Assets	<u>\$13,406,867</u>	<u>\$13,111,108</u>	2.3%

DEBT ADMINISTRATION

At year-end, the District had \$9,860,000 in general obligation bonds outstanding. The District also had various other long-term liabilities as detailed in Note 5 to the financial statements.

- The District continues to pay its scheduled debt payments, retiring \$491,857 of bonds and capital leases in the year ending June 30, 2017.

	Outstanding Debt		Percentage
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>Change</u>
General Obligation Bonds	\$ 9,860,000	\$ 10,270,000	(4.0%)
Capital Lease Obligations	<u>1,033,086</u>	<u>1,114,943</u>	(7.3%)
Total	<u>\$ 10,893,086</u>	<u>\$ 11,384,943</u>	(4.3%)

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

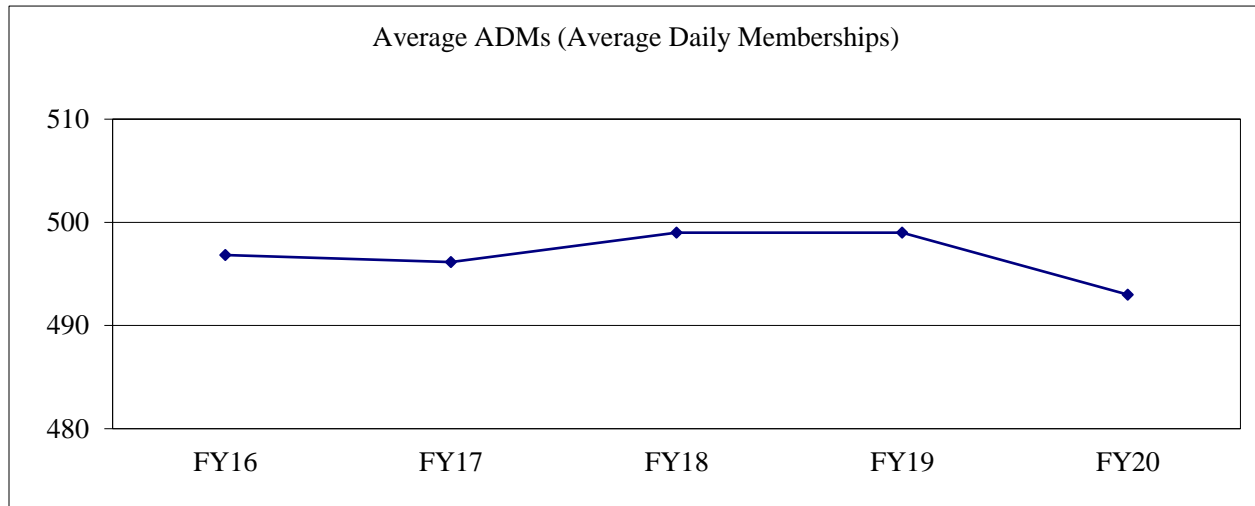
FACTORS BEARING ON THE DISTRICT'S FUTURE

The Legislature approved foundation formula increases for both the 2017-2018 and 2018-2019 fiscal years. This has a very positive effect for school district operations and maintaining a balanced budget. Along with this, long-term facilities maintenance revenue that was approved in the 2015 Legislature Session, began in 2016-2017, and will increase per pupil unit each year for three years. This has a significant, positive effect for the District as the District has been working to maintain the facilities in the District. Economic conditions in Minnesota continue to get better and the Legislature in 2018 will continue to have more options available to them in providing programs and support for K-12 education.

On August 8, 2016 the District's voters supported renewing the expiring referendum revenue authorization of the District in the amount of \$1,558 per adjusted pupil unit which was scheduled to expire after taxes payable in 2016.

The majority of labor contracts are in effect for two-year periods. The contract with District certified teachers is in effect for the two-year period ending June 30, 2019. The contracts with other District personnel are in effect for the two-year period ending June 30, 2019. The District tries to be fair with staff during the negotiations process, but always needs to balance that approach with the availability of resources, along with looking at the long-term financial well-being of the District. Negotiated settlements are always an area of financial challenge for the District. Labor costs and related benefits account for approximately 61% of the District's General Fund operating expenditures.

The District's future projections reflect a slight decline in enrollment. This impacts the District's funding since enrollment is what actually determines most of a school's funding components. Hence, if there was an increase in enrollment the District could anticipate an increase in revenues even if there were no increases to the formulas. Maintaining stability of the District's enrollment continues to be one of the District's goals.



The District is in the process of redesigning the plans for the construction of a new bus garage. The initial sealed bids opened in October 2017 were higher than anticipated, and were rejected. The District will solicit new bids upon completion of the new design.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the Business Office, Independent School District No. 2890, Renville County West, 301 NE 3rd St, Renville, MN 56284, visit the District website at rcw.k12.mn.us, or call (320) 329-8362.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF NET POSITION
 JUNE 30, 2017
 (with Partial Comparative Information as of June 30, 2016)

	Governmental Activities	
	2017	2016
ASSETS		
Current Assets:		
Cash and Investments	\$ 4,240,730	\$ 5,319,062
Property Taxes Receivable-Net	1,053,382	1,033,715
Accounts and Interest Receivable	6,837	3,094
Due From State of Minnesota	506,274	435,399
Due From Federal Government	107,250	66,552
Due From Other Minnesota Districts	156,099	108,824
Inventory	1,591	3,168
Total Current Assets	6,072,163	6,969,814
Noncurrent Assets:		
Capital Assets:		
Land	10,350	10,350
Construction in Progress	-	3,641,136
Other Capital Assets, Net of Depreciation	13,396,517	9,459,622
Total Noncurrent Assets	13,406,867	13,111,108
TOTAL ASSETS	19,479,030	20,080,922
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	9,290,961	854,266
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 28,769,991	\$ 20,935,188
LIABILITIES		
Current Liabilities:		
Salaries Payable	\$ 14,196	\$ 34,595
Accounts and Interest Payable	199,547	435,437
Due to Other Governmental Units	13,820	9,661
Payroll Liabilities	39,330	36,030
Unearned Revenue	29,738	23,422
Current Portion of Long-Term Liabilities	527,039	517,746
Total Current Liabilities	823,670	1,056,891
Noncurrent Liabilities:		
Noncurrent Portion of Long-Term Liabilities	25,506,523	15,336,127
Total Noncurrent Liabilities	25,506,523	15,336,127
TOTAL LIABILITIES	26,330,193	16,393,018
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year's Expenditures	1,927,923	1,826,883
Related to Pensions	284,616	602,208
TOTAL DEFERRED INFLOWS OF RESOURCES	2,212,539	2,429,091
NET POSITION		
Net Investment in Capital Assets	2,736,236	3,423,935
Restricted For:		
Capital Asset Acquisition	86,345	20,775
Debt Service	-	144,292
Food Service	48,021	31,473
Community Service	60,819	67,507
Other Activities	58,829	50,314
Unrestricted	(2,762,991)	(1,625,217)
TOTAL NET POSITION	227,259	2,113,079
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 28,769,991	\$ 20,935,188

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Partial Comparative Information for the Year Ended June 30, 2016)

Functions/Programs	2017				2016
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					Net (Expense) Revenue and Changes in Net Position
District and School Administration	\$ 756,249				\$ (756,249) \$ (514,685)
District Support Services	547,273				(547,273) (386,970)
Regular Instruction	4,784,207	\$ 90,992	\$ 862,997		(3,830,218) (2,461,707)
Vocational Instruction	124,473	-	-		(124,473) (83,205)
Exceptional Instruction	1,379,860	4,818	621,423		(753,619) (548,816)
Community Education and Services	153,003	18,537	66,168		(68,298) (87,859)
Instructional Support Services	91,299	-	-		(91,299) (84,332)
Pupil Support Services	1,077,061	172,396	244,080		(660,585) (524,796)
Site, Buildings and Equipment	920,173	1,700	1,518		(916,955) (930,958)
Fiscal and Other Fixed Cost Programs	41,236	-	-		(41,236) (38,308)
Interest on Long-Term Debt	296,850	-	-		(296,850) (297,260)
Loss on the Disposal of Equipment	144,551	-	-		(144,551) (3,270)
Total Governmental Activities	10,316,235	288,443	1,796,186	\$ -	(8,231,606) (5,962,166)
General Revenues:					
Property Taxes Levied for:					
General Purposes					1,518,641 1,513,438
Community Education and Service					57,608 63,334
Debt Service					443,931 373,534
Federal and State Aid Not					
Restricted to Specific Purposes					4,276,571 3,929,944
Earnings on Investments					29,929 18,169
Miscellaneous Revenues					19,106 8,428
Total General Revenues					6,345,786 5,906,847
Change in Net Position					(1,885,820) (55,319)
Net Position - Beginning of Year, As Originally Stated					2,113,079 2,113,079
Prior Period Adjustment					- 100,550
Net Position - Beginning of Year, As Restated					2,113,079 2,168,398
Net Position - Ending					\$ 227,259 \$ 2,113,079

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017
(with Partial Comparative Information as of June 30, 2016)**

	<u>Major Funds</u>					<u>Total Governmental Funds</u>	
	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Building Construction</u>	<u>Debt Service</u>	<u>2017</u>	<u>2016</u>
ASSETS							
Cash and Investments	\$ 3,255,697	\$ 37,268	\$ 72,714	\$ 411,573	\$ 463,478	\$ 4,240,730	\$ 5,319,062
Current Property Taxes Receivable	659,974	-	27,560	-	330,184	1,017,718	996,589
Delinquent Property Taxes Receivable	31,010	-	1,042	-	3,612	35,664	37,126
Accounts and Interest Receivable	6,197	40	600	-	-	6,837	3,094
Due From State of Minnesota	500,121	-	3,704	-	2,449	506,274	435,399
Due From Federal Government	95,802	11,448	-	-	-	107,250	66,552
Due From Other Minnesota Districts	156,099	-	-	-	-	156,099	108,824
Inventory	-	1,591	-	-	-	1,591	3,168
TOTAL ASSETS	\$ 4,704,900	\$ 50,347	\$ 105,620	\$ 411,573	\$ 799,723	\$ 6,072,163	\$ 6,969,814
LIABILITIES							
Salaries Payable	\$ 9,908	\$ 776	\$ 3,512	\$ -	\$ -	\$ 14,196	\$ 34,595
Accounts and Interest Payable	88,294	1,550	3,832	-	-	93,676	327,048
Due to Other Governmental Units	13,695	-	125	-	-	13,820	9,661
Payroll Liabilities	39,330	-	-	-	-	39,330	36,030
Unearned Revenue	14,011	-	15,727	-	-	29,738	23,422
TOTAL LIABILITIES	165,238	2,326	23,196	-	-	190,760	430,756
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Delinquent Property Taxes	31,010	-	1,042	-	3,612	35,664	37,126
Property Tax Levied for Subsequent Year's Expenditures	1,182,990	-	57,410	-	687,523	1,927,923	1,826,883
TOTAL DEFERRED INFLOWS OF RESOURCES	1,214,000	-	58,452	-	691,135	1,963,587	1,864,009
FUND BALANCES							
Nonspendable Fund Balance	-	1,591	-	-	-	1,591	3,168
Restricted Fund Balances	110,875	46,430	23,972	411,573	108,588	701,438	1,606,658
Committed Fund Balances	203,823	-	-	-	-	203,823	127,280
Assigned Fund Balances	561,719	-	-	-	-	561,719	47,989
Unassigned Fund Balances	2,449,245	-	-	-	-	2,449,245	2,889,954
TOTAL FUND BALANCES	3,325,662	48,021	23,972	411,573	108,588	3,917,816	4,675,049
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,704,900	\$ 50,347	\$ 105,620	\$ 411,573	\$ 799,723	\$ 6,072,163	\$ 6,969,814

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017
(with Partial Comparative Information as of June 30, 2016)**

	2017	2016
Total Fund Balances for Governmental Funds	\$ 3,917,816	\$ 4,675,049
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:</p>		
Land	10,350	10,350
Construction in Progress	-	3,641,136
Other Capital Assets, Net of \$4,885,710 of Accumulated Depreciation	13,396,517	9,459,622
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.</p>		
	35,664	37,126
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(105,871)	(108,389)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred Outflows of Resources Related to Pensions	9,290,961	854,266
Deferred Inflows of Resources Related to Pensions	(284,616)	(602,208)
<p>Long-term liabilities, including bonds payable and unamortized bond premium, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Bonds Payable	(9,860,000)	(10,270,000)
Lease Purchase Agreements	(1,033,086)	(1,114,943)
Other Post Employment Benefits Payable (Advance Payments)	141,084	161,724
Severance Benefits Payable	(203,823)	(127,280)
Pension Benefits Payable	(14,997,476)	(4,416,899)
Unamortized Bond Premiums	(80,261)	(86,475)
Total Net Position of Governmental Activities	\$ 227,259	\$ 2,113,079

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Partial Comparative Information for the Year Ended June 30, 2016)

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Building Construction	Debt Service	2017	2016
REVENUES							
Local Property Tax Levies	\$ 1,483,534		\$ 58,663		\$ 443,767	\$ 1,985,964	\$ 1,925,982
Other Local and County Revenues	235,084	\$ 185	54,231	\$ 7,670	1,316	298,486	299,033
Revenue From State Sources	5,291,062	20,987	32,974	-	24,489	5,369,512	5,023,405
Revenue From Federal Sources	276,498	201,080	-	-	-	477,578	432,643
Sales and Other Conversion of Assets	761	104,513	-	-	-	105,274	111,187
TOTAL REVENUES	7,286,939	326,765	145,868	7,670	469,572	8,236,814	7,792,250
EXPENDITURES							
Current:							
District and School Administration	517,958	-	-	-	-	517,958	508,015
District Support Services	394,682	-	-	-	-	394,682	363,358
Regular Instruction	3,316,397	-	-	-	-	3,316,397	3,157,508
Vocational Instruction	83,880	-	-	-	-	83,880	81,759
Exceptional Instruction	1,108,101	-	-	-	-	1,108,101	1,081,321
Community Education and Services	-	-	123,334	-	-	123,334	196,284
Instructional Support Services	82,063	-	-	-	-	82,063	84,339
Pupil Support Services	495,133	309,505	-	-	-	804,638	837,638
Site, Buildings and Equipment	594,046	-	-	-	-	594,046	680,432
Fiscal and Other Fixed Cost Programs	41,236	-	-	-	-	41,236	38,308
Capital Outlay:	351,755	712	-	787,309	-	1,139,776	3,981,416
Debt Service:							
Principal	81,857	-	-	-	410,000	491,857	334,002
Interest	39,984	-	-	-	265,598	305,582	294,731
TOTAL EXPENDITURES	7,107,092	310,217	123,334	787,309	675,598	9,003,550	11,639,111
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	179,847	16,548	22,534	(779,639)	(206,026)	(766,736)	(3,846,861)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Equipment	9,503	-	-	-	-	9,503	360
TOTAL OTHER FINANCING SOURCES (USES)	9,503	-	-	-	-	9,503	360
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES	189,350	16,548	22,534	(779,639)	(206,026)	(757,233)	(3,846,501)
FUND BALANCE BEGINNING OF YEAR	3,136,312	31,473	1,438	1,191,212	314,614	4,675,049	8,521,550
FUND BALANCE END OF YEAR	\$ 3,325,662	\$ 48,021	\$ 23,972	\$ 411,573	\$ 108,588	\$ 3,917,816	\$ 4,675,049

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(with Partial Comparative Information for the Year Ended June 30, 2016)

	2017	2016
Total Net Change in Fund Balances - Governmental Funds	\$ (757,233)	\$ (3,846,501)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeds depreciation expense in the period.		
Capital Outlays	882,675	3,818,017
Depreciation Expense	(421,762)	(370,673)
Proceeds from the sale of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.	(165,154)	(3,630)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net position. In the current period these amounts consist of:		
Repayment of Bond Principal	410,000	255,000
Repayment of Capital Lease Principal	81,857	79,002
Interest on long-term debt 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. In addition, the amortization of bond premium decreases interest expense in the statement of activities.	8,732	(2,529)
Property taxes that will not be collected for several months after the District's fiscal year end are not considered available revenues in the governmental funds, and are instead considered unavailable tax revenues. They are, however, recorded as revenues in the statement of activities.	(1,462)	(2,904)
In the statement of activities, other post employment benefits are measured by the amounts actuarially accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of actual or implicit resources used.	(20,640)	(17,178)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.		
State Aid Related to Pension Expense	193,545	74,320
Pension Expense	(2,019,835)	(62,099)
In the statement of activities, severance benefits 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 paid).	(76,543)	23,856
Change in Net Position of Governmental Activities	\$ (1,885,820)	\$ (55,319)

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)

	<u>Private-Purpose Trust Fund</u>		<u>Agency Fund</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS				
Cash and Investments	\$ 43,975	\$ 44,225	\$ 3,695	\$ 3,670
TOTAL ASSETS	<u>\$ 43,975</u>	<u>\$ 44,225</u>	<u>\$ 3,695</u>	<u>\$ 3,670</u>
LIABILITIES				
Amounts Held in Trust for Others	\$ -	\$ -	\$ 3,695	\$ 3,670
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>\$ 3,695</u>	<u>\$ 3,670</u>
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	<u>\$ 43,975</u>	<u>\$ 44,225</u>		

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2017
(with Comparative Actual Amounts for the Year Ended June 30, 2016)**

	Private-Purpose Trust Fund	
	2017	2016
ADDITIONS:		
Investment Income:		
Interest	\$ 250	\$ 254
TOTAL ADDITIONS	250	254
DEDUCTIONS:		
Scholarship Awarded	500	500
TOTAL DEDUCTIONS	500	500
NET INCREASE (DECREASE)	(250)	(246)
NET POSITION BEGINNING OF YEAR	44,225	44,471
NET POSITION END OF YEAR	\$ 43,975	\$ 44,225

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

B. FINANCIAL REPORTING ENTITY

Independent School District No. 2890, Renville County West, Renville, Minnesota (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.

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

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

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

C. BASIC FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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 are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. BASIC FINANCIAL STATEMENT PRESENTATION (Cont'd)

Separate fund financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary fund cannot be used for District operations, they are not included in the government-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized 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 U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
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.

Fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the period in which they are incurred and become measurable.

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:

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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Food Service Fund – The Food Service Fund is used to account for food service revenues and expenditures.

Community Service Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services.

Building Construction Fund – The Building Construction Fund is used to account for financial resources to be used for the construction of major capital facilities.

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

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for assets held by the District in a fiduciary capacity. Major sources of revenue include gifts, donations, and interest income. Expenditures are allowed for any purpose for which the original trust was created.

Agency Fund – The Agency Fund is used to account for assets held by the District in a fiduciary capacity as a fiscal agent for another organization. Revenues and expenditures are not reported in this fund.

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the General Fund and Debt Service Fund are major funds by definition, the District has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

E. BUDGETING

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction, Debt Service, and Trust Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School 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 School 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 School Board action. Revisions to budgeted amounts must be approved by the School Board.

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

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are generally not recorded.

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RENVILLE COUNTY WEST
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JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. CASH AND INVESTMENTS

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Investments are reported at fair value.

Cash and investments at June 30, 2017 are comprised of deposits, certificates of deposit, and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and Minnesota Trust Investment. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The District has formal policies in place as of June 30, 2017 to address custodial credit risk for deposits. The District does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk for investments.

G. ACCOUNTS RECEIVABLES

Accounts receivable represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable, which are generally immaterial.

H. INVENTORIES

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies 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. PREPAYMENTS

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

J. PROPERTY TAXES

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

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2017 is recorded as a deferred inflow of resources (property tax levied for subsequent year's expenditures).

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. PROPERTY TAXES (Cont'd)

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 reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. CAPITAL ASSETS

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

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

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

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.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts will be deferred and amortized over the life of the bonds using the straight-line method. Bonds payable will be reported net of the applicable bond premium or discount.

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. Principal payments are reported as debt service expenditures.

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Statement of Net Position and the governmental funds Balance Sheet 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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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JUNE 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. DEFINED BENEFIT PENSION PLANS

Teachers Retirement Association

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015.

Public Employees Retirement Association

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

P. ACCRUED EMPLOYEE BENEFITS

Vacation Pay

Non-certified full-time employees are annually granted one to four weeks vacation depending on years of service; one week after one year, two weeks for between two and five years of service, three weeks between six and twelve years of service, and four weeks after thirteen years of service. Certified employees are not granted vacations.

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Severance Pay

The District has an early retirement plan for full time teachers, confidential employees, principals, and the coordinator of educational services who have completed at least fifteen years of continuous full time service and are at least fifty-five years of age.

Early retirement pay consists of the amount of unused sick leave days times their daily rate of pay, up to a maximum limit of seventy-five days. The retiree's daily rate of pay is the basic daily rate at retirement, as provided in the basic salary schedule, for the basic school year, not including any additional compensation for extracurricular activities. Severance pay will be paid by the School Board in four equal monthly installments commencing on November 1 of the year of retirement.

At June 30, 2017, a liability for severance pay totaling \$203,823 is included in long-term debt in the Statement of Net Position as described in Note 5.

The District also offers health insurance to teachers, principals, and the coordinator of educational services who are at least fifty-five years old and have served the District for at least ten years at retirement. The health insurance for qualifying retirees will continue until they reach the age of sixty-five.

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JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Q. RISK MANAGEMENT

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

R. FUND BALANCE

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

Nonspendable – consists of amounts that cannot be spent because it is not in spendable form, such as prepaid and inventory items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board itself or by an official to which the School Board delegates the authority. Pursuant to School Board resolution, the Finance Officer is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the School Board.

The District has formally adopted a fund balance policy. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 10% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned and unassigned fund balances.

S. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net position items that do not meet the definition of "net investment in capital assets" or "restricted" are reported as unrestricted.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

T. USE OF ESTIMATES

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

U. RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The total amount of the District's prior year fund balance did not change due to these reclassifications.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

At June 30, 2017, the District had no funds with negative fund balances.

3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk: For deposits, is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2017, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

B. INVESTMENTS

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments were not exposed to interest rate risk at June 30, 2017.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments were not exposed to credit risk at June 30, 2017.

Concentration of Credit Risk: Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no formal investment policy that places limits on the amount the District may invest in any one issuer. More than 5% of the District's investments are in MSDLAF and Minnesota Trust Investment Shares.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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 investments were not exposed to custodial credit risk at June 30, 2017.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

The following table presents the District's cash and investment balances at June 30, 2017:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	<u>Fair Value</u>
Pooled Cash and Investments:				
Money Market Funds	N/A	N/A	22.6%	\$ 957,020
Minnesota Trust Investment Shares	N/A	N/A	53.8	2,280,062
Certificates of Deposit	N/A	6.86 Months	17.5	741,300
Checking Account	N/A	N/A	6.1	260,348
Petty Cash	N/A	N/A	0.0	<u>2,000</u>
Total Cash and Investments			100.0%	<u>\$ 4,240,730</u>

Cash and Investments are presented in the June 30, 2017 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments **\$ 4,240,730**

C. FAIR VALUE MEASUREMENT

The District's cash and investments consist of checking accounts, petty cash, certificates of deposit, and shares in Minnesota's pooled investment accounts, none of which is subject to fair value measurement under GASB Statement No. 72.

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 10,350			\$ 10,350
Construction in Progress	<u>3,641,136</u>		\$ 3,641,136	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>3,651,486</u>		<u>3,641,136</u>	<u>10,350</u>
Capital Assets, Being Depreciated				
Land Improvements	514,239		65,390	448,849
Buildings and Improvements	12,001,302	\$ 4,377,593	188,816	16,190,079
Equipment and Transportation Vehicles	<u>1,627,732</u>	<u>146,218</u>	<u>130,651</u>	<u>1,643,299</u>
Total Capital Assets, Being Depreciated	<u>14,143,273</u>	<u>4,523,811</u>	<u>384,857</u>	<u>18,282,227</u>
Accumulated Depreciation for:				
Land Improvements	377,193	7,354	13,078	371,469
Buildings and Improvements	3,393,326	275,329	80,529	3,588,126
Equipment and Transportation Vehicles	<u>913,132</u>	<u>139,079</u>	<u>126,096</u>	<u>926,115</u>
Total Accumulated Depreciation	<u>4,683,651</u>	<u>421,762</u>	<u>219,703</u>	<u>4,885,710</u>
Total Capital Assets, Being Depreciated, Net	<u>9,459,622</u>	<u>4,102,049</u>	<u>165,154</u>	<u>13,396,517</u>
Governmental Activities Capital Assets, Net	<u>\$13,111,108</u>	<u>\$ 4,102,049</u>	<u>\$ 3,806,290</u>	<u>\$ 13,406,867</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

4. CAPITAL ASSETS (Cont'd)

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

Governmental Activities		
District and School Administration	\$	314
District Support Services		5,220
Regular Instruction		7,468
Vocational Instruction		87
Exceptional Instruction		258
Community Education and Services		860
Pupil Support Services		103,244
Site, Buildings and Equipment		<u>304,311</u>
Total Depreciation Expense, Governmental Activities	\$	<u>421,762</u>

5. LONG-TERM LIABILITIES

A. DESCRIPTION OF LONG-TERM DEBT

Long-term liabilities are comprised of the following as of June 30, 2017:

Issue	Interest Rate	Original Amount	Maturity Date	Debt Outstanding
Alternative Facilities Bonds, Series 2012A	2.00 – 3.00%	\$6,120,000	2032	\$ 4,650,000
General Obligation School Building Bonds, Series 2015A	2.00 – 3.00%	5,360,000	2035	5,210,000
Capital Lease Payable	4.47%	620,202	2026	457,133
Capital Lease Payable	2.94%	774,000	2027	<u>575,953</u>
Total Outstanding Long-Term Debt				<u>\$10,893,086</u>

General Obligation Bonds

On May 24, 2012, the District issued \$6,120,000 of General Obligation Alternative Facilities Bonds, Series 2012A. The proceeds of this bond issue were used for ventilation, air handling and indoor air quality improvements to the existing facility. The District levied property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2016-2017 was \$121,560.

On March 18, 2015, the District issued \$5,360,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of this bond issue were used for construction of new classrooms, weight room, and gymnasium. The District levied property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2016-2017 was \$144,038.

Capital Lease Obligations

On September 23, 2011, the District entered into a fifteen-year lease agreement for \$620,202 with Green Campus Partners, LLC. The lease calls for fifteen annual payments of \$57,687 including principal and interest at a rate of 4.47%. The lease proceeds were used to make improvements to the school building and will be paid for from regular General Fund revenues. The total cost of the building improvements was \$620,202. Interest paid in 2016-2017 was \$22,028.

On October 9, 2012, the District entered into a fifteen-year lease agreement for \$774,000 with Kinetic Leasing, Inc. The lease calls for thirty semi-annual payments of \$32,077 including principal and interest at a rate of 2.94%. The lease proceeds were used for the new classroom building addition facility and will be paid for from regular General Fund revenues. The total cost of the new building was \$774,000. Interest paid in 2016-2017 was \$17,956.

These assets are being depreciated using a straight-line method over the life of the asset.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

5. LONG-TERM LIABILITIES (Cont'd)

B. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments to retire general obligation bonds payable are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 415,000	\$ 257,398
2019	435,000	249,098
2020	445,000	240,398
2021	450,000	231,497
2022	460,000	222,497
2023 – 2027	2,455,000	962,848
2028 – 2032	3,100,000	600,913
2033 – 2035	<u>2,100,000</u>	<u>127,649</u>
	<u>\$ 9,860,000</u>	<u>\$ 2,892,298</u>

The future minimum lease obligations and the net present value of the minimum lease payments of the capital leases as of June 30, 2017 are as follows:

Year Ending June 30	Building Improvements
	<u>Principal</u>
2018	\$ 121,841
2019	121,841
2020	121,841
2021	121,841
2022	121,841
2023-2027	609,202
2028	<u>32,076</u>
Net Minimum Lease Payments	1,250,483
Less Amount Representing Interest	<u>(217,397)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,033,086</u>

C. CHANGES IN LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Alternative Facilities Bonds, Series 2012A	\$ 4,910,000		\$ 260,000	\$ 4,650,000	\$ 265,000
General Obligation School Building Bonds, Series 2015A	5,360,000		150,000	5,210,000	150,000
Capital Lease Payable	492,792		35,659	457,133	37,253
Capital Lease Payable	622,151		46,198	575,953	47,567
OPEB Payable					
(Advance Payments)	(161,724)	\$ 20,640	-	(141,084)	-
Severance Pay Payable	127,280	96,218	19,675	203,823	21,005
Pension Benefits Payable	4,416,899	11,024,360	443,783	14,997,476	-
Unamortized Premiums	86,475	-	6,214	80,261	6,214
	<u>\$15,853,873</u>	<u>\$11,141,218</u>	<u>\$ 961,529</u>	<u>\$26,033,562</u>	<u>\$ 527,039</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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6. OTHER POST EMPLOYMENT BENEFITS

The District follows Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

A. PLAN DESCRIPTION

The District provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. Active employees who retire from the District when eligible to receive a retirement benefit from the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA) and do not participate in any other health benefits program providing similar coverage, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retirees are required to pay 100% of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of July 1, 2015 there were approximately 9 retirees participating in the District's group health plan. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The District's OPEB plan issues a stand-alone financial report that may be obtained by writing or calling the District.

B. FUNDING POLICY

The District funds its other post employment benefit (OPEB) obligation on a pay as you go basis. For fiscal year 2017, the District contributed \$157,606 to the plan.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's annual OPEB cost for fiscal year 2016 and 2017, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	<u>2017</u>	<u>2016</u>
Annual Required Contribution (ARC)	\$ 175,263	\$ 175,263
Interest on Net OPEB Obligation	(5,660)	(6,262)
Amortization of Net OPEB Obligation with interest	<u>8,643</u>	<u>9,561</u>
Annual OPEB Cost	178,246	178,562
Contributions Made (Including Implicit Subsidy)	<u>(157,606)</u>	<u>(161,384)</u>
Increase (Decrease) in Net OPEB Obligation	20,640	17,178
Net OPEB Obligation, Beginning of Year	<u>(161,724)</u>	<u>(178,902)</u>
Net OPEB Obligation, End of Year	\$ (141,084)	\$ (161,724)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and 2016 were:

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage <u>Contributed</u>	Net OPEB <u>Obligation</u>
6/30/2017	\$ 178,246	88.42%	\$ (141,084)
6/30/2016	\$ 178,562	90.38%	\$ (161,724)

D. FUNDED STATUS AND FUND PROGRESS

As of July 1, 2015, most recent actuarial valuation date, the District's unfunded actuarial and accrued liability (UAAL) was \$1,844,981. The annual payroll for active employees covered by the plan in the actuarial valuation was \$3,504,898, for a ratio of UAAL to covered payroll of 52.6%.

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6. OTHER POST EMPLOYMENT BENEFITS (Cont'd)

D. FUNDED STATUS AND FUND PROGRESS (Cont'd)

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 immediately following the notes to the basic financial statements presents required supplementary 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 (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the July 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the District. The annual healthcare cost trend rate is 7.25% initially, reduced incrementally to an ultimate rate of 5.00% after nine years. The unfunded actuarial accrued liability is being amortized over a closed 30-year period increasing at 3.00% per year (the payroll growth rate).

The District is not required to have another actuarial valuation until July 1, 2017.

7. FUND BALANCE CLASSIFICATION

At June 30, 2017, a summary of the governmental fund balance classifications is as follows:

	General Fund	Food Service Fund	Community Service Fund	Building Construction Fund	Debt Service Fund	Total
Nonspendable:						
Inventory	\$ -	\$ 1,591	\$ -	\$ -	\$ -	\$ 1,591
	<u>-</u>	<u>1,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,591</u>
Restricted for:						
Gifted and Talented	32,540	-	-	-	-	32,540
Health and Safety	(3,946)	-	-	-	-	(3,946)
Safe Schools – Crime	12,920	-	-	-	-	12,920
Operating Capital	90,291	-	-	-	-	90,291
Long-Term Facilities Maintenance	(34,299)	-	-	-	-	(34,299)
Staff Development	13,369	-	-	-	-	13,369
Food Service	-	46,430	-	-	-	46,430
Community Education	-	-	24,234	-	-	24,234
Community Service	-	-	9,113	-	-	9,113
Early Childhood Family Education	-	-	26,430	-	-	26,430
School Readiness	-	-	(35,805)	-	-	(35,805)
Building Construction	-	-	-	411,573	-	411,573
Debt Service	-	-	-	-	108,588	108,588
	<u>110,875</u>	<u>46,430</u>	<u>23,972</u>	<u>411,573</u>	<u>108,588</u>	<u>701,438</u>
Committed for:						
Separation/Retirement Benefits	203,823	-	-	-	-	203,823
	<u>203,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,823</u>
Assigned for:						
Projected Budget Deficit	561,719	-	-	-	-	561,719
	<u>561,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,719</u>
Unassigned:	<u>2,449,245</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,449,245</u>
Total Fund Balance:	<u>\$ 3,325,662</u>	<u>\$ 48,021</u>	<u>\$ 23,972</u>	<u>\$ 411,573</u>	<u>\$ 108,588</u>	<u>\$ 3,917,816</u>

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7. FUND BALANCE CLASSIFICATION (Cont'd)

The District is reporting a negative restricted fund balance in Health and Safety, Long-Term Facilities Maintenance, and School Readiness at June 30, 2017. Minnesota Statutes require the District to report a deficit in the restricted fund balance, when applicable, in order to permit the statutory revenue formula calculations. This deficit will be offset with future operating tax levies.

8. PENSION PLANS

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

A. TEACHERS RETIREMENT ASSOCIATION

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active 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 Minnesota State may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

2. Benefits Provided

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

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

Tier I:	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1 st ten years of service	2.20% per year
	All years after	2.70% per year
Coordinated	1 st ten years if service years are up to July 1, 2006	1.20% per year
	1 st ten years if service years are July 1, 2006 or after	1.40% per year
	All other years of service if service years are up to July 1, 2006	1.70% per year
	All other years of service if service years are July 1, 2006 or after	1.90% per year

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8. PENSION PLANS (Cont'd)
A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)
2. Benefits Provided (Cont'd)

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 percent per year early retirement reduction factors 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: For years of service prior to July 1, 2006, a level formula of 1.70% per year for coordinated members and 2.70% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90% per year for Coordinated members and 2.70% per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

3. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2016, and June 30, 2017 were:

	Employee	Employer
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

3. Contribution Rate (Cont'd)

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 354,961,140
Add employer contributions not related to future contribution efforts	26,356
Deduct TRA's contributions not included in allocation	<u>(442,978)</u>
Total employer contributions	354,544,518
Total non-employer contributions	<u>35,587,410</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 390,131,928</u></u>

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation Date	July 1, 2016
Experience Study	June 5, 2015
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	4.66%, from the Single Equivalent Interest Rate calculation
Price Inflation	2.75%
Wage Growth Rate	3.50%
Projected Salary increase	3.50 – 9.50%
Cost of living adjustment	2.00%

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8. PENSION PLANS (Cont'd)
A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)
4. Actuarial Assumptions (Cont'd)

Mortality Assumptions

Pre-retirement	RP – 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP – 2015 scale.
Post-retirement	RP – 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP – 2015 scale.
Post-disability	RP – 2014 disabled retiree mortality table, without adjustment.

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

5. Discount Rate

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

6. Net Pension Liability

On June 30, 2017, the District reported a liability of \$13,357,336 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0560% at the end of the measurement period and 0.0554% for the beginning of the year.

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

District's proportionate share of net pension liability	\$	13,357,336
State's proportionate share of the net pension liability associated with the District	\$	1,340,272

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.00% annually. While in the previous measurement the COLA increased to 2.50% in 2034.

For the year ended June 30, 2017, the District recognized pension expense of \$2,136,017. It also recognized \$187,147 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 129,503	\$ 372
Changes in actuarial assumptions	7,614,613	-
Difference between projected and actual investment earnings	579,433	-
Changes in proportion	55,808	117,754
Contributions paid to TRA subsequent to the measurement date	<u>225,460</u>	<u>-</u>
Total	<u>\$ 8,604,817</u>	<u>\$ 118,126</u>

\$225,460 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

6. Net Pension Liability (Cont'd)

Year ended June 30	Pension Expense Amount
2018	\$ 1,632,432
2019	\$ 1,632,431
2020	\$ 1,821,817
2021	\$ 1,687,065
2022	\$ 1,487,486
Thereafter	\$ -

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 4.66% as well as the liability measured using one percentage point lower and one percentage point higher than the current discount rate:

District proportionate share of NPL		
1 percent decrease (3.66%)	Current (4.66%)	1 percent increase (5.66%)
\$17,207,588	\$13,357,336	\$10,221,432

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

8. Pension Plan Fiduciary Net Position

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

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

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

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.50% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1.00% increases.

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

The benefit provisions stated in the following paragraph 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.

General Employees Plan Benefits

General Employees Plan 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 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 Coordinated Plan member is 1.20% of average salary for each of the first ten years and 1.70% for each remaining year. Under Method 2, the annuity accrual rate is 1.70% 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.

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2017; the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2017, were \$100,792. The District's contributions were equal to the required contributions as set by State Statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2017, the District reported a liability of \$1,640,140 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$21,549. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportionate share was 0.0202%, which was an increase of 0.0011% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$210,070 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$6,398 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

4. Pension Costs (Cont'd)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,590	\$ 131,321
Changes in actuarial assumptions	351,963	-
Difference between projected and actual investment earnings	186,043	-
Changes in proportion	42,756	35,169
Contributions paid to PERA subsequent to the measurement date	<u>100,792</u>	<u>-</u>
Total	<u>\$ 686,144</u>	<u>\$ 166,490</u>

\$100,792 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2018	\$ 111,872
2019	\$ 76,456
2020	\$ 171,290
2021	\$ 59,244
2022	\$ -
Thereafter	\$ -

5. Actuarial Assumptions

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

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the General Employees Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1.00% per year for all future years for the General Employees Plan.

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

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

5. Actuarial Assumptions (Cont'd)

The following changes in actuarial assumptions occurred in 2016.

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

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

6. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the General Employees Fund, 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:

District proportionate share of General Employees Fund NPL		
1 percent decrease	Current	1 percent increase
(6.50%)	(7.50%)	(8.50%)
\$2,329,485	\$1,640,140	\$1,072,307

8. Pension Plan Fiduciary Net Position

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

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

9. OPERATING LEASE AGREEMENT

Equipment Lease

The District entered into an operating lease agreement in July 2014 with De Lage Landen Financial Services, Inc. for four copiers. This lease calls for monthly payments of \$890, and runs through July 2018. Lease expenditures for the year ended June 30, 2017 were \$10,680.

Future minimum lease obligations are as follows:

2018	\$ 10,680
2019	890
2020	-
2021	-
2022	-

10. GASB STANDARD ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as they relate to governments that provide other postemployment benefits (OPEB) to their employees. Statement No. 75 requires governments providing other postemployment benefits to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. Statement No. 75 is effective for implementation for the year ended June 30, 2018.

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
FOR POSTEMPLOYMENT BENEFIT PLANS
JUNE 30, 2017**

SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLANS

Other Postemployment Benefits						
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)
7/01/2015	\$-	\$1,844,981	\$1,844,981	0.00%	\$ 3,504,898	52.6%
7/01/2012	-	1,644,473	1,644,473	0.00	2,994,293	54.9
7/01/2009	-	1,910,305	1,910,305	0.00	2,808,934	68.0

SCHEDULE OF EMPLOYER CONTRIBUTIONS FOR POSTEMPLOYMENT BENEFIT PLANS

Other Postemployment Benefits				
Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
6/30/2017	\$ 178,246	\$ 157,606	88.42%	\$ (141,084)
6/30/2016	178,562	161,384	90.38	(161,724)
6/30/2015	162,884	120,197	73.79	(178,902)
6/30/2014	163,029	175,370	107.57	(221,589)
6/30/2013	162,170	207,814	128.15	(209,248)
6/30/2012	173,971	216,488	124.44	(163,604)
6/30/2011	172,677	256,130	148.33	(121,087)
6/30/2010	172,111	209,745	121.87	(37,634)

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

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2017**

TEACHERS RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Fiscal Year Ending	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)		District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/17	0.0560%	\$ 13,357,336	\$ 1,340,272	\$ 14,697,608	\$ 3,008,697	488.5%	44.88%	
6/30/16	0.0554	3,427,038	420,390	3,847,428	2,981,851	129.0	76.80	
6/30/15	0.0585	2,695,638	189,588	2,855,226	2,891,927	98.7	81.50	

**Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

TEACHERS RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/17	\$ 225,460	\$ 225,460	\$ -	\$ 3,008,697	7.5%
6/30/16	218,357	218,357	-	2,981,851	7.3
6/30/15	215,393	215,393	-	2,891,927	7.4

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2017**

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (*)
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Fiscal Year Ending	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/17	0.0202%	\$ 1,640,140	\$ 21,459	\$ 1,661,599	\$ 1,358,671	122.3%	68.9%
6/30/16	0.0191	989,861	-	989,861	1,234,545	80.2	78.2
6/30/15	0.0204	958,290	-	958,920	1,137,228	84.3	78.7

* This schedule is for former MERF Division Employers to present their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

**Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/17	\$ 100,792	\$ 100,792	\$ -	\$ 1,358,671	7.4%
6/30/16	92,206	92,206	-	1,234,545	7.5
6/30/15	82,241	82,241	-	1,137,228	7.2

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017 Actual	Variance	2016 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 1,509,872	\$ 1,483,359	\$ 1,483,534	\$ 175	\$ 1,489,283	\$ (5,749)
Other Local and County Revenues:						
County Apportionment	9,603	9,700	13,934	4,234	9,866	4,068
Other School Districts	61,000	71,057	69,131	(1,926)	57,001	12,130
Admissions and Fees	69,850	74,525	75,334	809	90,609	(15,275)
Earnings From Investments	7,000	14,500	20,543	6,043	7,593	12,950
Rent for School Facilities	1,500	1,600	1,700	100	1,700	-
Miscellaneous Revenues	12,000	34,216	54,442	20,226	32,014	22,428
	160,953	205,598	235,084	29,486	198,783	36,301
Revenue From State Sources:						
Endowment Fund Apportionment	16,051	17,374	17,592	218	16,536	1,056
General Education Aid	4,403,867	4,607,406	4,603,036	(4,370)	4,376,396	226,640
Literacy Incentive Aid	21,789	25,218	25,218	-	23,057	2,161
Disparity Aid	12,496	12,129	12,129	-	12,496	(367)
Homestead/Agricultural Levy Credits	16,154	16,124	16,124	-	16,154	(30)
Special Education	433,276	450,000	530,151	80,151	453,475	76,676
Miscellaneous State Revenue	68,689	74,496	86,812	12,316	62,575	24,237
	4,972,322	5,202,747	5,291,062	88,315	4,960,689	330,373
Revenue From Federal Sources:						
Title I Educationally Deprived Children	115,000	119,300	134,436	15,136	111,503	22,933
Migrant Education	4,600	4,600	4,600	-	4,600	-
Title II	50,000	50,000	37,226	(12,774)	6,655	30,571
Federal Special Education	-	76,000	91,272	15,272	84,941	6,331
Other Federal Programs	-	8,964	8,964	-	8,292	672
	169,600	258,864	276,498	17,634	215,991	60,507
Sales and Other Conversion of Assets:						
Sales of Materials	750	690	761	71	1,338	(577)
Insurance Recovery	-	-	-	-	1,549	(1,549)
	750	690	761	71	2,887	(2,126)
TOTAL REVENUES	6,813,497	7,151,258	7,286,939	135,681	6,867,633	419,306
EXPENDITURES						
Current:						
District and School Administration:						
Salaries and Wages	387,595	368,679	363,513	5,166	373,898	(10,385)
Employee Benefits	110,098	119,545	117,659	1,886	111,226	6,433
Purchased Services	11,550	19,468	22,542	(3,074)	14,131	8,411
Supplies and Materials	1,300	1,620	1,124	496	566	558
Other Expenditures	11,300	13,120	13,120	-	8,194	4,926
	521,843	522,432	517,958	4,474	508,015	9,943
District Support Services:						
Salaries and Wages	136,407	182,069	181,235	834	146,930	34,305
Employee Benefits	48,515	60,002	75,372	(15,370)	46,573	28,799
Purchased Services	110,275	103,928	109,279	(5,351)	133,593	(24,314)
Supplies and Materials	20,500	19,500	18,886	614	26,197	(7,311)
Other Expenditures	10,000	10,000	9,910	90	10,065	(155)
	325,697	375,499	394,682	(19,183)	363,358	31,324
Regular Instruction:						
Salaries and Wages	2,331,420	2,407,694	2,381,225	26,469	2,265,811	115,414
Employee Benefits	642,489	625,144	611,184	13,960	637,914	(26,730)
Purchased Services	134,184	133,975	157,949	(23,974)	151,169	6,780
Supplies and Materials	158,318	159,572	160,940	(1,368)	95,974	64,966
Other Expenditures	5,800	3,514	5,099	(1,585)	6,640	(1,541)
	3,272,211	3,329,899	3,316,397	13,502	3,157,508	158,889
Vocational Instruction:						
Salaries and Wages	61,877	63,247	63,732	(485)	59,968	3,764
Employee Benefits	14,520	14,520	15,417	(897)	14,627	790
Purchased Services	-	-	-	-	664	(664)
Supplies and Materials	4,500	4,500	4,731	(231)	6,500	(1,769)
	80,897	82,267	83,880	(1,613)	81,759	2,121
Exceptional Instruction:						
Salaries and Wages	745,644	810,566	766,680	43,886	739,819	26,861
Employee Benefits	127,715	173,555	162,180	11,375	156,594	5,586
Purchased Services	140,500	194,424	169,302	25,122	178,855	(9,553)
Supplies and Materials	10,000	10,000	9,939	61	6,053	3,886
	1,023,859	1,188,545	1,108,101	80,444	1,081,321	26,780

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Comparative Actual Amounts for the Year Ended June 30, 2016)

EXPENDITURES (Cont'd)	2017 Budgeted Amounts		2017 Actual	Variance	2016 Actual	Increase (Decrease) Actual
	Original	Final				
Current (Cont'd)						
Instructional Support Services:						
Salaries and Wages	\$ 17,088	\$ 15,195	\$ 16,783	\$ (1,588)	\$ 10,785	\$ 5,998
Employee Benefits	950	2,348	1,903	445	1,665	238
Purchased Services	67,710	67,710	61,505	6,205	69,723	(8,218)
Supplies and Materials	2,000	2,000	1,872	128	2,166	(294)
	<u>87,748</u>	<u>87,253</u>	<u>82,063</u>	<u>5,190</u>	<u>84,339</u>	<u>(2,276)</u>
Pupil Support Services:						
Salaries and Wages	343,957	346,158	337,125	9,033	312,619	24,506
Employee Benefits	37,020	63,768	54,529	9,239	52,294	2,235
Purchased Services	141,394	136,892	24,759	112,133	66,074	(41,315)
Supplies and Materials	68,500	68,000	78,720	(10,720)	51,409	27,311
	<u>590,871</u>	<u>614,818</u>	<u>495,133</u>	<u>119,685</u>	<u>482,396</u>	<u>12,737</u>
Site, Buildings and Equipment:						
Salaries and Wages	207,945	220,939	247,679	(26,740)	211,810	35,869
Employee Benefits	49,037	53,780	54,877	(1,097)	49,045	5,832
Purchased Services	136,641	241,073	233,502	7,571	152,920	80,582
Supplies and Materials	44,000	53,635	56,199	(2,564)	38,587	17,612
Other Expenditures	-	-	1,789	(1,789)	1,419	370
	<u>437,623</u>	<u>569,427</u>	<u>594,046</u>	<u>(24,619)</u>	<u>453,781</u>	<u>140,265</u>
Fiscal And Other Fixed Cost Programs:						
Purchased Services	<u>39,000</u>	<u>41,236</u>	<u>41,236</u>	<u>-</u>	<u>38,308</u>	<u>2,928</u>
Capital Outlay:						
District and School Administration	-	-	-	-	808	(808)
District Support Services	10,000	83,661	68,846	14,815	22,857	45,989
Regular Instruction	196,800	144,268	126,167	18,101	145,804	(19,637)
Vocational Instruction	2,000	2,000	1,596	404	-	1,596
Pupil Support Services	75,000	74,900	74,900	-	319	74,581
Site, Buildings and Equipment	60,687	63,690	80,246	(16,556)	174,592	(94,346)
	<u>344,487</u>	<u>368,519</u>	<u>351,755</u>	<u>16,764</u>	<u>344,380</u>	<u>7,375</u>
Debt Service:						
Principal	81,857	81,857	81,857	-	79,002	2,855
Interest	39,984	39,984	39,984	-	42,838	(2,854)
	<u>121,841</u>	<u>121,841</u>	<u>121,841</u>	<u>-</u>	<u>121,840</u>	<u>1</u>
TOTAL EXPENDITURES	<u>6,846,077</u>	<u>7,301,736</u>	<u>7,107,092</u>	<u>194,644</u>	<u>6,717,005</u>	<u>390,087</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(32,580)</u>	<u>(150,478)</u>	<u>179,847</u>	<u>330,325</u>	<u>150,628</u>	<u>29,219</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Equipment	-	9,503	9,503	-	360	9,143
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>9,503</u>	<u>9,503</u>	<u>-</u>	<u>360</u>	<u>9,143</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(32,580)</u>	<u>(140,975)</u>	<u>189,350</u>	<u>330,325</u>	<u>150,988</u>	<u>38,362</u>
FUND BALANCE BEGINNING OF YEAR	<u>3,136,312</u>	<u>3,136,312</u>	<u>3,136,312</u>	<u>-</u>	<u>2,985,324</u>	<u>150,988</u>
FUND BALANCE END OF YEAR	<u>\$ 3,103,732</u>	<u>\$ 2,995,337</u>	<u>\$ 3,325,662</u>	<u>\$ 330,325</u>	<u>\$ 3,136,312</u>	<u>\$ 189,350</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Deferred Maintenance			\$ -		\$ 3,585	
Gifted and Talented			32,540		32,277	
Health and Safety			(3,946) **		(911) **	
Safe Schools - Crime			12,920		11,156	
Operating Capital			90,291		18,101	
Long-Term Facilities Maintenance			(34,299) **		-	
Staff Development			13,369		6,881	
TOTAL RESTRICTED FUND BALANCE			<u>110,875</u>		<u>71,089</u>	
COMMITTED FUND BALANCE						
Separation/Retirement Benefits			<u>203,823</u>		<u>127,280</u>	
ASSIGNED FUND BALANCE						
Projected Budget Deficit			<u>561,719</u>		<u>47,989</u>	
UNASSIGNED FUND BALANCE			<u>2,449,245</u>		<u>2,889,954</u>	
TOTAL FUND BALANCE			<u>\$ 3,325,662</u>		<u>\$ 3,136,312</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017 Actual	Variance	2016 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local and County Revenues:						
Miscellaneous Local Revenue	\$ 50	\$ 100	\$ 185	\$ 85	\$ 102	\$ 83
Revenue From State Sources:						
Breakfast Program Aid	8,000	5,000	8,075	3,075	3,872	4,203
Special Milk Program Aid	800	850	958	108	968	(10)
Lunch Program Aid	11,000	11,000	11,954	954	11,290	664
	<u>19,800</u>	<u>16,850</u>	<u>20,987</u>	<u>4,137</u>	<u>16,130</u>	<u>4,857</u>
Revenue From Federal Sources:						
School Lunch Aid	22,000	23,000	26,835	3,835	26,780	55
Free/Reduced Lunch Aid	95,000	95,000	95,460	460	94,843	617
School Breakfast Program	33,000	34,000	37,041	3,041	35,483	1,558
USDA Commodity Rebates	200	200	-	(200)	85	(85)
USDA Commodities	18,000	18,000	27,158	9,158	19,128	8,030
Fresh Fruit and Vegetable Program	-	-	-	-	16,897	(16,897)
Summer Food Program	15,000	16,000	14,586	(1,414)	17,302	(2,716)
Child and Adult Care Food Program	-	-	-	-	6,134	(6,134)
	<u>183,200</u>	<u>186,200</u>	<u>201,080</u>	<u>14,880</u>	<u>216,652</u>	<u>(15,572)</u>
Sales And Other Conversion Of Assets:						
Sale of Lunches and Other	<u>105,800</u>	<u>102,800</u>	<u>104,513</u>	<u>1,713</u>	<u>107,872</u>	<u>(3,359)</u>
TOTAL REVENUES	<u>308,850</u>	<u>305,950</u>	<u>326,765</u>	<u>20,815</u>	<u>340,756</u>	<u>(13,991)</u>
EXPENDITURES						
Current:						
Pupil Support Services:						
Salaries and Wages	105,089	107,446	106,163	1,283	109,655	(3,492)
Employee Benefits	27,240	27,672	26,148	1,524	24,760	1,388
Purchased Services	16,950	2,950	1,034	1,916	20,764	(19,730)
Supplies and Materials	171,300	170,100	174,039	(3,939)	197,434	(23,395)
Other Expenditures	1,000	2,121	2,121	-	2,629	(508)
	<u>321,579</u>	<u>310,289</u>	<u>309,505</u>	<u>784</u>	<u>355,242</u>	<u>(45,737)</u>
Capital Outlay:						
Pupil Support Services	-	715	712	3	-	712
TOTAL EXPENDITURES	<u>321,579</u>	<u>311,004</u>	<u>310,217</u>	<u>787</u>	<u>355,242</u>	<u>(45,025)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,729)</u>	<u>(5,054)</u>	<u>16,548</u>	<u>21,602</u>	<u>(14,486)</u>	<u>31,034</u>
FUND BALANCE BEGINNING OF YEAR	<u>31,473</u>	<u>31,473</u>	<u>31,473</u>	<u>-</u>	<u>45,959</u>	<u>(14,486)</u>
FUND BALANCE END OF YEAR	<u>\$ 18,744</u>	<u>\$ 26,419</u>	<u>\$ 48,021</u>	<u>\$ 21,602</u>	<u>\$ 31,473</u>	<u>\$ 16,548</u>
FUND BALANCE END OF YEAR						
NONSPENDABLE FUND BALANCE						
Inventory			\$ 1,591		\$ 3,168	
RESTRICTED FUND BALANCE						
Food Service			<u>46,430</u>		<u>28,305</u>	
FUND BALANCE END OF YEAR			<u>\$ 48,021</u>		<u>\$ 31,473</u>	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017 Actual	Variance	2016 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Community Service Levy	\$ 69,205	\$ 58,576	\$ 58,663	\$ 87	\$ 63,447	\$ (4,784)
Other Local And County Revenues:						
Tuition and Fees From Patrons	18,800	12,635	14,227	1,592	34,649	(20,422)
Miscellaneous Local Revenue	46,525	46,600	40,004	(6,596)	55,132	(15,128)
	<u>65,325</u>	<u>59,235</u>	<u>54,231</u>	<u>(5,004)</u>	<u>89,781</u>	<u>(35,550)</u>
Revenue From State Sources:						
Disparity Aid	1,621	1,367	1,367	-	1,621	(254)
Homestead Market Value	2,096	1,818	1,818	-	2,096	(278)
Preschool Screening	1,697	1,752	1,966	214	2,840	(874)
Community Education	27,823	27,823	27,823	-	18,154	9,669
	<u>33,237</u>	<u>32,760</u>	<u>32,974</u>	<u>214</u>	<u>24,711</u>	<u>8,263</u>
Sales And Other Conversion Of Assets:						
Sales of Materials	-	-	-	-	428	(428)
TOTAL REVENUES	<u>167,767</u>	<u>150,571</u>	<u>145,868</u>	<u>(4,703)</u>	<u>178,367</u>	<u>(32,499)</u>
EXPENDITURES						
Current:						
Community Education And Services:						
Salaries and Wages	159,873	86,400	87,399	(999)	135,839	(48,440)
Employee Benefits	35,238	11,596	11,966	(370)	26,188	(14,222)
Purchased Services	4,300	7,100	11,590	(4,490)	8,013	3,577
Supplies and Materials	16,400	16,618	12,379	4,239	26,244	(13,865)
TOTAL EXPENDITURES	<u>215,811</u>	<u>121,714</u>	<u>123,334</u>	<u>(1,620)</u>	<u>196,284</u>	<u>(72,950)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(48,044)</u>	<u>28,857</u>	<u>22,534</u>	<u>(6,323)</u>	<u>(17,917)</u>	<u>40,451</u>
FUND BALANCE BEGINNING OF YEAR	<u>1,438</u>	<u>1,438</u>	<u>1,438</u>	<u>-</u>	<u>19,355</u>	<u>(17,917)</u>
FUND BALANCE END OF YEAR	<u>\$ (46,606)</u>	<u>\$ 30,295</u>	<u>\$ 23,972</u>	<u>\$ (6,323)</u>	<u>\$ 1,438</u>	<u>\$ 22,534</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Community Education			\$ 24,234		\$ 36,218	
Community Service			9,113		9,774	
Early Childhood Family Education			26,430		20,318	
School Readiness			(35,805) **		(64,872) **	
TOTAL RESTRICTED FUND BALANCE			<u>23,972</u>		<u>1,438</u>	
TOTAL FUND BALANCE			<u>\$ 23,972</u>		<u>\$ 1,438</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017**

1. OTHER POST EMPLOYMENT BENEFITS

There are no factors that affect trends in the amounts reported, such as changes in benefits provisions, the size or composition of the employee group(s) covered by the plan, or the actuarial methods and assumptions used. Details, if necessary, can be obtained from the stand-alone financial report for the District's OPEB plan by writing or calling the District.

2. DEFINED BENEFIT PENSION PLANS

Teachers Retirement Association

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit adjustments are now assumed to remain level at 2.00% annually. While in the previous measurement the COLA increased to 2.50% in 2034.
- The assumed investment return was changed from 8.00% to 4.66%. The single discount rate was changed from 8.00% to 4.66%.
- Other assumptions were changed pursuant to the experience study dated June 5, 2015. Mortality, retirement, termination and optional forms of payment assumptions were updated. In addition, price inflation was lowered 0.25% to 2.75%, general wage growth and payroll growth were lowered 0.25% to 3.50%, and total salary increases were changed from 3.50% - 12.00% to 3.50% - 9.50%.

Public Employees Retirement Association

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT SPENDING

The fiscal year 2017 budget approved by the School Board projected deficit spending in the following funds:

<u>Fund</u>	
General Fund	\$ 140,975
Food Service Fund	\$ 5,054

B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2017, the District had the following funds with expenditures exceeding the latest amended budget:

<u>Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Community Service Fund	\$ 121,714	\$ 123,334	\$ 1,620

Budget revisions were last approved in April of 2017. These excesses were realized since that time and are approved by the School Board upon acceptance of this report.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - BUILDING CONSTRUCTION FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017 Actual	Variance	2016 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local And County Revenues:						
Earnings From Investments	\$ 1,500	\$ 6,800	\$ 7,670	\$ 870	\$ 9,387	\$ (1,717)
TOTAL REVENUES	1,500	6,800	7,670	870	9,387	(1,717)
EXPENDITURES						
Current:						
Site, Buildings and Equipment:						
Purchased Services	-	-	-	-	226,651	(226,651)
Capital Outlay:						
Site, Building and Equipment	1,014,225	793,572	787,309	6,263	3,637,036	(2,849,727)
TOTAL EXPENDITURES	1,014,225	793,572	787,309	6,263	3,863,687	(3,076,378)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,012,725)	(786,772)	(779,639)	7,133	(3,854,300)	3,074,661
FUND BALANCE BEGINNING OF YEAR	1,191,212	1,191,212	1,191,212	-	5,045,512	(3,854,300)
FUND BALANCE END OF YEAR	\$ 178,487	\$ 404,440	\$ 411,573	\$ 7,133	\$ 1,191,212	\$ (779,639)
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Building Construction			\$ 411,573		\$ 1,191,212	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2017
 (with Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017 Budgeted Amounts		2017 Actual	Variance	2016 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 446,545	\$ 443,931	\$ 443,767	\$ (164)	\$ 373,252	\$ 70,515
Other Local And County Revenues:						
Earnings from Investments	-	-	1,316	1,316	980	336
	-	-	<u>1,316</u>	<u>1,316</u>	<u>980</u>	<u>336</u>
Revenue From State Sources:						
Disparity Aid	9,541	10,513	10,513	-	9,541	972
Homestead Market Value	12,334	13,976	13,976	-	12,334	1,642
	<u>21,875</u>	<u>24,489</u>	<u>24,489</u>	<u>-</u>	<u>21,875</u>	<u>2,614</u>
TOTAL REVENUES	468,420	468,420	469,572	1,152	396,107	73,465
EXPENDITURES						
Debt Service:						
Principal	380,000	410,000	410,000	-	255,000	155,000
Interest	328,460	265,598	265,598	-	251,893	13,705
TOTAL EXPENDITURES	708,460	675,598	675,598	-	506,893	168,705
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(240,040)	(207,178)	(206,026)	1,152	(110,786)	(95,240)
FUND BALANCE BEGINNING OF YEAR	314,614	314,614	314,614	-	425,400	(110,786)
FUND BALANCE END OF YEAR	\$ 74,574	\$ 107,436	\$ 108,588	\$ 1,152	\$ 314,614	\$ (206,026)
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Debt Service			<u>\$ 108,588</u>		<u>\$ 314,614</u>	

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - HISTORICAL ANALYSIS

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
REVENUES					
Local Property Tax Levies	\$ 1,457,082	\$ 2,064,014	\$ 1,300,244	\$ 1,489,283	\$ 1,483,534
Other Local and County Revenues	263,698	236,697	244,497	198,783	235,084
Revenue From State Sources	4,490,874	4,410,370	4,999,264	4,960,689	5,291,062
Revenue From Federal Sources	231,443	251,844	274,338	215,991	276,498
Sales and Other Conversion of Assets	88,587	2,134	49,345	2,887	761
Proceeds from Sale of Equipment	-	-	-	360	9,503
TOTAL REVENUES	<u>6,531,684</u>	<u>6,965,059</u>	<u>6,867,688</u>	<u>6,867,993</u>	<u>7,296,442</u>
EXPENDITURES - PROGRAMS					
District and School Administration	466,184	477,792	499,725	508,823	517,958
District Support Services	427,594	410,945	356,660	386,215	463,528
Regular Instruction	2,942,613	2,935,844	3,161,338	3,303,312	3,442,564
Vocational Instruction	72,143	75,419	79,321	81,759	85,476
Exceptional Instruction	902,682	1,037,695	1,005,404	1,081,321	1,108,101
Instructional Support Services	77,156	102,999	82,250	84,339	82,063
Pupil Support Services	732,399	602,420	655,139	482,715	570,033
Site, Buildings, and Equipment	658,020	655,132	1,111,904	628,373	674,292
Fiscal and Other Fixed Cost Programs	193,283	245,441	153,792	160,148	163,077
Transfers Out	10,000	20,000	-	-	-
TOTAL EXPENDITURES	<u>6,482,074</u>	<u>6,563,687</u>	<u>7,105,533</u>	<u>6,717,005</u>	<u>7,107,092</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	49,610	401,372	(237,845)	150,988	189,350
FUND BALANCE BEGINNING OF YEAR	<u>2,772,187</u>	<u>2,821,797</u>	<u>3,223,169</u>	<u>2,985,324</u>	<u>3,136,312</u>
FUND BALANCE END OF YEAR	<u>\$ 2,821,797</u>	<u>\$ 3,223,169</u>	<u>\$ 2,985,324</u>	<u>\$ 3,136,312</u>	<u>\$ 3,325,662</u>
ADJUSTED CASH BALANCES	<u>\$ 2,218,801</u>	<u>\$ 3,139,346</u>	<u>\$ 3,359,022</u>	<u>\$ 3,264,212</u>	<u>\$ 3,255,697</u>
EXPENDITURES - OBJECT					
Salaries and Wages	\$ 3,612,849	\$ 3,753,100	\$ 3,935,491	\$ 4,121,640	\$ 4,357,972
Employee Benefits	1,046,165	1,022,107	1,014,327	1,069,938	1,093,121
Purchased Services	767,300	868,930	719,583	805,437	820,074
Supplies and Materials	254,390	291,514	298,292	227,452	332,411
Other Expenditures/Transfers	32,687	42,872	28,514	26,318	29,918
Capital Expenditures	594,780	379,183	987,485	344,380	351,755
Debt Service Expenditures	173,903	205,981	121,841	121,840	121,841
TOTAL EXPENDITURES	<u>\$ 6,482,074</u>	<u>\$ 6,563,687</u>	<u>\$ 7,105,533</u>	<u>\$ 6,717,005</u>	<u>\$ 7,107,092</u>

OTHER REQUIRED REPORTS

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2017**

PREVIOUSLY REPORTED ITEM NOT RESOLVED

2016-001 Audit Adjustments

Condition: During our audit, we proposed various audit adjustments that resulted in significant changes to the District's financial statements. This finding was also reported in the prior year audit. The District's corrective action plan for the prior year audit filed with the Minnesota Department of Education stated that the District will review the prior year journal entries to determine training needs and will contract with the SW/WC Service Cooperative. The District has continued to work with the service cooperative to prepare the annual audit adjustments.

Effect: A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a misstatement in the financial statement not initially identified by the entity's internal controls. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The District's personnel did not use a proper cut off when analyzing payroll liabilities. The Service Cooperative prepared a majority of the year end entries, however all accounts were not reviewed for accuracy, requiring the auditors to propose significant journal entries.

Criteria: The District's accounting staff should prepare journal entries during the year, or at a minimum, at year end to convert the cash basis general ledger to a modified accrual basis general ledger. The external auditor's staff cannot be considered to be part of the District's internal control and should not be relied upon to propose a significant number of material audit adjustments.

Recommendation: We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

ITEM ARISING THIS YEAR

2017-001 Unauthorized Disbursements

Condition: Of the 25 disbursements sampled, 2 lacked proper approval of the purchase order/invoice. The policies in place were not followed as it related to approval of the disbursement.

Effect: This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The District allowed the disbursement to be issued without documentation of proper approval on the supporting documentation.

Criteria: In order to ensure full accountability and propriety, all disbursements issued by the District should be formally approved by the Superintendent before the checks are issued.

Recommendation: We recommend that the District follow the policies and procedures that were approved by the School Board as they relate to approval of disbursements.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendation will be adopted.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2017**

PREVIOUSLY REPORTED ITEM RESOLVED

Finding 2016-002: Lack of Adequate Collateral Coverage

The District did not have adequate collateral coverage for the District's deposits two out of the three months tested.

Resolution

The District personnel closely monitored the deposit levels and the level of pledged collateral to ensure that they obtained adequate collateral coverage throughout the year.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
CORRECTIVE ACTION PLAN
JUNE 30, 2017**

2016-001 Audit Adjustments

Auditor Recommendation

We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding

The District still intends to follow the corrective action plan previously filed with the Minnesota Department of Education. The District will continue to contract with SW/WC Service Cooperative.

3. Official Responsible for Insuring CAP

The Superintendent is the official responsible for insuring corrective action of the deficiency.

4. Planned Completion Date for CAP

This plan will be implemented during the 2017-2018 fiscal year.

5. Plan to Monitor Completion of CAP

The Superintendent and the School Board will be monitoring this corrective action plan.

2017-001 Lack of Adequate Approval of Invoices

Auditor Recommendation

We recommend that the District follow the policies and procedures that were approved by the School Board as they relate to approval of disbursements.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Action Planned in Response to Finding

The District will require proper authorization for all disbursements.

3. Official Responsible for Insuring CAP

The Superintendent is the official responsible for insuring corrective action of the deficiency.

4. Planned Completion Date for CAP

This plan will be implemented during the 2017-2018 fiscal year.

5. Plan to Monitor Completion of CAP

The Superintendent and the School Board will be monitoring this corrective action plan.



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CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings on internal control structure and compliance, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings on internal control structure and compliance as item 2016-001 to be a material weakness.

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A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the accompanying schedule of findings on internal control structure and compliance as item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District No. 2890, Renville County West, Renville, Minnesota's Response to Findings

Independent School District No. 2890, Renville County West, Renville, Minnesota's response to the findings identified in our audit are described in the accompanying schedule of findings on internal control structure and compliance corrective action plan. Independent School District No. 2890, Renville County West, Renville, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 9, 2017



PLLP

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2017.

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2890, Renville County West, Renville, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 2890, Renville County West, Renville, Minnesota's noncompliance regarding the above referenced provisions.

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

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 9, 2017

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**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**STUDENT ACTIVITY ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 201**



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON THE
STATEMENT OF CASH RECEIPTS AND
DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS**

Members of the School Board, Advisors, and Students
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited the statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 2890, Renville County West, Renville, Minnesota for the year ended June 30, 2017. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on this financial statement based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practicable for us to extend our audit of such cash collections beyond the amounts recorded.

Because this financial statement is prepared on the basis of cash receipts and disbursements, revenue is recorded when received, and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's student activity accounts for the year ended June 30, 2017, and the cash balances at that date.

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 9, 2017

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**INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 STUDENT ACTIVITY ACCOUNTS
 FOR THE YEAR ENDED JUNE 30, 2017**

<u>Activity Account</u>	<u>7/1/2016 Balance</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>6/30/2017 Balance</u>
TADA	\$ 707	\$ 500	\$ 85	\$ 1,122
FFA	891	16,069	16,325	635
High School Student Council	486	2,006	2,377	115
Annual	620	5,979	5,024	1,575
Senior High Drama Club	324	1,083	15	1,392
FFA Greenhouse Project	23,002	27,169	24,743	25,428
Music Trip	10,919	12,251	6,273	16,897
Travel Group	516	1,024	1,324	216
Football Group	3,112	12,020	6,989	8,143
Class of 2017	6,987	26,447	33,434	-
Class of 2018	-	10,511	2,326	8,185
Class of 2019	-	65	-	65
Interest Earned	35	-	35	-
TOTALS	\$ 47,599	\$ 115,124	\$ 98,950	\$ 63,773



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS APPLICABLE TO THE
STUDENT ACTIVITY ACCOUNTS**

To the School Board, Advisers, and Students of
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited the statement of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District No. 2890, Renville County West, Renville, Minnesota for the year ended June 30, 2017, and have issued our report thereon dated November 9, 2017 which was modified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Manual for Activity Fund Accounting (MAFA), issued by the Minnesota Department of Education, pursuant to Minnesota Statutes § 123.38.

The Manual for Activity Fund Accounting (MAFA) provides uniform financial accounting and reporting standards for student activities. Compliance with this manual is the responsibility of the District's management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District did not comply, in all material respects with the provisions referred to in the above paragraph. Weaknesses pertaining to compliance with the Manual for Activity Fund Accounting (MAFA) and internal control are noted on page 60. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

This report is intended solely for the information and use of the School Board, management, and students of Independent School District No. 2890, Renville County West, Renville, Minnesota and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 9, 2017

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**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
FINDINGS ON STUDENT ACTIVITY INTERNAL CONTROL STRUCTURE AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2017**

1. FINDING:

The District is not in compliance with the Manual for Activity Fund Accounting (MAFA) regarding the student activity account in this area:

- Student signatures were not obtained to indicate the approval of the disbursement for 3 of the 25 disbursements tested. MAFA requires approval for the expenditure from the organization's treasurer, the sponsor, and the campus principal.

CORRECTIVE ACTION PLAN (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will work towards following the Manual for Activity Fund Accounting (MAFA) to govern the student activity account.
3. Official Responsible for Insuring CAP
The Superintendent is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The District will strive to correct these deficiencies in fiscal year 2018.
5. Plan to Monitor Completion of CAP
The Superintendent will be monitoring this plan.



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CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, for the year ended June 30, 2017, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control and any related significant deficiencies and material weaknesses in our report dated November 9, 2017. This letter does not affect our report dated November 9, 2017, on the financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota.

- Due to the limited number of office personnel within Independent School District No. 2890, Renville County West, Renville, Minnesota, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. The District has responded to this deficiency by implementing various oversight controls by the School Board and Management. These oversight controls help to mitigate the risk to the organization created by the lack of segregation of duties within the accounting function. However, the risks that are created by the lack of segregation of duties can never be completely eliminated. The School Board and Management should continue to be diligent in their review of financial transactions, and document these procedures by initialing invoices, and approving expenditure reports.

If you have any questions regarding this item, please contact us.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 9, 2017

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**DEPARTMENT
OF EDUCATION**

Fiscal Compliance Report - 6/30/2017

District: RENVILLE COUNTY WEST (2890-1)

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	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$7,286,939	<u>\$7,286,939</u>	\$0	Total Revenue	\$7,670	<u>\$7,670</u>	\$0
Total Expenditures	\$7,107,092	<u>\$7,107,092</u>	\$0	Total Expenditures	\$787,309	<u>\$787,309</u>	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$13,369	<u>\$13,369</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.06 Health and Safety	(\$3,946)	<u>(\$3,946)</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$411,573	<u>\$411,573</u>	\$0
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	07 DEBT SERVICE			
4.24 Operating Capital	\$90,291	<u>\$90,291</u>	\$0	Total Revenue	\$469,572	<u>\$469,572</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$675,598	<u>\$675,598</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$32,540	<u>\$32,540</u>	\$0	<i>Restricted:</i>			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$108,588	<u>\$108,588</u>	\$0
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.45 Career Tech Programs	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	08 TRUST			
4.49 Safe School Crime - Crime Levy	\$12,920	<u>\$12,920</u>	\$0	Total Revenue	\$250	<u>\$250</u>	\$0
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	\$0	Total Expenditures	\$500	<u>\$500</u>	\$0
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$43,975	<u>\$43,975</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	20 INTERNAL SERVICE			
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	(\$34,299)	<u>(\$34,299)</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>				25 OPEB REVOCABLE TRUST			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
<i>Committed:</i>				Total Expenditures	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$203,823	<u>\$203,823</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	45 OPEB IRREVOCABLE TRUST			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$561,719	<u>\$561,719</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				02 FOOD SERVICES			
4.22 Unassigned Fund Balance	\$2,449,245	<u>\$2,449,245</u>	\$0	Total Revenue	\$326,765	<u>\$326,765</u>	\$0
02 FOOD SERVICES				Total Expenditures	\$310,217	<u>\$310,217</u>	\$0
Total Revenue	\$326,765	<u>\$326,765</u>	\$0	<i>Non Spendable:</i>			
Total Expenditures	\$310,217	<u>\$310,217</u>	\$0				

4.60 Non Spendable Fund Balance	\$1,591	<u>\$1,591</u>	\$0
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$46,430	<u>\$46,430</u>	\$0
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0

04 COMMUNITY SERVICE

Total Revenue	\$145,868	<u>\$145,868</u>	\$0
Total Expenditures	\$123,334	<u>\$123,334</u>	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0
4.31 Community Education	\$24,234	<u>\$24,234</u>	\$0
4.32 E.C.F.E	\$26,430	<u>\$26,430</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0
4.44 School Readiness	(\$35,805)	<u>(\$35,805)</u>	\$0
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$9,113	<u>\$9,113</u>	\$0
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0

4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
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47 OPEB DEBT SERVICE

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