Financial Statements
June 30, 2016

Independent School District No. 152
Moorhead Area Public Schools

Additional Reports

School Board

Name	Position	Term Expires
Bill Tomhave	Chairperson	2017
Scott Steffes	Vice Chairperson	2019
Laurie Johnson	Treasurer	2017
Matt Valan	Clerk	2019
Lisa Erickson	Director	2017
Mark Altenburg	Director	2017
Cindy Fagerlie	Director	2019

Administration

Lynne Kovash	Superintendent
Brandon Lunak	Assistant Superintendent
Denice Sinner	District Accountant

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion 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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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund 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, schedule of funding progress, and schedule of employer's share of net pension liability and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school board and administration, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is also not a required part of the financial statements.

The combining and individual fund schedules, uniform accounting and reporting standards compliance table, schedule of changes in student activity cash balances, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. In addition, in our opinion, the schedule of changes in student activity cash balances presents fairly the changes in the cash balances of the student activity funds for the year ended June 30, 2016.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated November 22, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
November 22, 2016

This section of Independent School District No. 152 – Moorhead Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2015-2016 fiscal year include the following:

- *General Fund 01* – The overall revenues were approximately $70.9 million while the overall expenditures were approximately $70.8 million. These, along with other financing sources of $2.4 million, increased the fund balance by approximately $2.6 million.

- *Food Service Fund 02* – The revenues were approximately $3.1 million and the expenditures were approximately $3.2 million decreasing the fund balance by approximately $79,000.

- *Community Service Fund 04* – The revenues were approximately $1.8 million while the expenditures were approximately $1.4 million increasing the fund balance by approximately $399,000.

- *Construction Fund 06* – The revenues were approximately $60,000 and expenditures of approximately $7.0 million. These, along with other financing sources of approximately $78.3 million, increased fund balance by approximately $71.3 million.

- *Debt Service Fund 07* – The revenues were approximately $4.9 million and expenditures of approximately $4.6 million increasing fund balance by approximately $251,000.

- *OPEB Debt Service Fund 47* – The revenues were approximately $1.7 million and expenditures of approximately $1.5 million increasing the fund balance by approximately $159,000.

Overview of the Financial Statements

District-Wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- *Governmental Activities* – All 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—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using revenues (e.g., federal grants).

The District has three kinds of funds:

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

- *Proprietary Fund* – The District has a self-insured health plan designed as an internal service fund. The fund is used to record the premiums received, and claims paid related to the participants employed by the District's governmental funds.

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's approximate combined net position was approximately $31,175,000 as of June 30, 2016.

Statement of Net Position
June 30, 2016 and 2015

	2016	2015
Assets		
Current assets	$ 124,868,651	$ 47,087,443
Capital assets	93,274,210	81,987,764
Total assets	218,142,861	129,075,207
Deferred outflows of Resources	13,210,258	6,700,784
Liabilities		
Other liabilities	11,185,206	11,117,131
Long-term liabilities	163,597,124	80,477,376
Total liabilities	174,782,330	91,594,507
Deferred Inflows of Resources	25,360,603	23,706,146
Net Position		
Net investment in capital assets	(19,408,997)	41,255,566
Restricted for specific purposes	75,575,229	3,779,721
Unrestricted	(24,956,046)	(24,559,949)
Total net position	$ 31,210,186	$ 20,475,338

Statement of Revenues, Expenses and Changes in Net Position
June 30, 2016 and 2015

	2016	2015
Revenues		
Program revenues		
Charges for service	$ 7,664,781	$ 7,416,993
Operating grants and contributions	5,358,441	5,107,958
General		
Property taxes	13,116,430	11,995,960
Aids and payments from state and other	61,416,279	56,949,102
Miscellaneous revenues	351,168	342,441
Total revenues	87,907,099	81,812,454
Expenses		
Administration	2,893,723	2,623,046
District support services	1,457,155	1,460,568
Regular instruction	27,472,945	27,788,711
Vocational instruction	674,022	645,082
Special education instruction	16,247,246	15,047,272
Community education and services	1,441,298	1,489,331
Instructional support services	3,813,883	3,928,260
Pupil support services	9,525,087	8,785,529
Sites and buildings	5,596,922	3,044,707
Fiscal and other fixed-cost programs	2,818,125	2,780,671
Health self-insurance	5,231,845	5,935,161
Total expenses	77,172,251	73,528,338
Change in Net Position	10,734,848	8,284,116
Net Position - Beginning, as restated in 2015	20,475,338	12,191,222
Net Position - Ending	$ 31,210,186	$ 20,475,338

Changes in Net Position – The District's total revenues were approximately $87.9 million for the year ended June 30, 2016. Property taxes and state formula aid accounted for 85% of total revenue for the year. Another 15% came from other program revenues.

The total cost of all programs and services was approximately $77.2 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4% of total costs.

The total revenues exceeded expenses, improving the net position by approximately $10.7 million for fiscal year 2016.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities, buildings and grounds, and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Local property taxes	$ 7,078,894	$ 5,899,997	$ 1,178,897	20.0%
Other local sources	939,374	950,610	(11,236)	-1.2%
State sources	59,521,661	54,996,468	4,525,193	8.2%
Federal sources	3,326,878	3,255,133	71,745	2.2%
Miscellaneous	60,493	13,925	46,568	334.4%
Total General Fund revenues	$ 70,927,300	$ 65,116,133	$ 5,811,167	8.9%

Total General Fund revenue increased by approximately $5,811,000 or 8.9% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2016 was due primarily to an increase in enrollment and the increase in the local property taxes due to the issuance of school building bonds in 2016.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Salaries and benefits	$ 52,544,803	$ 49,707,727	$ 2,837,076	5.7%
Purchased services	9,404,476	7,949,820	1,454,656	18.3%
Supplies and materials	2,136,656	2,553,519	(416,863)	-16.3%
Capital expenditures	6,312,783	10,922,283	(4,609,500)	-42.2%
Other expenditures	357,001	731,929	(374,928)	-51.2%
Total General Fund expenditures	$ 70,755,719	$ 71,865,278	$ (1,109,559)	-1.5%

Total General Fund expenditures decreased by $1,110,000 or -1.5% from the previous year. The overall decrease in the current fiscal year resulted from the construction expenditures related to the PCE classrooms and kitchen built during fiscal year 2015. These were partially funded from the General Fund.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were approximately $2 million *more than* budget. The revenue in excess of budget resulted primarily from increased enrollment and the local property tax increases for bonds issued in fiscal year 2016.
- Actual expenditures were approximately $195,000 *less than* budget due to the timing of construction costs.

Building Construction Fund

The Building Construction Fund revenues were approximately $60,000 and expenditures were approximately $7 million, while other financing sources were approximately 78.3 million. Fund balance was increased by approximately $71.3 million as revenues exceeded expenditures.

Debt Service Fund

The Debt Service Fund revenues were approximately $4.9 million and expenditures were approximately $4.6 million, thereby increasing fund balance by approximately $251,000 as revenues exceeded expenditures.

Other Non-Major Funds

The Food Service Fund incurred current year expenditures in excess of revenues of approximately $79,000. The Community Service Fund incurred an increase in the fund balance of approximately $399,000. The OPEB Debt Service fund incurred an increase in the fund balance of approximately $159,000.

Capital Assets and Debt Administration

Capital Assets

By the end of 2016, the District had invested approximately $128 million in a broad range of capital assets, including school buildings, athletic facilities, school vehicles, and computer and audio-visual equipment. Total depreciation expense for the year was $2,495,057. Note 4 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2016 and 2015

	2016	2015
Land	$ 1,499,572	$ 1,049,947
Construction in progress	14,483,590	7,106,471
Buildings	104,076,844	99,200,483
Improvements	4,200,241	3,779,503
Vehicles	2,024,928	1,845,708
Equipment	1,666,165	1,517,761
Accumulated Depreciation	(34,677,130)	(32,512,109)
Total capital assets	$ 93,274,210	$ 81,987,764

Long-Term Debt

At year end the District had $120,025,995 of long term debt consisting of bonded indebtedness of $111,814,737, capital lease payable of $7,853,726, and vacation payable of $357,532. Note 7 presents the detail of the District's long-term debt.

The District has $43,606,648 in net pension liability at June 30, 2016. See Note 9 for further information.

Factors Bearing on the District's Future

Minnesota school districts are paid based on pupil units served. Increases in enrollment this year over last year has given us increased revenue for operations. We are anticipating the school district's enrollment to increase over the next couple of years.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Brandon Lunak, Assistant Superintendent, at the District offices at 2410 14th Street South, Moorhead, MN 56560.

Statement of Net Position
June 30, 2016

Assets	
Cash and investments	$ 99,264,698
Cash with fiscal agent	159,230
Receivables	
Current property taxes	9,573,752
Delinquent property taxes	132,570
Accounts	99,716
Due from other governmental units	8,867,607
Prepaid items	86,468
Inventory	36,078
Net supplemental pension asset	699,674
Net OPEB obligation asset	5,948,858
	124,868,651
Capital assets	
Non-depreciable	
Land	1,499,572
Construction in progress	14,483,590
Depreciable	
Buildings	104,076,844
Improvements	4,200,241
Vehicles	2,024,928
Equipment	1,666,165
Less accumulated depreciation	(34,677,130)
Total capital assets, net of depreciation	93,274,210
Total assets	218,142,861
Deferred Outflows of Resources	
Pension plans	13,210,258
Liabilities	
Due to other governmental units	24,093
Accounts payable	2,719,083
Salaries payable	5,372,292
Accrued interest payable	1,441,024
Unearned revenue	1,038,249
Claims incurred but not reported	590,465
Long-term liabilities	
Due within one year - bonds, capital leases, and vacation pay	6,408,792
Due in more than one year - bonds, capital leases, and vacation pay	113,581,684
Due in more than one year - net pension liability	43,606,648
Total liabilities	174,782,330
Deferred Inflows of Resources	
Unavailable revenue-property taxes	17,102,886
Pension plans	8,257,717
Total deferred inflows of resources	25,360,603
Net Position	
Net investment in capital assets	(19,408,997)
Restricted for specific purposes	75,575,229
Unrestricted	(24,956,046)
Total net position	$ 31,210,186

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Administration	$ 2,893,723	$ -	$ -	$ (2,893,723)
District support services	1,457,155	-	-	(1,457,155)
Regular instruction	27,472,945	156,227	1,525,121	(25,791,597)
Vocational instruction	674,022	-	-	(674,022)
Special education instruction	16,247,246	505,056	1,539,686	(14,202,504)
Community education and services	1,441,298	341,056	70,880	(1,029,362)
Instructional support services	3,813,883	-	-	(3,813,883)
Pupil support services	9,525,087	1,205,190	2,163,984	(6,155,913)
Sites and buildings	5,596,922	37,845	-	(5,559,077)
Fiscal and other fixed-cost programs	2,818,125	-	-	(2,818,125)
Health self-insurance	5,231,845	5,419,407	58,770	246,332
Total governmental activities	$ 77,172,251	$ 7,664,781	$ 5,358,441	$ (64,149,029)
General Revenues				
Property taxes, levied for general purposes				8,697,343
Property taxes, levied for community education and services				390,429
Property taxes, levied for debt service				4,028,658
Aids and payments from the state				61,295,749
County apportionment				120,530
Loss on disposal of property and equipment				9,362
Miscellaneous revenues				341,806
Total general revenues				74,883,877
Changes in Net Position				10,734,848
Net Position - beginning				20,475,338
Net Position - Ending				$ 31,210,186

Governmental Funds
Balance Sheet
June 30, 2016

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 18,172,394	$ 72,941,037	$ 4,433,445	$ 2,601,128	$ 98,148,004
Cash with fiscal agent	159,230	-	-	-	159,230
Receivables					
Current property taxes	4,251,221	-	4,242,056	1,080,475	9,573,752
Delinquent property taxes	68,129	-	45,435	19,006	132,570
Accounts	99,716	-	-	-	99,716
Due from other governmental units	8,548,054	-	98,706	220,847	8,867,607
Prepaid items	85,913	-	-	555	86,468
Inventories	-	-	-	36,078	36,078
Total assets	$ 31,384,657	$ 72,941,037	$ 8,819,642	$ 3,958,089	$ 117,103,425
Liabilities					
Due to other governmental units	$ 24,093	$ -	$ -	$ -	$ 24,093
Accounts payable	1,055,949	1,646,067	-	17,067	2,719,083
Salaries payable	5,246,146	-	-	126,146	5,372,292
Unearned revenue	272,488	-	-	94,763	367,251
Total liabilities	6,598,676	1,646,067	-	237,976	8,482,719
Deferred Inflows of Resources					
Unavailable revenue-property taxes	7,939,698	-	7,402,936	1,892,822	17,235,456
Fund Balance					
Nonspendable	85,913	-	-	36,633	122,546
Restricted	1,072,895	71,294,970	1,416,706	1,790,658	75,575,229
Committed	1,200,000	-	-	-	1,200,000
Assigned	3,500,000	-	-	-	3,500,000
Unassigned	10,987,475	-	-	-	10,987,475
Total fund balance	16,846,283	71,294,970	1,416,706	1,827,291	91,385,250
Total liabilities, deferred inflows of resources, and fund balance	$ 31,384,657	$ 72,941,037	$ 8,819,642	$ 3,958,089	$ 117,103,425

Total Fund Balances - Governmental Funds	$ 91,385,250
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	93,274,210
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,441,024)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	132,570
Negative net OPEB and Supplemental Benefit obligation assets created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	6,648,532
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(357,532)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	4,952,541
Internal service funds are used by the District to charge the costs of the self-insured health insurance plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(144,769)
Long-term liabilities, including bonds payable, net pension liability, and capital lease payable are not due and payable in the current period and, therefore, are not reported in the funds.	(163,239,592)
Total Net Position - Governmental Activities	$ 31,210,186

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 7,078,894	$ -	$ 4,028,658	$ 1,678,921	$ 12,786,473
Other local and county sources	939,374	-	-	517,315	1,456,689
State sources	59,521,661	-	867,881	1,191,824	61,581,366
Federal sources	3,326,878	-	-	1,686,012	5,012,890
Sales and other conversion of assets	-	-	-	1,205,103	1,205,103
Miscellaneous	55,664	58,770	-	294,967	409,401
Total revenues	70,922,471	58,770	4,896,539	6,574,142	82,451,922
Expenditures					
Administration	2,893,723	-	-	-	2,893,723
District support services	1,458,584	-	-	-	1,458,584
Regular instruction	28,717,492	-	-	-	28,717,492
Vocational instruction	674,022	-	-	-	674,022
Special education instruction	16,269,040	-	-	-	16,269,040
Community education and service	-	-	-	1,428,132	1,428,132
Instructional support services	3,716,268	-	-	-	3,716,268
Pupil support services	6,243,570	-	-	3,163,624	9,407,194
Sites and buildings	10,611,804	196,837	-	-	10,808,641
Fiscal and other fixed cost programs	171,216	6,850,980	4,645,899	1,503,200	13,171,295
Total expenditures	70,755,719	7,047,817	4,645,899	6,094,956	88,544,391
Excess (Deficiency) of Revenues Over (Under) Expenditures	166,752	(6,989,047)	250,640	479,186	(6,092,469)
Other Financing Sources					
Capital lease proceeds	2,390,189	-	-	-	2,390,189
Sale of property and equipment	4,829	-	-	-	4,829
Bond proceeds	-	74,560,000	-	-	74,560,000
Premium on bond issuance	-	3,724,017	-	-	3,724,017
Total other financing sources	2,395,018	78,284,017	-	-	80,679,035
Net Change in Fund Balance	2,561,770	71,294,970	250,640	479,186	74,586,566
Fund Balance, Beginning of Year	14,284,513	-	1,166,066	1,348,105	16,798,684
Fund Balance, End of Year	$ 16,846,283	$ 71,294,970	$ 1,416,706	$ 1,827,291	$ 91,385,250

Net Change in Fund Balances - Total Governmental Funds	$ 74,586,566
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and net disposals in the current period.	11,286,446
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(44,055)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(9,911)
In the statement of activities OPEB and Supplemental Benefit assets 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.	(318,489)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	897,360
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(75,850,631)
Internal service funds are used by the District to charge the costs of the self-insured health insurance pool. The net revenue of the internal service fund is reported in governmental activities.	187,562
Change in Net Position of Governmental Activities	$ 10,734,848

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 7,238,360	$ 6,689,124	$ 7,078,894	$ 389,770
Other local and county sources	817,400	942,047	939,374	(2,673)
State sources	57,624,346	58,038,739	59,521,661	1,482,922
Federal sources	3,248,208	3,263,104	3,326,878	63,774
Miscellaneous	-	-	55,664	55,664
Total revenues	68,928,314	68,933,014	70,922,471	1,989,457
Expenditures				
Administration	2,782,838	2,885,158	2,893,723	(8,565)
District support services	1,602,601	1,637,981	1,458,584	179,397
Regular instruction	29,745,626	31,225,815	28,717,492	2,508,323
Vocational instruction	640,892	640,892	674,022	(33,130)
Special education instruction	15,247,604	15,735,380	16,269,040	(533,660)
Instructional support services	3,206,599	4,071,079	3,716,268	354,811
Pupil support services	5,827,740	6,214,240	6,243,570	(29,330)
Sites and buildings	8,389,316	8,365,479	10,611,804	(2,246,325)
Fiscal and other fixed cost programs	170,474	175,175	171,216	3,959
Total expenditures	67,613,690	70,951,199	70,755,719	195,480
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,314,624	(2,018,185)	166,752	2,184,937
Other Financing Sources				
Capital lease proceeds	-	-	2,390,189	2,390,189
Sale of property and equipment	-	-	4,829	4,829
Total other financing sources	-	-	2,395,018	2,395,018
Net Change in Fund Balance	$ 1,314,624	$ (2,018,185)	2,561,770	$ 4,579,955
Fund Balance, Beginning of Year			14,284,513	
Fund Balance, End of Year			$ 16,846,283	

Statement of Net Position
Proprietary Fund
June 30, 2016

	Governmental Activities - Internal Service Fund
Assets	
Cash and investments	$ 1,116,694
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	590,465
Unearned revenue	670,998
Total liabilities	1,261,463
Net position	
Unrestricted	$ (144,769)

	Governmental Activities - Internal Service Fund
Revenues	
Health revenue	$ 5,419,407
Expenses	
Health claims	4,949,509
Admin fees	282,336
Total expenses	5,231,845
Change in Net Position	187,562
Net Position, Beginning of Year	(332,331)
Net Position, End of Year	$ (144,769)

Statement of Cash Flows
Proprietary Fund
Year Ended June 30, 2016

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 5,419,407
Payments for insurance claims and administration	(5,048,673)
Net cash from operating activities	370,734
Cash and Investments, July 1	745,960
Cash and Investments, June 30	$ 1,116,694
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 187,562
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	42,664
Unearned revenue	140,508
Net cash from operating activities	$ 370,734

	Agency	Trust Funds
Assets		
Cash and investments	$ 475,444	$ 5,021,319
Liabilities and Net Position		
Liabilities		
Due to other organizations	475,444	1,698
Net position		
Unrestricted	$ -	$ 5,019,621

The Notes to Financial Statements are an integral part of this statement.

	Trust Funds
Additions	
Interest	$ 61,777
Scholarships	5
Total additions	61,782
Deductions	
OPEB health insurance	1,485,269
Net Change in Net Position	(1,423,487)
Net Position, Beginning of Year	6,443,108
Net Position, End of Year	$ 5,019,621

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 152, Moorhead Area Public Schools, Moorhead, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America 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.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are included in these financial statements as an agency fund.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

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 internally directed revenues are reported as general revenues.

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 the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

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. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. *Recording of Expenditures* – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report are as follows:

Major Governmental Funds

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

- *Building Construction Fund* – The building construction fund is used to account for construction projects within the District.

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

Nonmajor Governmental Funds

- *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, adult or early childhood programs, extended day programs, or other similar services.

- *OPEB Debt Service Fund* – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

Proprietary Fund

- *Internal Service Fund* – The Internal Service Fund is used to account for the activities of the District's self-insured health plan.

Fiduciary Funds

- *Scholarship Trust Fund* – The scholarship fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the donor imposed restrictions.

- *OPEB Trust Fund* – The Other Post-Employment Benefit (OPEB) trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

- *Agency Fund* – The agency fund is used to account for the extracurricular student activities, not under board control. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

With respect to proprietary activities, the District has adopted GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the District that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to participants for health insurance plans. Operating expenses for proprietary funds include the cost of health insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF) and are stated at market.

Cash with Fiscal Agent

In the General Fund, the capital lease proceeds are used to fund expenses related to ongoing construction projects. These funds will be held as cash with fiscal agent until they are used for the completion of this construction. Additional details on the capital lease are discussed in Note 7 to the financial statements.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

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

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. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the “tax shift,” which periodically changes the District’s recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year’s levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2016 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

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

Taxes which 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 deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic 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 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, 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 purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

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

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures and expensed when incurred.

Vacation Payable

The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2016, this amount did not exceed a normal year’s accumulation.

Unearned Revenue

The District entered into a capital lease agreement for construction projects during the year ended June 30, 2016 and received cash to cover the expenses of the construction through this agreement. As of year-end, the District had not utilized the full allotment of funding for the project expenses due to the project being ongoing. Remaining cash is held in cash with fiscal agent and unearned revenue until it will be utilized and recognized as revenue and expense.

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the 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. Additional information can be found in Note 9.

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.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial 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. The District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position.

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; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2016.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. A School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and Assistant Superintendent. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.

- Unassigned fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

The School Board will endeavor to maintain a minimum unassigned General Fund balance of at least 25% of the district's General Fund operating budget. When the unassigned General Fund balance is projected to decrease below 17% of the General Fund budget, the district shall initiate one or more measures listed in the fund balance policy to ensure that the year-end General Fund unassigned balance for the budget year in question does not fall below 17%.

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

At June 30, 2016, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk – Investments

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk – Investments

The District does not have a formal policy that limits investment maturities.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quote prices in active markets for identical assets; level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- Equities of $3,163,501 are valued using quoted market prices (Level 1 inputs)

The following table presents the District's deposit and investment balances at June 30, 2016:

Type	Fair Value	Investment Maturities (in Years) N/A	< 1
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	$ 96,870,571	$ 96,870,571	$ -
Deposits	1,391,314	1,391,314	-
Money market	159,230	-	159,230
Petty cash	15,000	15,000	-
Investments			
Fixed income	3,321,075	-	3,321,075
Equities	3,163,501	3,163,501	-
	$ 104,920,691	$ 101,440,386	$ 3,480,305

Cash and investments are included on the basic financial statements as follows:

Cash and Investments - Statement of Net Positions	$ 99,423,928
Cash and Investments - Statement of Fiduciary Net Positions	5,496,763
	$ 104,920,691

The Minnesota School District Liquid Asset Fund 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 2a7. The fair value of the position in the pool is the same as the value of the pools shares.

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2016, include:

Fund	Federal	State	Other	Total
Major funds				
General	$ 1,387,563	$ 6,951,555	$ 208,936	$ 8,548,054
Debt service	-	98,706	-	98,706
Non-major funds	23,078	197,769	-	220,847
	$ 1,410,641	$ 7,248,030	$ 208,936	$ 8,867,607

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2016 is a follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets not being depreciated:				
Land	$ 1,049,947	$ 449,625	$ -	$ 1,499,572
Construction in progress	7,106,471	11,646,321	(4,269,202)	14,483,590
Total capital assets, not being depreciated	8,156,418	12,095,946	(4,269,202)	15,983,162
Capital assets being depreciated:				
Buildings	99,200,483	4,876,361	-	104,076,844
Improvements	3,779,503	443,727	(22,989)	4,200,241
Vehicles	1,845,708	351,111	(171,891)	2,024,928
Equipment	1,517,761	353,765	(205,361)	1,666,165
Total capital assets being depreciated	106,343,455	6,024,964	(400,241)	111,968,178
Less accumulated depreciation for:				
Buildings	29,713,266	2,018,627	-	31,731,893
Improvements	1,021,515	199,494	(10,345)	1,210,664
Vehicles	1,263,463	-	-	1,263,463
Equipment	513,865	276,936	(319,691)	471,110
Total accumulated depreciation	32,512,109	2,495,057	(330,036)	34,677,130
Net capital assets, depreciated	73,831,346	3,529,907	(70,205)	77,291,048
Total capital assets, net	$ 81,987,764	$ 15,625,853	$ (4,339,407)	$ 93,274,210

Depreciation expense for the year ended June 30, 2016 was charged to the following functions/programs:

Regular instruction	$ 1,196
Community education	13,166
Instructional support	97,615
Pupil support services	117,894
Sites and buildings	2,265,186
Total depreciation expense	$ 2,495,057

Construction in progress is for replacement of track and turf and additions to both Robert Asp Elementary and Probstfield Elementary that are being completed. These projects are anticipated to be completed over the course of FY 2017 and FY 2018.

Note 5 - Other Post-Employment Benefits

Plan Description – All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

- *Superintendent* – For retirees reaching age 55 with 3 years of service, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier.

- *Administrators* – For retirees reaching age 55, the District will pay the full premium of a $100,000 life insurance policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62 and 40% at age 63.

- *Principals* – For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2013, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2015, the District will pay $9,300 per year with the excess toward HSA/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay the full life insurance premium of a $100,000 policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

- *Teachers* – For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2011, the District will pay the full premium for the $10 copay medical insurance plan ($500 Deductible plan if returned after June 30, 2011) until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2012, the District will pay the full premium for the $500 deductible medical insurance plan until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired on or after July 1, 2012, the District will pay $653 per month with the excess toward HSA/VEBA deductibles, if applicable, until Medicare eligibility. For retirees reaching age 55 with 3 years of service, the District will pay the full premium for a $25,000 life insurance policy until age 65.

- *Supervisors* – For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire before July 1, 2013, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire on or after July 1, 2013, the District will pay $9,300 per month with the excess toward HSA/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay 100% of the premium of a $100,000 life insurance policy until the age of 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

The retiree health plan does not issue a publicly available financial report.

Funding Policy – In February 2009, the District issued $10,300,000 General Obligation Taxable Other Post-Employment Benefits (OPEB) bonds to retire the unfunded actuarial accrued liability.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation (asset):

Annual required contribution	$ 406,402
Interest on net OPEB obligation	(353,780)
Adjustment to annual required contribution	430,891
Annual OPEB cost	483,513
Contributions made	-
Change in net OPEB asset	483,513
Adjustment to the net OPEB obligation	-
Net OPEB asset, beginning of year	(6,432,371)
Net OPEB asset, end of year	$ (5,948,858)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for the previous three years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Asset
06/30/16	$ 483,513	$ -	0.00%	$ (5,948,858)
06/30/15	420,003	-	0.00%	(6,432,371)
06/30/14	3,827,011	740,260	19.34%	(8,356,061)

Funded Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the plan was 94% funded. The actuarial accrued liability for benefits was $8,183,654, and the actuarial value of assets was $7,691,383, resulting in an unfunded accrued liability (UAL) of $492,271. The covered payroll (annual payroll of active employees covered by the plan) was $30,970,112, and the ratio of the UAAL to the covered payroll was -1.6 percent.

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

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

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.5 percent initially, reducing gradually to an ultimate rate of 5.0 percent after ten years. Both rates included an inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 6 - Pension-Related Retirement Benefits

Plan Description – The District provides a defined contribution severance benefit to certain eligible employees. All of the severance benefits are based on contractual agreements with employee groups. Contract groups receive other severance benefits as follows:

Principals and Supervisors – For retirees reaching age 55 with 10 years of service hired before July 1, 1996, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	75%
With 13-14 years of service	60%
With 12 years of service	50%
With 11 years of service	40%
With 10 years of service	30%
With 9 years of service	20%

The benefit is payable in one lump sum to a 403(b).

Secretarial & Clerical Employees and Custodians – For retirees reaching age 55 with 10 years of service and hired before July 1, 2000, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Paraprofessionals and TCI Employees – For retirees reaching age 55 with 10 years of service and hired before July 1, 2002, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Teachers – For retirees reaching age 55 with 8 years of service and hired before September 1, 1999, the District will pay a percentage of the calculation 100 days less the number of sick leave days used in the last 2 years of employment at the following rates:

With 26+ years of service	121%
With 21-25 years of service	114%
With 16-20 years of service	107%
With 15 years of service	100%
With 14 years of service	93%
With 13 years of service	86%
With 12 years of service	79%
With 11 years of service	72%
With 10 years of service	65%
With 9 years of service	58%
With 8 years of service	50%

The benefit is payable in one lump sum to a 403(b).

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. All benefits are paid out of the General Fund and the District makes all contributions.

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

Annual required contribution	$ 197,158
Interest on net pension obligation	(21,386)
Adjustment to annual required contribution	38,577
Annual pension cost	214,349
Contributions made	(379,373)
Change in net OPEB asset	(165,024)
Net pension asset, beginning of year	(534,650)
Net pension asset, end of year	$ (699,674)

The District's annual pension cost, the District's annual contribution, the percentage of annual pension cost contributed to the plan, and the net pension obligation for the past three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net Ending OPEB Asset
06/30/16	$ 214,349	$ 379,373	176.99%	$ (699,674)
06/30/15	211,458	340,522	161.04%	(534,650)
06/30/14	253,321	479,791	189.40%	(405,586)

Funding Status and Funding Progress – As of July 1, 2014, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefit was $1,495,432, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $1,495,432. The covered payroll (annual payroll of active employees covered by the plan) was $3,289,207, and the ratio of UAAL to the covered payroll was 45.5%

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the July 1, 2014 actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 4.0% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3.0%.

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

Note 7 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2016 are as follows:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Bonds payable	$ 34,760,000	$ 74,560,000	$ 4,455,000	$ 104,865,000	$ 4,670,000
Unamortized premium on bond issuance	3,927,927	3,724,017	702,207	6,949,737	919,441
Capital lease	5,972,198	2,390,189	544,180	7,818,207	497,572
Vacation payable	347,621	465,711	455,800	357,532	321,779
	$ 45,007,746	$ 81,139,917	$ 6,157,187	$ 119,990,476	$ 6,408,792

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. There are three separate capital leases. The first is for financing an addition to the S.G. Reinertsen Elementary School that was completed previously.

The remaining leases are for an addition to the Robert Asp Elementary School, the Probstfield Elementary School, and SGR Elementary School. The District received cash from this debt issuance, which is held in cash with fiscal agent on the financial statements. Funding not yet utilized for construction expenses will be recognized as revenue and new debt when the expenditures are incurred. The projects related to the second capital lease are in progress as of June 30, 2016, and are anticipated to be completed during fiscal year 2017.

Total cost of the completed capital lease assets as of June 30, 2016 was $10,977,980 and had $183,051 in accumulated depreciation. The capital lease payments are made from the general fund.

Vacation payable consists of vested vacation as discussed in Note 1. These expenses are paid out of the general fund.

Following is a summary of bonds payable as of June 30, 2016:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds, Series 2016A	2/36	3.00% - 4.00%	$ 74,560,000	74,560,000
General Obligation School Building Refunding Bonds, Series 2014A	4/22	3.00% - 5.00%	30,785,000	$ 23,875,000
General Obligation School Taxable OPEB Bonds, Series 2009A	2/21	4.00% - 5.00%	10,300,000	6,430,000
				$ 104,865,000

Bonds payable – These are for the acquisition and betterment of school sites and facilities, as well as facility improvements. Payments are made out of the debt service and building construction funds.

Bond principal and interest payments for the School Building Refunding Bonds of 2014 are made by the debt service fund. Bond principal and interest payments for the School Taxable OPEB Bonds of 2009 are made by the OPEB debt service fund.

The District issued General Obligation School Building Bonds, Series 2016A, during the year ending June 30, 2016. The bond was issued for the construction of a new elementary school, new addition to Horizon Elementary school, and security entrances to current infrastructure. The bond bears interest of 3% to 4% with a final maturity of February 2036.

Remaining principal and interest payments on long-term debt are as follows:

	Bonds Payable		Capital Lease Payable		Total	
Years Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 4,670,000	$ 3,324,877	$ 497,572	$ 244,061	$ 5,167,572	$ 3,568,938
2018	4,910,000	3,665,900	513,263	228,370	5,423,263	3,894,270
2019	5,155,000	3,420,400	529,468	212,166	5,684,468	3,632,566
2020	5,410,000	3,162,650	546,203	195,430	5,956,203	3,358,080
2021	5,690,000	2,892,150	563,487	178,146	6,253,487	3,070,296
2022 - 2026	22,450,000	11,322,750	3,097,253	610,914	25,547,253	11,933,664
2027 - 2031	26,020,000	7,349,900	2,070,961	130,254	28,090,961	7,480,154
2032 - 2036	30,560,000	2,804,700	-	-	30,560,000	2,804,700
	$ 104,865,000	$ 37,943,327	$ 7,818,207	$ 1,799,341	$ 112,683,207	$ 39,742,668

Note 8 - Fund Balance

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2016:

	General	Building Construction	Debt Service	Other Government Funds	Totals
Nonspendable					
Inventory	$ -	$ -	$ -	$ 36,078	$ 36,078
Prepaids	85,913	-	-	555	86,468
Total nonspendable	85,913	-	-	36,633	122,546
Restricted					
Deferred maintenance	677,693	-	-	-	677,693
Operating capital	200,000	-	-	-	200,000
Safe school - crime levy	195,202	-	-	-	195,202
Building Construction	-	71,294,970	-	-	71,294,970
Debt service	-	-	1,416,706	-	1,416,706
OPEB debt service	-	-	-	387,496	387,496
Food service	-	-	-	665,181	665,181
Community education	-	-	-	233,598	233,598
Early childhood and family education	-	-	-	225,821	225,821
School readiness	-	-	-	167,828	167,828
Community service	-	-	-	110,734	110,734
Total restricted	1,072,895	71,294,970	1,416,706	1,790,658	75,575,229
Committed					
Severance obligation	1,200,000	-	-	-	1,200,000
Assigned					
Health insurance and affordable care act	500,000	-	-	-	500,000
Capital projects	3,000,000	-	-	-	3,000,000
Total assigned	3,500,000	-	-	-	3,500,000
Unassigned	10,987,475	-	-	-	10,987,475
Total fund balance	$ 16,846,283	$ 71,294,970	$ 1,416,706	$ 1,827,291	$ 91,385,250

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions.* Below is reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	$ 36,078	$ -	$ 36,078
Prepaids	86,468	-	86,468
Total nonspendable	122,546	-	122,546
Restricted			
Deferred maintenance	677,693	-	677,693
Health and safety	-	(692,088)	(692,088)
Operating capital	200,000	-	200,000
Safe school - crime levy	195,202	-	195,202
Building Construction	71,294,970	-	71,294,970
Debt service	1,416,706	-	1,416,706
OPEB debt service	387,496	-	387,496
Food service	665,181	-	665,181
Community education	233,598	-	233,598
Early childhood and family education	225,821	-	225,821
School readiness	167,828	-	167,828
Community service	110,734	-	110,734
Total restricted	75,575,229	(692,088)	74,883,141
Committed			
Severance obligation	1,200,000	-	1,200,000
Assigned			
Health insurance and affordable care act	500,000	-	500,000
Capital projects	3,000,000	-	3,000,000
Total assigned	3,500,000	-	3,500,000
Unassigned	10,987,475	692,088	11,679,563
Total fund balance	$ 91,385,250	$ -	$ 91,385,250

Note 9 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

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

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

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

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

1. GERF Benefits

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

2. TRA Benefits

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

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

Tier I Benefits

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

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 Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25% of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for the Coordinated Plan. The District's contributions to the GERF for the year ended June 30, 2016, were $778,873. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

	Ending June 30, 2015		Ending June 30, 2016	
	Employees	Employers	Employees	Employers
Basic	11.0%	11.5%	11.0%	11.5%
Coordinated	7.5%	7.5%	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2016, were $2,286,341. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of $8,649,624 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the District's proportion was 0.1669%, which was a decrease of 0.0107% from June 30, 2014.

GERF benefit provision changes during the measurement period included (1) the merger of the former Minneapolis Employees Retirement Fund division into GERF, effective January 1, 2015, and (2) revisions to *Minnesota Statutes* to make changes to contribution rates less prescriptive and more flexible.

The discount rate used to calculate liabilities for the June 30, 2015, measurement date was 7.9%. The Legislature has since set the discount rate in statute at 8%. Beginning with the June 30, 2016, measurement date the discount rate when calculating liabilities based on GASB 68 accounting requirements will be increased to 8% to be consistent with the rate set in statute used for funding purposes.

For the year ended June 30, 2016, the District recognized pension expense of $1,027,316 for its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 80,214	$ 436,088
Changes in actuarial assumptions	538,668	-
Difference between projected and actual investment earnings	818,820	1,588,796
Change in proportion and differences between contributions made and District's proportionate share of contributions	376,974	-
District's contributions to GERF subsequent to the measurement date	782,397	-
Total	$ 2,597,073	$ 2,024,884

$782,397 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2017	$ (66,571)
2018	(66,571)
2019	(376,012)
2020	298,946
2021	-

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of $34,957,024 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on The District’s contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District’s proportionate share was 0.5651% at the end of the measurement period and 0.5887% 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	$ 34,957,024
State’s proportionate share of the net pension liability associated with the district	$ 4,287,712

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

For the year ended June 30, 2016, the District recognized pension expense of $3,887,417. It also recognized $758,012 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,791,194	$ -
Changes in actuarial assumptions	2,687,265	-
Difference between projected and actual investment earnings	3,466,306	6,139,891
Change in proportion and differences between contributions made and District's proportionate share of contributions	382,080	92,942
District's contributions to TRA subsequent to the measurement date	2,286,340	-
Total	$ 10,613,185	$ 6,232,833

$2,286,340 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2017	$ (59,892)
2018	(59,892)
2019	(59,880)
2020	1,868,160
2021	405,516

E. Actuarial Assumptions

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

Assumptions	GERF	TRA
Inflation	2.75% per year	3.0%
Active Member Payroll Growth	3.25% per year	3.5 - 12%
Investment Rate of Return	7.90% per year	8.0%

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

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

The following changes in actuarial assumptions for GERF occurred in 2015:

- As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5%on January 1, 2046. As of July 1, 2015, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2035.

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

The long-term expected rate of return on pension plan investments is 7.9% for GERF and 8.0% for TRA. The State Board of Investment, which manages the investments of PERA and TRA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.0% for TRA. This is a decrease from the discount rate at the prior measurement date of 8.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2016 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 available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.90%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	$ 13,600,284	$ 8,649,624	$ 4,561,140
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	$ 53,209,115	$ 34,957,024	$ 19,725,126

H. Pension Plan Fiduciary Net Position

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

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

Note 10 - Flexible Benefit Plan

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

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 11 - Employee Benefit Plan 403(B)

All teachers having completed their fifth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees' deferral up to the following annual maximums:

Years of Service	Maximum Match
6 - 10	$1,000
11+	$1,500

The maximum career matching contribution by the District will not exceed $20,000 per teacher.

Note 12 - Commitments and Contingencies

Federal Revenue

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

Contingencies

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

Commitment

The District entered into commitments during the year ended June 30, 2016 for the building of a new elementary school, additions to Horizon Middle School, remodeling projects at SGR and PCE, and an addition to the Robert Asp Elementary School as well as an addition to the Probstfield Elementary School. The total amount of these contracts committed to is $89,728,441 with the work completed on these projects as of year ended June 30, 2016 totaling $18,752,792, leaving construction commitments at year end totaling $70,975,649.

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was $475,767.

The following is a summary of operating lease payments for the next three years:

Years Ending June 30,	Payment
2017	$ 346,894
2018	327,226
2019	80,064
	$ 754,184

The District entered into an operating lease with MSB Holdings, Inc. for the lease of the Globe Building beginning on July 1, 2016. The lease is for a 25 year period with payments being made annually. The first 10 annual payments will be for the amount of $231,841, adjusted every 10 years. The District intends to execute a purchase agreement on the building in January 2017 from MSB Holdings, Inc., thereby, taking over ownership and canceling the existing operating lease, executed on July 1, 2016. .

Note 13 - Health Self-Insurance

The District is self-insured with respect to health insurance costs. The District implemented the self-insurance medical plan on January 1, 2014. Terms of the plan include a stop-loss prevention of $150,000, which limits the District’s liability. The following is the activity for the year ended June 30, 2016:

Claims incurred but not reported at beginning of year	$ 547,801
Claims incurred	5,205,684
Claims paid	(5,163,020)
Claims incurred but not reported at end of year	$ 590,465

Note 14 - Issued But Non-Effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will significantly affect the District is statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This statement will be implemented at the District in the year ended June 30, 2017.

The second statement issued but not yet implemented that will significantly affect the District is statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. This statement will be implemented at the District in the year ended June 30, 2018.

The third statement issued but not yet implemented that will significantly affect the District is statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense This statement will be implemented at the District in the year ended June 30, 2019.

The fourth statement issued but not yet implemented that will significantly affect the District is statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement will be implemented at the District in the year ended June 30, 2017.

The fifth statement issued but not yet implemented that will significantly affect the District is statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement will be implemented at the District in the year ended June 30, 2017.

The sixth statement issued but not yet implemented that will significantly affect the District is statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. This statement will be implemented at the District in the year ended June 30, 2017.

The final statement issued but not yet implemented that will significantly affect the District is statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement enhance the comparability of financial statements among governments. This statement will be implemented at the District in the year ended June 30, 2018.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.

Required Supplementary Information
June 30, 2016

Independent School District No. 152
Moorhead Area Public Schools

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/14	$ 7,691,383	$ 8,183,654	$ 492,271	94.00%	$ 30,970,112	1.60%
07/01/12	11,757,989	8,420,988	(3,337,001)	139.63%	28,409,839	-11.75%
07/01/10	10,714,429	9,323,876	(1,390,553)	114.91%	27,993,218	-4.97%

Note to the Schedule of Funding Progress – Other Postemployment Benefits

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The District implemented the standard as of July 1, 2008, and there have been three valuations performed.

Since the last actuarial valuation as of July 1, 2012, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from the projection of RP 2000 rates to 2012 to the RP 2000 Combined Healthy Table projected to 2014 with Scale BB.
- The pre-retirement trend applied to the subsidy amounts for Principals, Teachers, and Supervisors was reduced from the full health care trend rates to half of the health care trend rates to better reflect plan experience.

Since the last actuarial valuation as of July 1, 2012, the following plan provisions have changed:

- The Superintendent’s subsidy was changed from full single premium paid until earlier of seven years of attainment of Medical eligibility age to full single premium at retirement times seven with 2% inflation being paid as a lump sum to a health reimbursement account.

Since the last actuarial valuation as of July 1, 2012, the following other changes have occurred:

- Post-employment implicit life insurance was not valued since the liability associated with this benefit is not significant.

Schedule of Funding Progress – Pension-Related Retirement Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/14	$ -	$ 1,495,432	$ 1,495,432	0.00%	$ 3,289,207	45.50%
07/01/12	-	1,947,581	1,947,581	0.00%	4,804,038	40.54%
07/01/10	-	2,172,925	2,172,925	0.00%	5,814,340	37.37%

Note to the Schedule of Funding Progress

Since the last actuarial valuation as of July 1, 2012 the following actuarial assumption has changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from the projection of RP 2000 rates to 2012 to the RP 2000 Combined Healthy Table projected to 2014 with Scale BB.
- The discount rate was changed from 4.50% to 4.00%.

Since the last actuarial valuation as of July 1, 2012, the following plan provisions have changed:

- The Superintendent's subsidy was changed from full single premium paid until the earlier of seven years or attainment of Medicare eligibility age to full single premium at retirement times seven with 2% inflation being paid as a lump sum to a health reimbursement account.
- Post-employment implicit life insurance was not valued since the liability associated with this benefit is not significant.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2015	0.1669%	$ 8,649,624	N/A	$ 8,649,624	$ 9,880,221	87.5%	78.2%
PERA	6/30/2014	0.1776%	$ 8,342,758	N/A	$ 8,342,758	$ 9,367,394	89.1%	78.8%
TRA	6/30/2015	0.5651%	$ 34,957,024	$ 4,287,712	$ 39,244,736	$ 29,133,620	120.0%	76.8%
TRA	6/30/2014	0.5887%	$ 27,126,872	$ 1,908,296	$ 29,035,168	$ 27,272,769	99.5%	81.5%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
PERA	6/30/2016	$ 782,398	$ 782,398	$ -	$ 10,447,075	7.5%
PERA	6/30/2015	$ 727,148	$ 727,148	$ -	$ 9,880,221	7.4%
TRA	6/30/2016	$ 2,286,341	$ 2,286,341	$ -	$ 30,784,935	7.4%
TRA	6/30/2015	$ 2,168,081	$ 2,168,081	$ -	$ 29,133,620	7.4%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Since the last actuarial valuation as of June 30, 2014, the following have changed:

- Changes of benefit terms: The DTRFA was merged into TRA on June 30, 2015.
- Change of assumptions: The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

Combining and Individual Fund Schedules
June 30, 2016

Independent School District No. 152
Moorhead Area Public Schools

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	$ 92,513	$ (6,600)	$ 85,913
Restricted for deferred maintenance	868,856	(191,163)	677,693
Restricted for health and safety	(641,381)	(50,707)	(692,088)
Restricted for operating capital	200,000	-	200,000
Restricted for safe schools	211,360	(16,158)	195,202
Committed for severance obligation	1,200,000	-	1,200,000
Assigned for health insurance and affordable care act	500,000	-	500,000
Assigned for capital projects	1,500,000	1,500,000	3,000,000
Unassigned	10,353,165	1,326,398	11,679,563
	$ 14,284,513	$ 2,561,770	$ 16,846,283

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Assets				
Cash and investments	$ 801,583	$ 872,577	$ 926,968	$ 2,601,128
Receivables				
Current property taxes	-	202,531	877,944	1,080,475
Delinquent property taxes	-	3,567	15,439	19,006
Accounts	-	-	-	-
Due from other governmental units	-	115,541	105,306	220,847
Prepaid expenditures	555	-	-	555
Inventories	36,078	-	-	36,078
Total assets	$ 838,216	$ 1,194,216	$ 1,925,657	$ 3,958,089
Liabilities				
Accounts payable	$ 4,541	$ 12,526	$ -	$ 17,067
Salaries payable	55,564	70,582	-	126,146
Unearned revenue	76,297	18,466	-	94,763
Total liabilities	136,402	101,574	-	237,976
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	354,661	1,538,161	1,892,822
Fund Balance				
Nonspendable	36,633	-	-	36,633
Restricted	665,181	737,981	387,496	1,790,658
Total fund balance	701,814	737,981	387,496	1,827,291
Total liabilities, deferred inflows of resources, and fund balance	$ 838,216	$ 1,194,216	$ 1,925,657	$ 3,958,089

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2016

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Revenues				
Local property tax levies	$ -	$ 311,385	$ 1,367,536	$ 1,678,921
Other local and county sources	10,167	507,148	-	517,315
State sources	206,573	985,251	-	1,191,824
Federal sources	1,662,933	23,079	-	1,686,012
Sales and other conversion of assets	1,205,103	-	-	1,205,103
Miscellaneous	-	-	294,967	294,967
Total revenues	3,084,776	1,826,863	1,662,503	6,574,142
Expenditures				
Community education and service	-	1,428,132	-	1,428,132
Pupil support services	3,163,624	-	-	3,163,624
Fiscal and other fixed cost programs	-	-	1,503,200	1,503,200
Total expenditures	3,163,624	1,428,132	1,503,200	6,094,956
Net Change in Fund Balance	(78,848)	398,731	159,303	479,186
Fund Balance, Beginning of Year	780,662	339,250	228,193	1,348,105
Fund Balance, End of Year	$ 701,814	$ 737,981	$ 387,496	$ 1,827,291

Other Supplementary Information
June 30, 2016

Independent School District No. 152
Moorhead Area Public Schools

Activity	Balance 7/1/15	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/16
6th Grade Activities (A)	$ 2,040	$ 981	$ 2,735	$ 286
6th Grade Activities (B)	2,544	1,454	3,442	556
6th Grade Activities (C)	1,812	905	2,356	361
7th Grade Activities (A)	688	635	1,180	143
7th Grade Activities (B)	651	2,391	2,256	786
7th Grade Activities (C)	1,295	1,795	2,704	386
8th Grade Activities (A)	996	375	554	817
8th Grade Activities (B)	698	2,737	3,435	-
8th Grade Activities (C)	3,580	2,049	5,629	-
APL Project	7,328	7,580	6,347	8,561
APL Project - Sr. High	512	2,312	2,393	431
Apollo Strings	65,693	142,560	56,475	151,778
Auditorium Technology	2,605	250	18	2,837
Band - Jr. High	13,445	18,005	23,689	7,761
Band - Sr. High	27,690	54,126	33,358	48,458
Baseball Club	-	33,393	28,183	5,210
Basketball - Boys	3,648	16,099	17,759	1,988
Basketball - Girls	6,756	29,385	29,252	6,889
Caps & Gowns	2,109	-	993	1,116
Choir - Sr. High	299	7,749	6,005	2,043
Chokio	6,869	14,421	20,877	413
Cross Country	4,322	6,320	7,061	3,581
Danceline	726	7,590	6,457	1,859
Destination Imagination	524	160	110	574
DI Globals	4,279	1,710	4,944	1,045
Fine Arts - Sr. High	1,943	-	1,612	331
First Lego League	277	303	580	-
Football Club	11,667	81,900	67,962	25,605
Golf - Boys Sr. High	1,004	8,964	6,059	3,909
Golf - Girls Sr. High	18	-	-	18
Gymnastics Club	6,064	5,070	6,050	5,084
Hall of Honor	1,317	1,243	2,560	-
Hockey - Boys	2,725	28,407	30,133	999
Hockey - Girls	-	408	408	-
Honor Choir - Jr. High	10,494	23,580	20,949	13,125
Hopkins Safety Patrol	2,398	-	15	2,383
Hopkins Ptac	422	3,764	4,014	172
Hopkins Ptac 188	366	2,034	2,371	29

Activity	Balance 7/1/15	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/16
Horizon Art Club	27	570	554	43
Horizon Grade 6 Dean	282	150	118	314
Horizon Grade 7 Dean	301	150	154	297
Horizon Grade 8 Dean	161	150	218	93
Horizon Project Success	1	-	-	1
Horizon Visiting Auth	83	750	816	17
Indian Education	-	25	25	-
Interest	-	2,533	2,533	-
Intramurals	2,407	90	75	2,422
Journalism	3,867	5,402	1,971	7,298
Knowledge Bowl	1,162	1,877	67	2,972
Media - Jr. High	283	506	569	220
MHS Store	-	422	1	421
MHS Literacy Committee	266	-	2	264
MHS Pride	4,539	1,905	4,901	1,543
MHS Robotics	683	8,087	7,545	1,225
Orchestra - Jr. High	-	32,268	32,141	127
Orchestra - Horizon Donations	6,535	8,598	15,133	-
PBIS - Horizon	1,582	2,943	1,619	2,906
Physical Education Uniforms	-	5,270	4,590	680
Plays - Sr. High	-	83,883	80,060	3,823
Plays - Sr. High Spring	216	6,380	6,055	541
Positive Incentives - Jr. High	1	-	-	1
Power Club	11	1,775	1,703	83
Robert Asp Ptac	173	1,520	1,540	153
Robert Asp Safety Patrol	2,258	-	14	2,244
RRALC Pay	-	200	1	199
RRALC Store	3,607	1,491	690	4,408
SADD	1,023	1,000	642	1,381
Skills USA	1,986	2,343	1,553	2,776
Service Enhancement Club	2,295	1,146	942	2,499
Service Learning	7,666	-	4,346	3,320
SGR PTAC 189	38	4,144	2,994	1,188
SGR Safety Patrol	2,648	-	17	2,631
Soccer - Boys	2,651	2,121	3,239	1,533
Soccer - Girls	3,346	3,504	5,641	1,209
Softball	2,386	4,702	5,281	1,807
Spanish Club	4,634	-	29	4,605
Spanish Club - Jr. High	3,237	621	3,370	488
Speech	1	60,994	60,995	-
Stadium Celebration	202	-	1	201
STEP - Jr. High	431	-	2	429
Store - Jr. High	1,443	-	1,443	-

Activity	Balance 7/1/15	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/16
Student Council - Jr. High	8,890	22,114	18,895	12,109
Student Council - Sr. High	15,066	5,354	4,787	15,633
Swimming - Boys	112	6,418	5,113	1,417
Swimming - Girls	3,120	23,026	26,146	-
Theatre Arts - Jr. High	9,794	37,499	9,912	37,381
Theatre Trips	-	25,975	15,474	10,501
Track - Boys	1,188	65	1,047	206
Track - Girls	2,082	-	350	1,732
Volleyball	8,455	17,757	24,550	1,662
Wrestling Club	9,404	33,594	31,635	11,363
Yearbook - PCE	170	3,736	417	3,489
Yearbook - Jr. High	11,940	17,038	4,923	24,055
	$ 332,457	$ 950,751	$ 807,764	$ 475,444

Fiscal Compliance Report - 6/30/2016

Help Logoff

District: MOORHEAD (152-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$70,922,471	$70,922,471	$0
Total Expenditures	$70,755,719	$70,755,718	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$85,913	$85,913	$0
Restricted / Reserved:			
4.03 Staff Development	$0	$0	$0
4.05 Deferred Maintenance	$677,693	$677,693	$0
4.06 Health and Safety	($692,088)	($692,088)	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.23 Certain Teacher Programs	$0	$0	$0
4.24 Operating Capital	$200,000	$200,000	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.45 Career Tech Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$195,202	$195,202	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Committed:			
4.18 Committed for Separation	$1,200,000	$1,200,000	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$3,500,000	$3,500,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	$11,679,563	$11,679,563	$0
02 FOOD SERVICES			
Total Revenue	$3,084,776	$3,084,777	($1)
Total Expenditures	$3,163,624	$3,163,624	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$36,633	$36,633	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$665,181	$665,181	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0
04 COMMUNITY SERVICE			
Total Revenue	$1,826,863	$1,826,863	$0
Total Expenditures	$1,428,132	$1,428,133	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$233,598	$233,598	$0
4.32 E.C.F.E	$225,821	$225,821	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$167,828	$167,828	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$110,734	$110,732	$2
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$58,770	$58,770	$0
Total Expenditures	$7,047,817	$7,047,816	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.09 Alternative Facility Program	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$71,294,970	$71,294,970	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$4,896,539	$4,896,540	($1)
Total Expenditures	$4,645,899	$4,645,900	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,416,705	$1,416,705	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$5	$5	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$10,315	$10,315	$0
20 INTERNAL SERVICE			
Total Revenue	$5,419,407	$5,419,407	$0
Total Expenditures	$5,231,845	$5,231,846	($1)
4.22 Unassigned Fund Balance (Net Assets)	($144,769)	($144,769)	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$61,777	$61,777	$0
Total Expenditures	$1,485,269	$1,485,269	$0
4.22 Unassigned Fund Balance (Net Assets)	$5,009,306	$5,009,306	$0
47 OPEB DEBT SERVICE			
Total Revenue	$1,662,503	$1,662,503	$0
Total Expenditures	$1,503,200	$1,503,200	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$387,496	$387,495	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Non-Cash Assistance (Commodities):					
Food Distribution	10.553	0152-01-000	$ 171,798		
Cash Assistance:					
School Breakfast Program	10.553	0152-01-000 FIN 705	246,700		
National School Lunch Program	10.555	0152-01-000 FIN 701	243,931		
National School Lunch Program - Snack Program	10.555	0152-01-000 FIN 702	6,443		
National School Lunch Program - Free/Reduced	10.555	0152-01-000 FIN 701	884,790		
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	66,293		
Total Child Nutrition Cluster				$ 1,619,955	
Total Department of Agriculture					$ 1,619,955
National Endowment for the Humanities					
Passed through Minnesota Department of Education					
Library Services & Technology Act	15.130	0152-01-000 FIN 499			4,582
Department of Education					
Direct					
Indian Education - Grants to Local Educational Agencies	84.060	N/A		51,255	
Passed through Minnesota Department of Education					
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438		23,079	
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	907,285		
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	65,704		
Total Title I Cluster				972,989	
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,498,782		
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	24,984		
Total Special Education Cluster				1,523,766	
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422		56,726	
English Language Acquisition State Grants	84.365	0152-01-000 FIN 417		42,397	
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414		255,860	
Migrant Education - State Grant Program	84.011	0152-01-000 FIN 863		55,080	
Race to the Top	84.412A	0152-01-000 FIN 412		69,257	
Total Department of Education					3,050,409
Department of Health and Human Resources					
Passed through Minnesota Department of Education					
Medical Assistance Program	93.778	0152-01-000 FIN 372			262,846
Total expenditures of federal awards					$ 4,937,792

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The District received federal awards indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

Note B – Significant Accounting Policies

Governmental fund types account for the District's federal grant activity. Therefore, expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The District's summary of significant accounting policies is presented in Note 1 in the District's basis financial statements.

The District has not elected to use the 10% de minimis cost rate.

Note C – Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2016, the district had food commodities totaling $36,078 in inventory.

Additional Reports
June 30, 2016

Independent School District No. 152
Moorhead Area Public Schools

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*

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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. 152, Moorhead Area Public Schools (The District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

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.

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

Response to Findings
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan, which is in a separate document. The District’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Eide Bailly LLP

Fargo, North Dakota
November 22, 2016

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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, Minnesota

Report on Compliance for Each Major Federal Program
We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect of each of its major Federal programs for the year ended June 30, 2016.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit are described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan, which is in a separate document. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Eide Bailly LLP

Fargo, North Dakota
November 22, 2016

Report on Compliance over
Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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 and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 22, 2016.

Compliance
As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity 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 that are required to be reported.

This report is intended solely for the information and use of management, the Board of Education, the Minnesota Department of Education, and other state agencies and is not intended to be and should not be used by anyone other than those specified parties.

Eide Bailly LLP

Fargo, North Dakota
November 22, 2016

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Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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 as of Independent School District No. 152 Moorhead Area Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 22, 2016.

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

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

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.

Eide Bailly LLP

Fargo, North Dakota
November 22, 2016

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Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

Identification of major programs:

Name of Federal Program	CFDA Number
Title 1	84.010
Special Education Cluster	84.027, 84.173

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

Section II – Financial Statement Findings

Material Weakness

2016-A Preparation of Financial Statements

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Effect – The disclosures in the financial statements could be incomplete.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation – It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials – There is no disagreement with the audit finding.

Material Weakness

2016-B Significant Journal Entries

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be performed at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

Material Weakness

2016-C Segregation of Duties

Condition – The District does not adequately separate duties in bank reconciliations and journal entry posting.

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

Effect – Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause – There is no documentation of a formal review of the bank reconciliations performed. Also, journal entries are prepared and posted by the same individual with no review of these entries.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

Significant Deficiency in Internal Control over Compliance

2016-001 Allowable Activities and Allowable Costs

Federal program information:

Federal Agency	CFDA Number	Program Title	Contract Number	Award Year
Department of Education	84.010	Title I Grants to Local Education Agencies	0152-01-000 FIN 401	2016
Department of Education	84.027 & 84.173	Special Education Cluster	0152-01-000 FIN 419 0152-01-000 FIN 420	2016

Condition – During the course of the year ended June 30, 2016, the District paid two teachers, one in each major program, according to the improper step & lane, which resulted in the teachers receiving more federally funded payroll than was contracted under the Teacher's Master Contract.

Criteria – Uniform Single Audit guidance requires recipients of federal funds to have appropriate internal controls to ensure all expenditures are allowable in relation to the grant agreement.

Questioned Costs – None

Cause – The District's controls are not adequate to ensure that all expenditures are allowable based upon approved grant agreements.

Effect – Noncompliance with the requirements of this programs could require the return of grant funds to the grantor agency.

Recommendation – We recommend the District design and implement internal controls to ensure all expenditures are allowable and accurate under the terms of the grant agreement.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section IV – Student Activities

None

Section V – Minnesota Legal Compliance Findings

None

2015-A Significant Journal Entries including Prior Period Adjustments
Material Weakness

Initial Fiscal Year Finding Occurred – 2012

Finding Summary – During the course of our engagement, we proposed material audit adjustments including prior period adjustments that would not have been identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Status – Partially corrected. No prior period adjustments were made in the current year however material journal entries were proposed. See finding 2016-B.

2015-B Segregation of Duties
Material Weakness

Initial Fiscal Year Finding Occurred – 2012

Finding Summary – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions.

Status – Not corrected due to cost constraints. See finding 2016-C.

2015-C Preparation of Financial Statements
Material Weakness

Initial Fiscal Year Finding Occurred – 2012

Finding Summary – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the District's financial statements and accompanying notes to the financial statements.

Status – Not corrected due to cost constraints. See finding 2016-A.