Financial Statements
June 30, 2018

Independent School District No. 152
Moorhead Area Public Schools

Other Supplementary Information

Additional Reports

School Board

Name	Position	Term Expires
Scott Steffes	Chairperson	2021
Cassidy Bjorklund	Vice Chairperson	2021
Melissa Burgard	Treasurer	2021
Matt Valan	Clerk	2021
Mark Altenburg	Director	2019
Kara Gloe	Director	2019
Bill Tomhave	Director	2019

Administration

Brandon Lunak	Superintendent
Kristen Dehmer	Executive Director of Human Resources and Operations
Denice Sinner	Director of Business Services

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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, 2018, 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 audits. We conducted our audits 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 of America. 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.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

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, 2018, 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 changes in the District's net OPEB liability and related ratios, schedule of employer's share of net pension liability and schedule of employer's contributions, and schedule of changes in supplemental benefits liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The School Board and Administration list, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements.

The combining and individual fund schedules, uniform accounting and reporting compliance table, schedule of changes of the student activity cash balances, and 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken 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, 2018.

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 our report dated November 28, 2018 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Eide Bailly LLP

Fargo, North Dakota
November 28, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

Key financial highlights for the 2017-2018 fiscal year include the following:

- *General Fund 01* – The overall revenues were approximately $79.8 million while the overall expenditures were approximately $78.5 million, increased the fund balance by approximately $1.3 million.
- *Food Service Fund 02* – The revenues were approximately $3.2 million, and the expenditures were approximately $3.0 million increasing the fund balance by approximately $202,000.
- *Community Service Fund 04* – The revenues were approximately $2.0 million while the expenditures were approximately $1.9 million increasing the fund balance by approximately $153,000.
- *Building Construction Fund 06* – The revenues were approximately $218,000 and the expenditures were approximately $23.4 million decreasing fund balance by approximately $23.2 million.
- *Debt Service Fund 07* – The revenues were approximately $6.9 million and expenditures of approximately $7.1 million increasing fund balance by approximately $179,000.
- *OPEB Debt Service Fund 47* – The revenues were approximately $1.4 million and expenditures of approximately $1.5 million decreasing the fund balance by approximately $106,000.

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 deficit was approximately $(4,344,517) as of June 30, 2018.

Statement of Net Position
June 30, 2018 and 2017

	2018	2017
Assets		
Current assets	$ 60,218,062	$ 85,280,758
Capital assets	157,372,705	135,167,864
Total assets	217,590,767	220,448,622
Deferred Outflows of Resources	74,004,647	95,319,741
Liabilities		
Other liabilities	11,101,513	16,931,940
Long-term liabilities	246,215,506	274,835,118
Total liabilities	257,317,019	291,767,058
Deferred Inflows of Resources	38,622,912	18,942,797
Net Position (Deficit)		
Net investment in capital assets	51,145,862	23,404,273
Restricted for specific purposes	8,948,880	33,821,586
Unrestricted	(64,439,259)	(52,167,351)
Total net position (deficit)	$ (4,344,517)	$ 5,058,508

Statement of Revenues, Expenses and Changes in Net Position
June 30, 2018 and 2017

	2018	2017
Revenues		
Program revenues		
Charges for service	$ 8,773,177	$ 8,317,500
Operating grants and contributions	5,910,093	5,983,029
General		
Property taxes	15,682,124	15,446,214
Aids and payments from state and other	68,627,918	69,659,397
Miscellaneous revenues	1,817,521	515,364
Total revenues	100,810,833	99,921,504
Expenses		
Administration	3,385,895	3,079,011
District support services	1,511,817	1,499,384
Regular instruction	51,126,085	42,024,458
Vocational instruction	700,329	667,976
Special education instruction	18,730,170	17,794,268
Community education and services	1,891,530	1,732,013
Instructional support services	4,970,456	4,110,019
Pupil support services	9,947,484	9,332,499
Sites and buildings	9,150,320	8,910,606
Fiscal and other fixed-cost programs	3,750,953	13,585,933
Health self-insurance	5,048,819	5,325,861
Total expenses	110,213,858	108,062,028
Change in Net Position	(9,403,025)	(8,140,524)
Net Position - Beginning	5,058,508	13,199,032
Net Position (Deficit) - Ending	$ (4,344,517)	$ 5,058,508

Changes in Net Position (Deficit) – The District's total revenues were approximately $100.8 million for the year ended June 30, 2018. Property taxes and state formula aid accounted for 84% of total revenue for the year. Another 16% came from other program revenues.

The total cost of all programs and services was approximately $110.2 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 3% of total costs.

The total expenses exceeded revenues, reducing the net deficit by approximately $9.4 million for fiscal year 2018.

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	Percent Increase
	2018	2017	(Decrease)	(Decrease)
Local property taxes	$ 8,254,029	$ 7,653,211	$ 600,818	7.9%
Other local sources	2,036,812	1,496,098	540,714	36.1%
State sources	66,125,609	67,142,931	(1,017,322)	-1.5%
Federal sources	3,322,702	3,054,268	268,434	8.8%
Miscellaneous	27,489	50,346	(22,857)	-45.4%
Total General Fund revenues	$ 79,766,641	$ 79,396,854	$ 369,787	0.5%

Total General Fund revenue increased by approximately $369,787 or 0.5% 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 following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2018	2017	(Decrease)	(Decrease)
Salaries and benefits	$ 61,331,899	$ 58,542,982	$ 2,788,917	4.8%
Purchased services	9,730,277	9,315,918	414,359	4.4%
Supplies and materials	3,128,326	2,444,374	683,952	28.0%
Capital expenditures	3,829,208	10,724,808	(6,895,600)	-64.3%
Other expenditures	456,234	388,773	67,461	17.4%
Total General Fund expenditures	$ 78,475,944	$ 81,416,855	$ (2,940,911)	-3.6%

Total General Fund expenditures decreased by $2,940,911 or 3.6% from the previous year. The overall decrease in the current fiscal year resulted from the decrease in contractor expenses related to the various school construction projects.

General Fund Budgetary Highlights

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

- Actual revenues were approximately $823,000 *less than* budget. This included the Revenue/Expenditure neutral budget difference for the pension amount of $1,770,733 in the State source line. After backing this out, the actual revenue increase was $947,304, which resulted primarily from an increase in Special Education state aid.

- Actual expenditures were approximately $5.5 *less than* budget due to less construction activity on school building projects during the current year.

Building Construction Fund

The Building Construction Fund revenues were approximately $218,000 and expenditures were approximately $23.4 million. Fund balance decreased by approximately $23.2 million as expenditures exceeded revenues. The decrease is a result of paying for the construction that was completed.

Debt Service Fund

The Debt Service Fund revenues were approximately $6.9 million, and expenditures were approximately $7.1 million, thereby decreasing fund balance by approximately $179,000 as expenditures exceeded revenues. The decrease is a result of not collecting for the interest portion of the payment that was due on August 1, 2017. We will recapture this amount on the Pay Levy FY 19.

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of approximately $202,000. The increase is a result of more student meals served. The Community Service Fund incurred an increase in the fund balance of approximately 145,000. The increase is a result of the increase in the census. The OPEB Debt Service fund incurred current year expenditures in excess of revenues of approximately $106,000, decreasing fund balance. The decrease is a result of using the funds to pay the debt.

Capital Assets and Debt Administration

Capital Assets

By the end of 2018, the District had invested approximately $197 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 $3,070,737. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2018 and 2017

	2018	2017
Land	$ 1,499,572	$ 1,499,572
Construction in progress	40,048,491	50,362,709
Buildings	147,303,231	112,326,894
Improvements	4,258,822	4,206,221
Vehicles	2,230,540	2,024,928
Equipment	2,031,663	1,725,980
Accumulated Depreciation	(39,999,614)	(36,978,440)
Total capital assets	$ 157,372,705	$ 135,167,864

Long-Term Debt

At year end the District had $111,763,143 of long term debt consisting of bonded indebtedness of $100,395,857 capital lease payable of $10,941,843, and vacation payable of $425,443. Note 7 presents the detail of the District's long-term debt.

The District has $130,320,713 in net pension liability at June 30, 2018. See Note 9 for further information.

The District has $3,458,790 in net OPEB liability and $672,860 in pension-related benefits liability at June 30, 2018. See Note 5 and 6 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.

Assets	
Cash and investments	$ 32,653,285
Restricted cash and cash equivalents	6,459,715
Receivables	
Current property taxes	11,969,638
Delinquent property taxes	138,878
Accounts	101,155
Due from other governmental units	8,779,811
Prepaid items	97,749
Inventory	17,831
	60,218,062
Capital assets	
Non-depreciable	
Land	1,499,572
Construction in progress	40,048,491
Depreciable	
Buildings	147,303,231
Improvements	4,258,822
Vehicles	2,230,540
Equipment	2,031,663
Less accumulated depreciation	(39,999,614)
Total capital assets, net of depreciation	157,372,705
Total assets	217,590,767
Deferred Outflows of Resources	
Pension plans	74,004,647
Liabilities	
Accounts payable	2,570,336
Salaries payable	5,370,121
Accrued interest payable	1,426,952
Unearned revenue	1,162,830
Claims incurred but not reported	571,274
Long-term liabilities	
Due within one year - bonds, premiums, capital leases, and vacation pay	7,103,603
Due in more than one year - bonds, premiums, capital leases, and vacation pay	104,659,540
Due in more than one year - pension-related retirement benefits	672,860
Due in more than one year - other postemployment benefits	3,458,790
Due in more than one year - net pension liability	130,320,713
Total liabilities	257,317,019
Deferred Inflows of Resources	
Unavailable revenue-property taxes	18,474,144
Other postemployment benefits plan	543,622
Supplemental pension plan	6,165
Pension plans	19,598,981
Total deferred inflows of resources	38,622,912
Net Deficit	
Net investment in capital assets	51,145,862
Restricted for specific purposes	8,948,880
Unrestricted	(64,439,259)
Total net deficit	$ (4,344,517)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities				
Administration	$ 3,385,895	$ -	$ -	$ (3,385,895)
District support services	1,511,817	-	-	(1,511,817)
Regular instruction	51,126,085	178,250	1,604,175	(49,343,660)
Vocational instruction	700,329	-	-	(700,329)
Special education instruction	18,730,170	575,364	1,710,998	(16,443,808)
Community education and services	1,891,530	410,645	68,076	(1,412,809)
Instructional support services	4,970,456	-	-	(4,970,456)
Pupil support services	9,947,484	1,165,960	2,308,391	(6,473,133)
Sites and buildings	9,150,320	46,312	-	(9,104,008)
Fiscal and other fixed-cost programs	3,750,953	-	-	(3,750,953)
Health self-insurance	5,048,819	6,396,646	218,453	1,566,280
Total governmental activities	$ 110,213,858	$ 8,773,177	$ 5,910,093	(95,530,588)
General Revenues				
Property taxes, levied for general purposes				9,641,418
Property taxes, levied for community education and services				380,776
Property taxes, levied for debt service				5,659,930
Aids and payments from the federal government				7,529
Aids and payments from the state				68,486,046
County apportionment				134,343
Loss on disposal of property and equipment				27,302
Miscellaneous revenues				1,790,219
Total general revenues				86,127,563
Changes in Net Deficit				(9,403,025)
Net Position - Beginning				5,058,508
Net Deficit - Ending				$ (4,344,517)

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 22,592,301	$ -	$ 3,777,055	$ 2,930,686	$ 29,300,042
Restricted cash and cash equivalents	-	6,459,715	-	-	6,459,715
Receivables					
Current property taxes	6,151,771	-	4,627,902	1,189,965	11,969,638
Delinquent property taxes	65,478	-	58,501	14,899	138,878
Accounts	100,058	-	-	1,097	101,155
Due from other governmental units	8,058,688	-	125,502	595,621	8,779,811
Prepaid items	97,686	-	-	63	97,749
Inventories	-	-	-	17,831	17,831
Total assets	$ 37,065,982	$ 6,459,715	$ 8,588,960	$ 4,750,162	$ 56,864,819
Liabilities					
Accounts payable	$ 1,458,187	$ 1,087,232	$ -	$ 24,917	$ 2,570,336
Salaries payable	5,162,756	-	-	207,365	5,370,121
Unearned revenue	196,140	-	-	84,536	280,676
Total liabilities	6,817,083	1,087,232	-	316,818	8,221,133
Deferred Inflows of Resources					
Unavailable revenue-property taxes	9,777,778	-	6,991,508	1,843,736	18,613,022
Fund Balance					
Nonspendable	97,686	-	-	17,894	115,580
Restricted	907,583	5,372,483	1,597,452	2,571,714	10,449,232
Committed	1,200,000	-	-	-	1,200,000
Assigned	3,500,000	-	-	-	3,500,000
Unassigned	14,765,852	-	-	-	14,765,852
Total fund balance	20,471,121	5,372,483	1,597,452	2,589,608	30,030,664
Total liabilities, deferred inflows of resources, and fund balance	$ 37,065,982	$ 6,459,715	$ 8,588,960	$ 4,750,162	$ 56,864,819

Total Fund Balances - Governmental Funds	$ 30,030,664
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.	157,372,705
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.	(1,426,952)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	138,878
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(425,443)
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	53,855,879
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.	1,899,815
Long-term liabilities, including bonds payable, net pension liability, and capital lease payable, pension-related retirement benefits, other post-employement benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(245,790,063)
Total Net Deficit - Governmental Activities	$ (4,344,517)

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 8,254,029	$ -	$ 5,659,930	$ 1,611,299	$ 15,525,258
Other local and county sources	2,036,812	218,453	-	540,566	2,795,831
State sources	66,125,609	-	1,239,857	1,252,294	68,617,760
Federal sources	3,322,702	-	-	1,936,223	5,258,925
Sales and other conversion of assets	-	-	-	1,165,960	1,165,960
Miscellaneous	27,489	-	-	161,701	189,190
Total revenues	79,766,641	218,453	6,899,787	6,668,043	93,552,924
Expenditures					
Administration	3,385,895	-	-	-	3,385,895
District support services	1,511,817	-	-	-	1,511,817
Regular instruction	33,525,884	-	-	-	33,525,884
Vocational instruction	700,329	-	-	-	700,329
Special education instruction	18,766,408	-	-	-	18,766,408
Community education and service	-	-	-	1,883,459	1,883,459
Instructional support services	4,867,314	-	-	-	4,867,314
Pupil support services	6,759,175	-	-	3,045,435	9,804,610
Sites and buildings	8,796,035	23,441,916	-	-	32,237,951
Fiscal and other fixed cost programs	163,087	-	7,078,701	1,498,450	8,740,238
Total expenditures	78,475,944	23,441,916	7,078,701	6,427,344	115,423,905
Net Change in fund Fund Balance	1,290,697	(23,223,463)	(178,914)	240,699	(21,870,981)
Fund Balance, Beginning of Year	19,180,424	28,595,946	1,776,366	2,348,909	51,901,645
Fund Balance, End of Year	$ 20,471,121	$ 5,372,483	$ 1,597,452	$ 2,589,608	$ 30,030,664

Net Change in Fund Balances - Total Governmental Funds	$ (21,870,981)
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 outlay exceeded depreciation expense and net disposals in the current period.	22,204,841
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,835)
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.	(36,452)
In the statement of activities OPEB and Supplemental Benefit liabilities 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.	(4,615)
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.	(17,574,282)
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.	6,535,473
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.	1,347,826
Change in Net Deficit of Governmental Activities	$ (9,403,025)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 8,244,428	$ 8,244,428	$ 8,254,029	$ 9,601
Other local and county sources	1,435,220	1,821,821	2,036,812	214,991
State sources	64,823,265	67,664,288	66,125,609	(1,538,679)
Federal sources	2,859,533	2,859,533	3,322,702	463,169
Miscellaneous	-	-	27,489	27,489
Total revenues	77,362,446	80,590,070	79,766,641	(823,429)
Expenditures				
Administration	3,753,468	3,743,678	3,385,895	357,783
District support services	1,569,122	1,538,382	1,511,817	26,565
Regular instruction	33,588,428	35,660,991	33,525,884	2,135,107
Vocational instruction	688,742	688,742	700,329	(11,587)
Special education instruction	17,915,790	18,372,400	18,766,408	(394,008)
Instructional support services	3,969,621	4,017,981	4,867,314	(849,333)
Pupil support services	6,728,340	6,960,791	6,759,175	201,616
Sites and buildings	12,208,131	12,802,576	8,796,035	4,006,541
Fiscal and other fixed cost programs	185,840	185,840	163,087	22,753
Total expenditures	80,607,482	83,971,381	78,475,944	5,495,437
Net Change in Fund Balance	$ (3,245,036)	$ (3,381,311)	1,290,697	$ 4,672,008
Fund Balance, Beginning of Year			19,180,424	
Fund Balance, End of Year			$ 20,471,121	

	Governmental Activities - Internal Service Fund
Assets	
Cash and investments	$ 3,353,243
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	571,274
Unearned revenue	882,154
Total liabilities	1,453,428
Net position	
Unrestricted	$ 1,899,815

Statement of Changes in Net Position
Proprietary Fund
Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
Revenues	
Health revenue	$ 6,396,646
Expenses	
Health claims	4,753,330
Admin fees	295,490
Total expenses	5,048,820
Change in Net Position	1,347,826
Net Position, Beginning of Year	551,989
Net Position, End of Year	$ 1,899,815

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 6,396,646
Payments for insurance claims and administration	(5,027,876)
Net cash from operating activities	1,368,770
Cash and Investments, July 1	1,984,473
Cash and Investments, June 30	$ 3,353,243
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 1,347,826
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	(91,289)
Unearned revenue	112,233
Net cash from operating activities	$ 1,368,770

Fiduciary Fund
Statement of Net Position
June 30, 2018

	Agency	Trust Funds
Assets		
Cash and investments	$ 504,156	$ 4,657,076
Liabilities and Net Position		
Liabilities		
Due to other organizations	504,156	-
Net position		
Unrestricted	$ -	$ 4,657,076

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

	Trust Funds
Additions	
Interest	$ 443,590
Scholarships	5
Total additions	443,595
Deductions	
OPEB health insurance	631,492
Net Change in Net Position	(187,897)
Net Position, Beginning of Year	4,844,973
Net Position, End of Year	$ 4,657,076

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.

Restricted Cash and Cash Equivalents

The capital lease proceeds are used to fund expenses related to ongoing construction projects in the Building Construction Fund. These funds will be held as restricted cash until they are used for the completion of the construction projects.

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, 2018, this amount did not exceed a normal year's accumulation.

Unearned Revenue

The District receives donations from several organizations and the amount that is not spent in the fiscal year is reported as unearned revenue. The donations will be spent in the subsequent fiscal year for miscellaneous projects throughout the District.

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 one item that qualifies for reporting in this category. It is 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 four 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 three items are changes in the total other postemployment benefits liability, supplemental pension plan, and net pension liability reported in the government-wide statement of net position.

Postemployment Benefits Other Than Pensions (OPEB)

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

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 2018.

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, 2018, the District's pledged collateral did not meet the requirements noted above, and the District was under collateralized.

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, 2018:

- Equities of $5,269,383 and fixed income investments of $10,492 are valued using quoted market prices (Level 1 inputs)

The following table presents the District's deposit and investment balances at June 30, 2018:

		Investment Maturities (in Years)	
Type	Fair Value	N/A	< 1
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	$ 35,126,960	$ 35,126,960	$ -
Deposits	3,867,397	3,867,397	-
Investments			
Fixed income	10,492	-	10,492
Equities	5,269,383	5,269,383	-
	$ 44,274,232	$ 44,263,740	$ 10,492

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

Cash and Investments - Statement of Net Position	$ 32,653,285
Restricted Cash and Cash Equivalents - Statement of Net Position	6,459,715
Cash and Investments - Statement of Fiduciary Net Position	5,161,232
	$ 44,274,232

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, 2018, include:

Fund	Federal	State	Total
Major funds			
General	$ 1,426,436	$ 6,632,252	$ 8,058,688
Debt service	-	125,502	125,502
Non-major funds	463,027	132,594	595,621
	$ 1,889,463	$ 6,890,348	$ 8,779,811

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2018 is a follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	$ 1,499,572	$ -	$ -	$ 1,499,572
Construction in progress	50,362,709	24,143,183	(34,457,401)	40,048,491
Total capital assets, not being depreciated	51,862,281	24,143,183	(34,457,401)	41,548,063
Capital assets being depreciated:				
Buildings	112,326,894	34,976,337	-	147,303,231
Improvements	4,206,221	52,601	-	4,258,822
Vehicles	2,024,928	250,996	(45,384)	2,230,540
Equipment	1,725,980	368,384	(62,701)	2,031,663
Total capital assets being depreciated	120,284,023	35,648,318	(108,085)	155,824,256
Less accumulated depreciation for:				
Buildings	33,638,954	2,507,978	-	36,146,932
Improvements	1,420,826	211,627	-	1,632,453
Vehicles	1,281,994	166,925	(4,179)	1,444,740
Equipment	636,666	184,207	(45,384)	775,489
Total accumulated depreciation	36,978,440	3,070,737	(49,563)	39,999,614
Net capital assets, depreciated	83,305,583	32,577,581	(58,522)	115,824,642
Total capital assets, net	$ 135,167,864	$ 56,720,764	$ (34,515,923)	$ 157,372,705

Depreciation expense for the year ended June 30, 2018 was charged to the following functions/programs:

Regular instruction	$ 2,002,700
Community education	208,073
Instructional support	402,395
Pupil support services	442,874
Sites and buildings	14,695
Total depreciation expense	$ 3,070,737

Construction in progress is for the addition to Horizon Middle School, and the building of a new elementary school that are being completed. These projects are anticipated to be completed over the course of fiscal year 2019.

Note 5 - Other Postemployment Benefits

A. 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.

B. Benefits Provided

The plan provides medical, dental, and life insurance benefits provided to terminated or retired employees and their dependents and beneficiaries. Benefits are provided through a third-party insurer, and the cost of the benefits covered by the plan are described above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	72
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	819
	891

E. Net OPEB Liability

The District's net OPEB liability of $3,458,790 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

F. Actuarial Assumptions and Other Inputs

The net OPEB liability as of the June 30, 2018 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent	
Salary increases	3.00 percent	
Investment rate of return	4.90 percent, net of OPEB plan investment expense,	
Healthcare cost trend rates	6.75 percent for 2016 grading to 5.00% over 7 years	
Retiree plan participation	Future retirees electing coverage:	
	-Pre-65 subsidy available	100%
	-Pre-65 subsidy not available	20%
Percent of married retirees electing spouse coverage	10%	

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the June 30, 2018 measurement were based on the results of an actuarial experience study as of July 1, 2017.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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 equity	33%	6.50%
Fixed income	50%	3.80%
International equity	17%	6.80%
	100%	

G. Discount Rate

The discount rate used to measure the net OPEB liability was 3.80 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

H. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	$ 8,390,194	$ 4,836,352	$ 3,553,842
Changes from the Prior Year:			
Service Cost	329,430	-	329,430
Interest Cost	260,595	-	260,595
Assumption changes	(241,552)	-	(241,552)
Employer Contributions	-	-	-
Projected Investment Return	-	251,490	(251,490)
Differences between Expected and Actual Experience	-	196,157	(196,157)
Benefit Payments	(631,492)	(631,492)	-
Administrative Expenses	-	(4,122)	4,122
Total Net Changes	(283,019)	(187,967)	(95,052)
Balances at June 30, 2018	$ 8,107,175	$ 4,648,385	$ 3,458,790

I. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.80%	3.80%	4.80%
Net OPEB Liability	$ 3,862,934	$ 3,458,790	$ 3,062,342

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Net OPEB Liability	$ 2,796,123	$ 3,458,790	$ 4,219,164
Medical trend rate	5.50% decreasing to 4% over 6 years	6.50% decreasing to 5% over 6 years	7.50% decreasing to 6% over 6 years

J. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued OPEB financial report.

K. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $201,364. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 201,293
Difference between projected and actual investment earnings	-	342,329
	$ -	$ 543,622

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

Years Ended June 30,	Pension Expense Amount
2019	$ (141,293)
2020	(141,293)
2021	(141,291)
2022	(79,488)
2023	(40,257)

Note 6 - Pension-Related Retirement Benefits

A. Plan Description

The District provides a defined contribution severance benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. All of the severance benefits are based on contractual agreements with employee groups. Contract groups receive other severance benefits as follows:

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).

B. Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	48
	48

C. Pension-Related Benefits Liability

The District's pension-related retirement benefits liability was measured as of June 30, 2018.

D. Actuarial Assumptions

The pension-related benefits liability as of the June 30, 2018 measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount Rate	3.50 percent
20-Year Municipal Bond Yield	3.50 percent

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

The actuarial assumptions used in the June 30, 2018 measurement were based on the results of an actuarial experience study as of July 1, 2017.

The following changes in assumptions occurred in 2018:

- The discount rate was changed from 2.90% to 3.50%.

E. Discount Rate

The discount rate used to measure the pension-related benefits liability was 3.50 percent. Since the plan is not funded (has no assets), the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due.

F. Changes in the Pension-Related Benefits Liability

Service cost	$ 32,650
Interest cost	22,744
Assumption changes	(8,221)
Pension-related benefits cost	47,173
Benefit payments	(250,087)
Change in pension-related benefits obligation	(202,914)
Pension-related benefits liability, beginning of year, as restated	875,774
Pension-related benefits liability, end of year	$ 672,860

G. Sensitivity of the Pension-Related Benefits Liability to Changes in Discount Rate

The following presents the pension-related benefits liability of the District, as well as what the District's supplemental benefits liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.50%	3.50%	4.50%
Pension-Related Benefits Liability	$ 691,954	$ 672,860	$ 653,210

H. Pension Expense and Deferred Outflows and Inflows of Resources Related to Total Supplemental Pension Liability

For the year ended June 30, 2018, the District recognized pension expense of $53,338. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to supplemental pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in assumptions	$ -	$ 6,165

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

Years Ended June 30,	Pension Expense Amount
2019	$ (2,056)
2020	(2,056)
2021	(2,053)
2022	-
2023	-

Note 7 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Due Within One Year
Bonds payable	$ 100,195,000	$ -	$ 4,910,000	$ 95,285,000	$ 5,155,000
Unamortized premium on bond issuance	6,030,297	-	919,440	5,110,857	919,440
Capital lease	11,568,591	-	626,748	10,941,843	646,264
Vacation payable	388,991	481,839	445,387	425,443	382,899
	$ 118,182,879	$ 481,839	$ 6,901,575	$ 111,763,143	$ 7,103,603

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 four separate capital leases. The first is for financing an addition to the S.G. Reinertsen Elementary School that was completed previously. The lease calls for semiannual principal and interest payments commencing in November 2011 through November 2026. Capital lease principal payments for this lease total $601,565.

There are two leases are for additions to the Robert Asp Elementary School, the Probstfield Elementary School, Hight School Track, and SGR Elementary School. The District received cash from this debt issuance, which is held in cash with fiscal agent on the financial statements. As of June 30, 2018, all proceeds received from debt issuance were spent. The projects related to these capital leases were completed during fiscal year 2018 Capital lease principal payments for these leases total $4,870,590. The lease for Asp and PCE additions calls for semiannual principal and interest payments commencing in April 2014 through February 2029. The lease for the second addition to SGR Elementary School calls for semiannual principal and interest payments commencing in May 2015 through February 2030. Capital lease principal payments for this lease total $3,410,000.

The fourth capital lease is for the financing of the Vista building which was completed and capitalized during 2017 in the amount of $4,226,751. The lease calls for semiannual principal and interest payments commencing in February 2017 through February 2042. Capital lease principal payments for this lease total $4,200,000.

Total cost of the completed capital leased assets as of June 30, 2018 was $16,856,372 and had $963,141 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, 2018:

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	16,700,000
General Obligation School Taxable OPEB Bonds, Series 2009A	2/21	4.00% - 5.00%	10,300,000	4,025,000
				$ 95,285,000

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 and 2016 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.

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
2019	$ 5,155,000	$ 3,420,400	$ 646,264	$ 326,676	$ 5,801,264	$ 3,747,076
2020	5,410,000	3,162,650	666,409	306,531	6,076,409	3,469,181
2021	5,690,000	2,892,150	687,202	285,738	6,377,202	3,177,888
2022	4,470,000	2,607,650	708,665	264,275	5,178,665	2,871,925
2023	4,245,000	2,428,850	730,820	974,380	4,975,820	3,403,230
2024 - 2028	23,620,000	9,745,850	3,929,111	422,894	27,549,111	10,168,744
2029 - 2033	27,820,000	5,551,250	1,752,477	230,368	29,572,477	5,781,618
2034 - 2038	18,875,000	1,143,750	953,198	87,069	19,828,198	1,230,819
2039 - 2042	-	-	867,697	57,528	867,697	57,528
	$ 95,285,000	$ 30,952,550	$ 10,941,843	$ 2,955,459	$ 106,226,843	$ 33,908,009

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, 2018:

	General	Building Construction	Debt Service	Other Government Funds	Totals
Nonspendable					
Prepaid items	$ 97,686	$ -	$ -	$ 63	$ 97,749
Inventories	-	-	-	17,831	17,831
Total nonspendable	97,686	-	-	17,894	115,580
Restricted					
Safe school - crime levy	183,599	-	-	-	183,599
Staff development	76,603	-	-	-	76,603
LT facilities maintenance	647,381	-	-	-	647,381
Building construction	-	5,372,483	-	-	5,372,483
Debt service	-	-	1,597,452	-	1,597,452
OPEB debt service	-	-	-	240,279	240,279
Food service	-	-	-	1,257,619	1,257,619
Community education	-	-	-	265,200	265,200
Early childhood and family education	-	-	-	359,801	359,801
School readiness	-	-	-	304,840	304,840
Community service	-	-	-	143,975	143,975
Total restricted	907,583	5,372,483	1,597,452	2,571,714	10,449,232
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	14,765,852	-	-	-	14,765,852
Total fund balance	$ 20,471,121	$ 5,372,483	$ 1,597,452	$ 2,589,608	$ 30,030,664

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 Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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

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

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% 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 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.

Benefit recipients will receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

C. Contribution Rate

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2018. The District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2018, were $925,164. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study for GERF was completed in 2015, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were 0.8% for active members and 60.0% for vested and non-vested deferred member liability. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter. For accounting purposes, this change was treated as a difference between expected and actuarial experience.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current active plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Pension Costs

At June 30, 2018, the District reported a liability of $11,248,492 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $141,438. The net pension liability was measured as of June 30, 2017 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportion was 0.1762%, which was an increase of 0.0085% from June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $633,930 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional $4,085 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

At June 30, 2018, 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	$ 370,716	$ 688,037
Changes in actuarial assumptions	1,777,403	1,127,662
Difference between projected and actual investment earnings	-	24,953
Change in proportion and differences between contributions made and District's proportionate share of contributions	540,939	188,487
District's contributions to GERF subsequent to the measurement date	915,501	-
Total	$ 3,604,559	$ 2,029,139

$915,501 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, 2019. 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
2019	$ 481,698
2020	627,060
2021	(100,766)
2022	(348,073)
2023	-

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	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 17,447,246	$ 11,248,492	$ 6,173,685

H. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

Teachers employed in Minnesota's public elementary and secondary 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 Minnesota State may elect TRA coverage within one year of eligible employment. Alternatively, these teachers may elect coverage through the Defined Contribution Retirement Plan (DCR) administered by MnSCU.

B. Benefits Provided

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

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

Tier I 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:

Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
3 percent per year early retirement reduction factor for all years under normal retirement age.
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 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2016, June 30, 2017, and June 30, 2018 were:

	Employees	Employers
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 3,677,910
Add employer contributions not related to future contribution efforts	810
Deduct TRA's contributions not included in allocation	(456)
Total employer contributions	3,678,264
Total non-employer contributions	35,588
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 3,713,852

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2017
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25%, thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25%, thereafter
Cost of living adjustment	2.00%

Mortality assumptions

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

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

The target allocation and best estimates of 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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2017 is 6 years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.00% annually to 2.50% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50% but remain at 2.00% for all future years.
- Adjustments were made to the combined service annuity loads. The activity load was reduced from 1.40% to 0.00%, the vested inactive load increased from 4.00% to 7.00% and the non-vested inactive load increased from 4.00% to 9.00%.
- The investment rate of return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

E. Discount Rate

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2052, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

F. Net Pension Liability

At June 30, 2018, the District reported a liability of $119,072,221 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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. The District's proportionate share was 0.5965% at the end of the measurement period and 0.5811% 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	$ 119,072,221
State's proportionate share of the net pension liability associated with the district	$ 11,511,003

For the year ended June 30, 2018, the District recognized pension expense of $3,722,362. It also recognized $220,772 as an increase to pension expense for the support provided by direct aid.

At June 30, 2018, 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	$ 19,152	$ 836,061
Changes in actuarial assumptions	63,038,526	16,680,138
Difference between projected and actual investment earnings	981,295	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,720,894	53,643
District's contributions to TRA subsequent to the measurement date	2,640,221	-
Total	$ 70,400,088	$ 17,569,842

$2,640,221 was 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, 2019.

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
2019	$ 14,350,519
2020	14,350,519
2021	13,333,958
2022	11,045,439
2023	(2,890,410)

G. Net Pension Liability

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.12% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	4.12%	5.12%	6.12%
District's proportionate share of the TRA net pension liability	$ 157,152,387	$ 119,072,221	$ 86,966,008

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

H. Pension Plan Fiduciary Net Position

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 had commitments during the year ended June 30, 2018 for the building of a new elementary school and additions to Horizon Middle School. The total amount of these contracts committed as of June 30, 2018 is $41,431,340 with the work completed on these projects as of year ended June 30, 2018 totaling $40,048,491, leaving construction commitments at year end totaling $1,382,849.

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 $285,151.

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

Years Ending June 30,	Payment
2019	$ 205,087

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, 2018:

Claims incurred but not reported at beginning of year	$ 662,563
Claims incurred	4,925,349
Claims paid	(5,016,638)
Claims incurred but not reported at end of year	$ 571,274

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. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. This statement will be implemented at the District in the year ended June 30, 2019.

The second statement issued but not yet implemented that will significantly affect the District is statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the District in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect the District is Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at the District in the year ended June 30, 2020.

The fourth statement issued but not yet implemented that will significantly affect the District is statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021

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

Required Supplementary Information
June 30, 2018

Independent School District No. 152
Moorhead Area Public Schools

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years *

	2017	2018
Service cost	$ 358,297	$ 329,430
Interest	263,235	260,595
Benefit payments	(723,495)	(631,492)
Net change in total OPEB liability	(101,963)	(41,467)
Total OPEB liability - beginning	8,492,157	8,390,194
Total OPEB liability - ending (a)	$ 8,390,194	$ 8,348,727
Plan fiduciary net position		
Projected investment return	$ 245,456	$ 251,490
Differences between expected and actual experience	309,008	196,157
Benefit payments	(723,495)	(631,492)
Administrative expense	(3,923)	(4,122)
Net change in plan fiduciary net position	(172,954)	(187,967)
Total fiduciary net position - beginning	5,009,306	4,836,352
Total fiduciary net position - ending (b)	$ 4,836,352	$ 4,648,385
District's net OPEB liability - ending (a) - (b)	$ 3,553,842	$ 3,700,342
Plan fiduciary net position as a percentage of the total OPEB liability	57.64%	55.68%
Covered-employee payroll	$37,021,968	$38,132,627
District's net OPEB liability as a percentage of covered-employee payroll	9.60%	9.70%

*GASB Statements No. 74/75 require 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.

Note to the Schedule of Changes in the District's Net OPEB Liability and Related Ratios

The District implemented the standard as of June 30, 2017, and as such there have been two measurement dates presented. There have been no changes to plan provisions, assumptions, or methods since the prior report except for the following:

Changes of assumptions since prior measurement date:

- For the fiscal year ending June 30, 2018, the expected long-term investment return was changed from 4.90% to 5.20% and the discount rate was changed from 3.10% to 3.80%.

Schedule of District OPEB Contributions, Last 10 Fiscal Years *

	2017	2018
Actuarially determined contribution	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-
Contribution deficiency (excess)	$ -	$ -
Covered-employee payroll	$37,021,968	$38,132,627
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

*GASB Statements No. 74/75 require 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.

Note to the Schedule of District Contributions

Valuation/census data date:	July 1, 2016
Measurement date:	June 30, 2018
Actuarial cost method	Entry Age, level percentage of pay
Amortization method	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.
Amortization period	20 years
Asset valuation method	Closed five-year period
Inflation	2.50 percent
Healthcare cost trend rates	6.50 percent in 2017 grading to 5.00 percent over 6 years
Salary increases	3.00 percent
Investment rate of return	5.20 percent (net of investment expenses)
Retirement age	In the June 30, 2017 actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale

Schedule of Changes in Supplemental Benefits Liability, Last 10 Fiscal Years *

	2017	2018
Service cost	$ 34,826	$ 32,650
Interest	29,552	22,744
Assumption changes	-	(8,221)
Benefit payments	(343,143)	(250,087)
Net change in total pension-related benefits liability	(278,765)	(202,914)
Total pension-related benefits liability - beginning	1,154,539	875,774
Total pension-related benefits liability - ending	$ 875,774	$ 672,860

* GASB Statement No. 73 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.

There are no assets accumulated in an irrevocable trust to pay plan benefits.

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 (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2017	0.1762%	$ 11,248,492	$ 141,438	$ 11,389,930	$ 11,492,596	97.9%	75.9%
PERA	6/30/2016	0.1677%	$ 13,616,408	$ 177,846	$ 13,794,254	$ 10,447,075	130.3%	68.9%
PERA	6/30/2015	0.1669%	$ 8,649,624	N/A	$ 8,649,624	$ 9,695,221	89.2%	78.2%
PERA	6/30/2014	0.1776%	$ 8,342,758	N/A	$ 8,342,758	$ 9,367,394	89.1%	78.8%
TRA	6/30/2017	0.5965%	$ 119,072,221	$ 11,511,003	$ 130,583,224	$ 32,411,882	367.4%	51.6%
TRA	6/30/2016	0.5811%	$ 138,606,215	$ 13,911,854	$ 152,518,069	$ 30,484,935	454.7%	44.9%
TRA	6/30/2015	0.5651%	$ 34,957,024	$ 4,287,712	$ 39,244,736	$ 28,908,620	120.9%	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 (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	6/30/2018	$ 925,164	$ 925,164	$ -	$ 12,399,542	7.5%
PERA	6/30/2017	$ 856,583	$ 856,583	$ -	$ 11,492,596	7.5%
PERA	6/30/2016	$ 782,398	$ 782,398	$ -	$ 10,447,075	7.5%
PERA	6/30/2015	$ 727,148	$ 727,148	$ -	$ 9,695,221	7.5%
TRA	6/30/2018	$ 2,640,221	$ 2,640,221	$ -	$ 35,341,040	7.5%
TRA	6/30/2017	$ 2,430,765	$ 2,430,765	$ -	$ 32,411,882	7.5%
TRA	6/30/2016	$ 2,286,341	$ 2,286,341	$ -	$ 30,484,935	7.5%
TRA	6/30/2015	$ 2,168,081	$ 2,168,081	$ -	$ 28,908,620	7.5%

*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.

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

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the TRA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Combining and Individual Fund Schedules
June 30, 2018

Independent School District No. 152
Moorhead Area Public Schools

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 60,603	$ 37,083	$ 97,686
Restricted for health and safety	(416,369)	416,369	-
Restricted for operating capital	173,555	(173,555)	-
Restricted for safe schools	189,649	(6,050)	183,599
Restricted for staff development	60,775	15,828	76,603
Restricted for long-term facilities maintenance	704,196	(56,815)	647,381
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	3,000,000	-	3,000,000
Unassigned	13,708,015	1,057,837	14,765,852
	$ 19,180,424	$ 1,290,697	$ 20,471,121

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Assets				
Cash and investments	$ 962,366	$ 1,283,637	$ 684,683	$ 2,930,686
Receivables				
Current property taxes	-	311,119	878,846	1,189,965
Delinquent property taxes	-	2,792	12,107	14,899
Accounts	1,097	-	-	1,097
Due from other governmental units	442,766	125,572	27,283	595,621
Prepaid expenditures	63	-	-	63
Inventories	17,831	-	-	17,831
Total assets	$ 1,424,123	$ 1,723,120	$ 1,602,919	$ 4,750,162
Liabilities				
Accounts payable	$ 5,402	$ 19,515	$ -	$ 24,917
Salaries payable	79,713	127,652	-	207,365
Unearned revenue	63,495	21,041	-	84,536
Total liabilities	148,610	168,208	-	316,818
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	481,096	1,362,640	1,843,736
Fund Balance				
Nonspendable	17,894	-	-	17,894
Restricted	1,257,619	1,073,816	240,279	2,571,714
Total fund balance	1,275,513	1,073,816	240,279	2,589,608
Total liabilities, deferred inflows of resources, and fund balance	$ 1,424,123	$ 1,723,120	$ 1,602,919	$ 4,750,162

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Revenues				
Local property tax levies	$ -	$ 380,776	$ 1,230,523	$ 1,611,299
Other local and county sources	33,430	507,136	-	540,566
State sources	131,714	1,120,580	-	1,252,294
Federal sources	1,915,961	20,262	-	1,936,223
Sales and other conversion of assets	1,165,960	-	-	1,165,960
Miscellaneous	-	-	161,701	161,701
Total revenues	3,247,065	2,028,754	1,392,224	6,668,043
Expenditures				
Community education and service	-	1,883,459	-	1,883,459
Pupil support services	3,045,435	-	-	3,045,435
Fiscal and other fixed cost programs	-	-	1,498,450	1,498,450
Total expenditures	3,045,435	1,883,459	1,498,450	6,427,344
Net Change in Fund Balance	201,630	145,295	(106,226)	240,699
Fund Balance, Beginning of Year	1,073,883	928,521	346,505	2,348,909
Fund Balance, End of Year	$ 1,275,513	$ 1,073,816	$ 240,279	$ 2,589,608

Other Supplementary Information
June 30, 2018

Independent School District No. 152
Moorhead Area Public Schools

Activity	Balance 7/1/17	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/18
6th Grade Activities (A)	$ -	$ 178	$ 178	$ -
6th Grade Activities (B)	-	300	300	-
6th Grade Activities (C)	32	-	-	32
7th Grade Activities (A)	159	-	126	33
7th Grade Activities (B)	788	-	645	143
7th Grade Activities (C)	538	-	538	-
8th Grade Activities (A)	464	-	413	51
8th Grade Activities (B)	294	1,129	1,423	-
8th Grade Activities (C)	4,914	1,827	6,741	-
Adapted Bowling	58	-	47	11
APL Project	8,901	6,235	6,565	8,571
Apollo Strings	50,702	121,752	45,256	127,198
Auditorium Technology	-	2,001	-	2,001
Band - Jr. High	10,094	20,106	26,639	3,561
Band - Sr. High	28,021	107,144	44,579	90,586
Baseball Club	3,280	41,638	39,004	5,914
Basketball - Boys	12,211	35,346	34,808	12,749
Basketball - Girls	13,730	37,090	36,848	13,972
Choir - Sr. High	2,745	12,411	9,496	5,660
Clay Targets	1,277	13,458	12,296	2,439
Cross Country	1,105	8,893	5,955	4,043
CTIC Activity Fund	140	-	1	139
Danceline	1,517	8,127	7,864	1,780
Debate	-	5,517	5,222	295
Destination Imagination	595	322	-	917
DI Globals	413	3,925	4,002	336
Dodds PTAC	-	50	-	50
DW Students in Need	50	-	-	50
DW Special Events	-	572	572	-
Football Club	3,252	58,799	52,357	9,694
Golf - Boys Sr. High	4,242	1,866	2,113	3,995
Golf - Girls Sr. High	439	2,199	1,042	1,596
Gymnastics Club	6,204	4,205	3,760	6,649
Hall of Honor	(13)	2,320	2,307	-
Hockey - Boys	8,437	60,731	59,255	9,913
Honor Choir - Jr. High	17,835	19,188	19,896	17,127
Hopkins Safety Patrol	2,370	-	15	2,355
Hopkins Ptac	300	4,767	5,067	-
Hopkins Ptac 188	39	1,525	1,564	-

Activity	Balance 7/1/17	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/18
Horizon Art Club	43	-	-	43
Horizon Choir	-	2,810	2,172	638
Horizon Grade 6 Dean	267	-	267	-
Horizon Grade 7 Dean	266	-	266	-
Horizon Football	-	346	321	25
Horizon Project Success	1	-	-	1
Horizon Science Olympiad	-	100	100	-
Horizon Visiting Auth	7	-	-	7
Indian Education	-	302	1	301
Horizon West Yearbook	90	5,567	5,657	-
Improv	-	274	1	273
Industrial Technology	-	2	-	2
Interest	-	1,902	1,902	-
Intramurals	2,665	-	16	2,649
Journalism	9,023	1,015	587	9,451
Knowledge Bowl	5,795	2,441	128	8,108
LOVA	-	150	53	97
Media - Jr. High	385	99	462	22
MHS Store	419	-	3	416
MHS Literacy Committee	260	-	2	258
MHS Pride	588	-	4	584
MHS Robotics	-	4,896	647	4,249
Nordic Skiing	2,703	1,508	2,903	1,308
Orchestra - Jr. High	7,173	43,052	45,143	5,082
Orchestra - Horizon Donations	8,492	5,575	4,590	9,477
PCE PTAC	68	10	78	-
Plays - Sr. High Fall	1,042	59,571	58,809	1,804
Plays - Sr. High Spring	1,053	5,329	4,189	2,193
Positive Incentives - Jr. High	1	-	-	1
Power Club	1,408	21,524	20,511	2,421
Robert Asp Safety Patrol	1,724	-	11	1,713
Robert Asp Yearbook	5,044	2,347	7,135	256
RRALC Pay	198	-	1	197
RRALC Robotics	4,872	1,284	1,076	5,080
SADD	1,897		286	1,611
Skills USA	6,636	1,396	2,315	5,717
Service Enhancement Club	3,173	1,001	245	3,929
Service Learning	7,603	-	7,603	-
SGR PTAC 189	948	2,680	3,628	-
SGR Safety Patrol	2,617	-	16	2,601
Soccer - Boys	988	2,762	3,353	397

Activity	7/1/17	and Transfers	and Transfers	6/30/18
Soccer - Girls	959	8,459	9,418	-
Softball	842	5,538	7,399	(1,020)
Spanish Club	148	4,430	-	4,578
Spanish Club - Jr. High	486	-	486	-
Speech	12,981	74,481	79,599	7,863
Spud Mart	-	1,000	3	997
STAMP	149	2,497	2,092	554
Store - Jr. High	-	300	1	299
STEP - Jr. High	427	-	427	-
Student Council - Jr. High	3,602	930	4,531	1
Student Council - Sr. High	15,129	6,800	4,497	17,432
Swimming - Boys	-	7,859	6,642	1,217
Swimming - Girls	2,280	20,830	22,196	914
Tennis - Girls	-	250	36	214
Tennis - Boys	-	607	607	-
Theatre Arts - Jr. High	45,285	42,758	38,091	49,952
Theatre Trips	-	11,090	6,321	4,769
Track - Boys	321	-	2	319
Track - Girls	2,264	-	31	2,233
Volleyball	-	26,981	20,266	6,715
Wrestling Club	3,325	14,038	13,251	4,112
Yearbook - PCE	489	-	253	236
Yearbook - Jr. High	28,612	7,390	36,002	-
Yearbook - Sr. High	-	10,699	10,699	-
	$ 379,880	$ 998,501	$ 874,225	$ 504,156

Fiscal Compliance Report - 6/30/2018

District: MOORHEAD (152-1) Back Print Help Logoff

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$79,766,641	$79,766,640	$1
Total Expenditures	$78,475,944	$78,475,944	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$97,686	$97,686	$0
Restricted / Reserved:			
4.03 Staff Development	$76,603	$76,603	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$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
4.24 Operating Capital	$0	$0	$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	$183,599	$183,599	$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
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$647,381	$647,381	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$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	$14,765,852	$14,765,851	$1

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$3,247,065	$3,247,064	$1
Total Expenditures	$3,045,435	$3,045,433	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$17,894	$17,894	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,257,619	$1,257,620	($1)
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$2,028,754	$2,028,753	$1
Total Expenditures	$1,883,459	$1,883,457	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$265,200	$265,200	$0
4.32 E.C.F.E	$359,801	$359,801	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$304,840	$304,840	$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	$143,975	$143,975	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$218,453	$218,453	$0
Total Expenditures	$23,441,916	$23,441,917	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$5,372,483	$5,372,483	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$6,899,787	$6,899,786	$1
Total Expenditures	$7,078,701	$7,078,700	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,597,452	$1,597,451	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$5	$5	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$10,325	$10,325	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$6,396,646	$6,396,647	($1)
Total Expenditures	$5,048,820	$5,048,821	($1)
4.22 Unassigned Fund Balance (Net Assets)	$1,899,815	$1,899,815	$0

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$443,590	$443,590	$0
Total Expenditures	$631,492	$631,492	$0
4.22 Unassigned Fund Balance (Net Assets)	$4,646,751	$4,646,751	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,392,224	$1,392,224	$0
Total Expenditures	$1,498,450	$1,498,450	$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	$240,279	$240,279	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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 FIN 473	$ 255,658		
Cash Assistance:					
School Breakfast Program	10.553	0152-01-000 FIN 705	308,454		
National School Lunch Program	10.555	0152-01-000 FIN 701	257,976		
National School Lunch Program - Snack Program	10.555	0152-01-000 FIN 702	5,023		
National School Lunch Program - Free/Reduced	10.555	0152-01-000 FIN 701	982,223		
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	88,236		
Total Child Nutrition Cluster				$ 1,897,570	
Total Department of Agriculture					$ 1,897,570
Department of Education					
Direct					
Indian Education - Grants to Local Educational Agencies	84.060	N/A		80,006	
Passed through Minnesota Department of Education					
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438		20,262	
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	1,057,176		
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	42,493		
Total Title I Cluster				1,099,669	
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,644,193		
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	66,805		
Total Special Education Cluster				1,710,998	
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422		115,098	
English Language Acquisition State Grants	84.365	0152-01-000 FIN 417		57,800	
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414		214,529	
Refugee and Entrant Assistance	93.566			7,529	
Total Department of Education					3,305,891
Department of Health and Human Resources					
Passed through Minnesota Department of Education					
Medical Assistance Cluster	93.778	0152-01-000 FIN 372			457,840
Total expenditures of federal awards					$ 5,661,301

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2018. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position or fund balance of the District.

Note B – Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note C – Indirect Cost Rate

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

Note D – 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, 2018, the district had food commodities totaling $17,831 in inventory.

Additional Reports
June 30, 2018

Independent School District No. 152
Moorhead Area Public Schools

CPAs & BUSINESS ADVISORS

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, 2018, 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 28, 2018.

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 have not been 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, 2018-A, 2018-B, and 2018-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.

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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 28, 2018

CPAs & BUSINESS ADVISORS

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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for the District's major federal program 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 the 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 on the major Federal program for the year ended June 30, 2018.

4310 17th Ave. S. | P.O. Box 2545 | Fargo, ND 58108-2545 | T 701.239.8500 | F 701.239.8600 | EOE

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 a 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 items 2018-001 and 2018-002 that we consider to be significant deficiencies.

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 28, 2018

EideBailly
CPAs & BUSINESS ADVISORS

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, 2018, 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 28, 2018.

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. Findings 2018-D, 2018-E, and 2018-F in the attached Schedule of Findings and Questioned Costs were noted to be in noncompliance through testing of these requirements.

Response to Findings
The District's response to the findings identified in our audit is 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 the financial statements and, accordingly, we express no opinion on it.

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 28, 2018

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CPAs & BUSINESS ADVISORS

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2018.

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

In connection with our audit, no items to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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 28, 2018

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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	None reported
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:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Special Education Cluster	84.027, 84.173
Child Nutrition Cluster	10.553, 10.555, 10.559

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

2018-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

2018-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

2018-C Segregation of Duties

Condition – The District does not adequately separate duties when posting journal entries.

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 – 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

2018-001 Reporting

Federal program information:

Federal Agency	CFDA Number	Program Title	Contract Number	Award Year
Department of Agriculture	10.553 10.555 10.559	Child Nutrition Cluster	0152-01-000 FIN 473 0152-01-000 FIN 701 0152-01-000 FIN 702 0152-01-000 FIN 705 0152-01-000 FIN 709	2018

Criteria – Uniform Single Audit guidance requires recipients of federal funds to have appropriate internal controls to ensure all free and reduced reimbursements meet the reporting guidelines.

Condition – Testing of reports found one instance where 10 additional free and reduced meals were claimed for reimbursement compared to the meal count sheets for the month.

Cause – The District’s controls are not adequate to ensure that meals claimed for reimbursement agree to the meal count sheets for the month.

Effect – Lacking controls could lead to noncompliance with the requirements of this programs could require the return of grant funds to the grantor agency.

Questioned Costs – None reported

Context/Sampling – A nonstatistical sample of 8 of 38 total reports were selected for reporting testing.

Repeat Finding from Prior Years – No

Recommendation – We recommend the District review that all meals claimed for reimbursement agree to the meal count sheets for the month.

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

Significant Deficiency in Internal Control over Compliance

2018-002 Eligibility

Federal program information:

Federal Agency	CFDA Number	Program Title	Contract Number	Award Year
Department of Agriculture	10.553 10.555 10.559	Child Nutrition Cluster	0152-01-000 FIN 473 0152-01-000 FIN 701 0152-01-000 FIN 702 0152-01-000 FIN 705 0152-01-000 FIN 709	2018

Criteria – Uniform Single Audit guidance requires recipients of federal funds to have appropriate internal controls to ensure all free and reduced applications meet the income eligibility guidelines provided by the USDA.

Condition – Testing of eligibility revealed one student who qualified for free meals was incorrectly classified as reduced.

Cause – The District's controls are not adequate to ensure that all applications are reviewed to confirm that they are eligible based upon approved income guidelines.

Effect – Lacking controls could lead to noncompliance with the requirements of this program and could require the return of grant funds to the grantor agency.

Questioned Costs – None

Context/Sampling – A nonstatistical sample of 60 participants out of 2,824 participants were selected for eligibility testing.

Repeat Finding from Prior Years – No

Recommendation – We recommend the District design and implement internal controls and to ensure all free and reduced applications are accurately calculated to ensure the income entered is within the USDA income eligibility guideline for the effective year.

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

Section IV – Student Activities

2018-D Improper Use of Student Activity Funds

Condition – During the course of our engagement, we noted a payment to award a student based on performance in the softball fund.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of the proper use of student funds to benefit all students. Page 17 of the MAFA guideline describes the award payments to individuals are inappropriate.

Effect – The finding could result in public funds being used for the personal gain of individuals.

Cause – The District did not follow procedures for paying appropriate expenditures.

Recommendation – The district should review the MAFA guidelines to determine which payments are appropriate for student activity accounts

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

2018-E Negative Student Activity Account Balance

Condition – During the course of our engagement, we discovered a student activity account that had a negative balance at year-end.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of requiring that no individual activity accounts operate with a negative balance at the end of the fiscal year without a signed written plan prior to year-end. Page 19 of the MAFA guidelines describes the requirements for activity balances.

Effect – The finding could result in student activity funding being misused.

Cause – The District did not follow procedures to prevent individual accounts from having negative balances at the end of the fiscal year.

Recommendation – A thorough policy requiring the review of individual activity accounts ensuring that no account have a negative balance at the end of the year should be adopted and followed. A written plan which provides assurance the student activity fund has future funding should be prepared and signed prior to year-end.

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

2018-F Failure to Have Proper Signature on Requisition form for Student Activity Check Requests

Criteria: A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of requiring a signature by a student, advisor and superintendent or principal representing the activity on all check requests. Page 15 of the MAFA guidelines describe the requirements for cash disbursements.

Condition: During the course of our engagement, we discovered that a check request did not have the required requisition form that should contain the signature by the advisor or student representing the activity.

Cause: The District did not follow the procedures to having a requisition form with approved signatures for all student activity checks.

Effect: The finding could result in student activities dollars being misused.

Recommendation: A thorough policy requiring three individuals representing the activity to sign all check requests in accordance with MAFA guidelines.

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

Section V – Minnesota Legal Compliance Findings

None