



Financial Statements
June 30, 2016

**Independent School District No. 206
Alexandria Public Schools**

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<u>Name</u>	<u>School Board</u> <u>Position</u>	<u>Term Expires</u>
Dean Anderson	Chairperson	2018
Dave Anderson	Vice Chairperson	2016
Jean Robley	Treasurer	2018
Pam Carlson	Director	2016
Angie Krebs	Director	2016
Alan Zeithamer	Director	2018
Sandy Susag	Director	2018
	Administration	
Julie Critz	Superintendent	
Trevor Peterson	Director of Business Services	



Independent Auditor's Report

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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. 206 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2016 on our consideration of District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
October 13, 2016

This section of Alexandria Public Schools' – Independent School District No. 206's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- *General Fund 01* – The overall revenues were \$43,831,480 while the overall expenditures were \$44,216,819. These, along with other net financing uses of \$904,455, decreased the fund balance by \$1,289,794.
- *Food Service Fund 02* – The revenues were \$2,713,263 while the expenditures were \$2,752,973, decreasing the fund balance by \$39,710.
- *Community Service Fund 04* – The revenues were \$2,183,128 while the expenditures were \$1,989,562, increasing the fund balance by \$193,566.
- *Debt Service Fund 07* – The revenues were \$6,409,154 while the expenditures were \$6,573,981, decreasing the fund balance by \$164,827.

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 and deferred outflows of resources, and liabilities and deferred inflows of resources - are 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 two 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.
- *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 combined net position was a positive \$1,791,156 on June 30, 2016.

Statement of Net Position
 June 30, 2016 and 2015

	2016	2015
Assets		
Current assets	\$ 54,425,352	\$ 60,925,056
Capital assets	120,535,251	117,629,349
Total assets	174,960,603	178,554,405
Deferred Outflows of Resources	8,078,567	4,052,885
Liabilities		
Other liabilities	7,861,022	8,976,235
Long-term liabilities	154,654,949	152,583,416
Total liabilities	162,515,971	161,559,651
Deferred Inflows of Resources	18,726,043	19,139,462
Net Position		
Net investment in capital assets	12,984,654	8,831,477
Restricted for specific purposes	26,626,957	30,284,626
Unrestricted	(37,814,455)	(37,207,926)
Total net position	\$ 1,797,156	\$ 1,908,177

Independent School District No. 206
 Alexandria Public Schools
 Management's Discussion and Analysis
 Year Ended June 30, 2016

Statement of Activities
 Years Ended June 30, 2016 and 2015

	2016	2015
Revenues		
Program revenues		
Charges for service	\$ 3,627,171	\$ 3,372,408
Operating grants and contributions	747,875	645,491
Capital grants and contributions	-	2,532,767
General		
Property taxes	12,063,916	11,358,428
Aids and payments from state and other	38,789,269	37,685,947
Miscellaneous revenues	621,842	986,531
Total revenues	55,850,073	56,581,572
Expenses		
Administration	1,683,208	1,111,584
District support services	2,204,301	1,872,711
Regular instruction	19,022,978	17,622,191
Vocational instruction	645,840	533,359
Special education instruction	9,862,484	9,708,718
Community education and services	1,965,970	1,964,042
Instructional support services	2,512,247	1,815,494
Pupil support services	5,314,471	5,620,935
Sites and buildings	5,933,268	6,078,647
Fiscal and other fixed-cost programs	6,471,935	3,969,980
Dental self-insurance	344,392	304,991
Total expenses	55,961,094	50,602,652
Change in Net Position	(111,021)	5,978,920
Net Position - Beginning	1,908,177	(4,070,743)
Net Position - Ending	\$ 1,797,156	\$ 1,908,177

Changes in Net Position – The District's total revenues were approximately \$55.9 million for the year ended June 30, 2016. Property taxes and state formula aid accounted for 91% of total revenue for the year. Another 9% came from other program revenues.

The total cost of all programs and services was approximately \$56.0 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, decreasing the net position approximately \$111,000 for fiscal year 2016.

Independent School District No. 206
 Alexandria Public Schools
 Management's Discussion and Analysis
 Year Ended June 30, 2016

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Local property taxes	\$ 4,849,861	\$ 4,013,679	\$ 836,182	20.8%
Other local sources	1,885,855	1,885,342	513	0.0%
State sources	35,633,167	34,213,202	1,419,965	4.2%
Federal sources	1,457,002	1,976,490	(519,488)	-26.3%
Miscellaneous	5,595	58,028	(52,433)	-90.4%
Total General Fund revenues	\$ 43,831,480	\$ 42,146,741	\$ 1,684,739	4.0%

Total General Fund revenue *increased* by \$1,684,743 or 4.0% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The majority of the increase in revenue for 2016 was in the area of State sources and was caused by the District's increase in general education state aid and special education revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2016	2015		
Salaries and benefits	\$ 33,667,374	\$ 31,196,283	\$ 2,471,091	7.9%
Purchased services	5,199,966	5,437,316	(237,350)	-4.4%
Supplies and materials	1,747,402	1,904,005	(156,603)	-8.2%
Capital expenditures	3,343,872	1,985,960	1,357,912	68.4%
Other expenditures	258,205	247,047	11,158	4.5%
Total General Fund expenditures	\$ 44,216,819	\$ 40,770,611	\$ 3,446,208	8.5%

Total General Fund expenditures *increased* by \$3,446,212 or 8.5% from the previous year. The majority of the increase in expenditures for 2016 was for salaries and benefits of district staff.

General Fund Budgetary Highlights

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

- Actual revenues were \$1,176,300 more than budget, mainly because of more than anticipated special education aid from the state.
- Actual expenditures were \$305,226 more than budget, mainly due to more than anticipated in sites and buildings.

Other Non-Major Funds

The Food Service Fund incurred a current year deficiency of \$39,710. The Community Service Fund incurred a current year surplus of \$193,566. From the standpoint of maintaining current operating expenditures within the range of annual revenue, the Community Service Fund and Food Service Fund continue to operate on a sound financial basis.

Capital Assets and Debt Administration

Capital Assets

By the end of 2016, the District had invested approximately \$155.5 million in a broad range of capital assets, including school buildings, athletic facilities, computer and audit-visual equipment, and school vehicles. Total depreciation expense for the year was \$2,683,447. Note 5 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
 June 30, 2016 and 2015

	2016	2015
Land	\$ 6,031,424	\$ 6,031,424
Construction in Progress	-	856,502
Buildings	128,119,449	122,346,635
Improvements	8,623,202	8,623,202
Equipment	12,709,434	12,236,137
Accumulated Depreciation	(34,948,258)	(32,464,551)
Total capital assets	\$ 120,535,251	\$ 117,629,349

Long-Term Debt

At year end the District had \$126,565,280 of long term debt. This consisted of bonded indebtedness of \$122,655,000, unamortized bond premiums of \$2,911,203, capital leases payable of \$695,597, and vacation and sick leave payable of \$303,480. Note 8 presents the detail of the District's long-term debt. The District has \$28,089,669 in net pension liability at June 30, 2016. See Note 11 for further information.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for its revenue authority. The state did allocate additional resources to school districts at a much greater level in the next two years than has been seen for quite some time. However, with the continuing uncertainty of funding sustainability and a substantial change across the district surrounding the opening of the new high school and reconfiguration of grade levels at every building, the District will continue to monitor its spending to remain fiscally responsible.

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 the Business Office, Independent School District No. 206, Alexandria, Minnesota.

Independent School District No. 206
 Alexandria Public Schools
 Statement of Net Position
 June 30, 2016

Assets	
Cash and investments	\$ 16,450,421
Cash held with fiscal agent	24,298,678
Receivables	
Current property taxes	6,144,016
Delinquent property taxes	122,002
Accounts	65,608
Due from other governmental units	4,778,404
Prepaid items	29,306
Inventory	18,968
Net supplemental pension asset	740,272
Net OPEB obligation asset	1,777,677
	<u>54,425,352</u>
Capital assets, net of accumulated depreciation where applicable	
Non-depreciable	
Land	6,031,424
Depreciable	
Buildings and improvements	106,534,436
Land improvements	4,686,348
Equipment	3,283,043
Total capital assets	<u>120,535,251</u>
Total assets	<u>174,960,603</u>
Deferred Outflows of Resources	
Pension plans	<u>8,078,567</u>
Liabilities	
Accounts payable	735,377
Salaries payable	5,011,022
Accrued interest payable	2,109,023
Claims incurred but not reported	5,600
Long-term liabilities	
Due within one year - bonds, premiums, capital leases, and vacation and sick leave	4,022,983
Due in more than one year - bonds, premiums, capital leases, and vacation and sick leave	122,542,297
Net pension liability - due in more than one year	28,089,669
Total liabilities	<u>162,515,971</u>
Deferred Inflows of Resources	
Unavailable revenue-property taxes	12,513,419
Pension plans	6,212,624
Total deferred inflows of resources	<u>18,726,043</u>
Net Position	
Net investment in capital assets	12,984,654
Restricted for specific purposes	26,626,957
Unrestricted	(37,814,455)
Total net position	<u>\$ 1,797,156</u>

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

Independent School District No. 206
 Alexandria Public Schools
 Statement of Activities
 Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities				
Administration	\$ 1,683,208	\$ 207,884	\$ 721,632	\$ (753,692)
District support services	2,204,301	7,000	-	(2,197,301)
Regular instruction	19,022,978	434,064	-	(18,588,914)
Vocational instruction	645,840	-	-	(645,840)
Special education instruction	9,862,484	1,074	-	(9,861,410)
Community education and services	1,965,970	1,042,507	21,892	(901,571)
Instructional support services	2,512,247	-	4,351	(2,507,896)
Pupil support services	5,314,471	1,585,351	-	(3,729,120)
Sites and buildings	5,933,268	-	-	(5,933,268)
Fiscal and other fixed-cost programs	6,471,935	-	-	(6,471,935)
Dental self-insurance	344,392	349,291	-	4,899
Total governmental activities	<u>\$ 55,961,094</u>	<u>\$ 3,627,171</u>	<u>\$ 747,875</u>	<u>(51,586,048)</u>
General Revenues				
Property taxes, levied for general purposes				5,216,470
Property taxes, levied for community education and services				495,253
Property taxes, levied for debt service				6,352,193
Aids and payments from state and federal sources				38,624,852
County apportionment				164,417
Miscellaneous revenues				621,842
Total general revenues				<u>51,475,027</u>
Changes in Net Position				(111,021)
Net Position - Beginning				<u>1,908,177</u>
Net Position - Ending				<u>\$ 1,797,156</u>

Independent School District No. 206
 Alexandria Public Schools
 Governmental Funds
 Balance Sheet
 June 30, 2016

	General	Capital Projects	Debt Service	OPEB Debt Service Fund	Other Governmental Funds	Totals
Assets						
Cash and investments	\$ 10,363,677	\$ 13,790	\$ 4,860,440	\$ -	\$ 1,067,076	\$ 16,304,983
Cash held with fiscal agent	-	-	18,357,758	5,940,920	-	24,298,678
Receivables						
Current property taxes	2,393,358	-	3,171,776	368,351	210,531	6,144,016
Delinquent property taxes	48,847	-	64,347	3,864	4,944	122,002
Accounts	62,744	-	-	-	2,864	65,608
Due from other governmental units	4,716,809	-	6,148	2,875	52,572	4,778,404
Due from other funds	161,591	-	-	-	-	161,591
Prepaid items	29,306	-	-	-	-	29,306
Inventories	-	-	-	-	18,968	18,968
Total assets	\$ 17,776,332	\$ 13,790	\$ 26,460,469	\$ 6,316,010	\$ 1,356,955	\$ 51,923,556
Liabilities						
Accounts payable	\$ 687,811	\$ 13,790	\$ -	\$ -	\$ 33,776	\$ 735,377
Due to other funds	-	-	-	161,591	-	161,591
Salaries payable	4,793,412	-	-	-	217,610	5,011,022
Total liabilities	5,481,223	13,790	-	161,591	251,386	5,907,990
Deferred Inflows of Resources						
Unavailable revenue-property taxes	4,560,348	-	6,830,836	789,960	454,277	12,635,421
Fund Balance						
Nonspendable	29,306	-	-	-	18,968	48,274
Restricted	-	-	19,629,633	6,365,000	632,324	26,626,957
Assigned	2,525,000	-	-	-	-	2,525,000
Unassigned	5,180,455	-	-	(1,000,541)	-	4,179,914
Total fund balance	7,734,761	-	19,629,633	5,364,459	651,292	33,380,145
Total liabilities, deferred inflows of resources, and fund balance	\$ 17,776,332	\$ 13,790	\$ 26,460,469	\$ 6,316,010	\$ 1,356,955	\$ 51,923,556

Independent School District No. 206
 Alexandria Public Schools
 Reconciliation of the Balance Sheet to the Statement of Net Position
 June 30, 2016

Total Fund Balances - Governmental Funds	\$ 33,380,145
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 as assets in the governmental funds	120,535,251
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.	(2,109,023)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	122,002
Negative net OPEB obligation and net supplemental pension assets are created through treatment of OPEB Obligation Bonds as employer contributions are not recognized in the funds.	2,517,949
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	139,838
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds.	1,865,943
Long-term liabilities, including bonds payable, capital lease payable, bond premiums, compensated absences, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(154,654,949)</u>
Total Net Position - Governmental Activities	<u><u>\$ 1,797,156</u></u>

Independent School District No. 206
Alexandria Public Schools
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2016

	General	Capital Projects	Debt Service	OPEB Debt Service Fund	Other Governmental Funds	Totals
Revenues						
Local property tax levies	\$ 4,849,861	\$ -	\$ 6,352,193	\$ 381,409	\$ 491,713	\$ 12,075,176
Other local and county sources	1,885,855	-	-	-	1,137,742	3,023,597
State sources	35,633,167	-	49,587	-	704,143	36,386,897
Federal sources	1,457,002	-	-	-	1,017,898	2,474,900
Sales and other conversion of assets	-	-	-	-	1,544,895	1,544,895
Miscellaneous	5,595	-	7,374	3,364	-	16,333
Total revenues	<u>43,831,480</u>	<u>-</u>	<u>6,409,154</u>	<u>384,773</u>	<u>4,896,391</u>	<u>55,521,798</u>
Expenditures						
Administration	1,685,629	-	-	-	-	1,685,629
District support services	1,319,923	-	-	-	-	1,319,923
Regular instruction	19,014,590	-	-	-	-	19,014,590
Vocational instruction	645,840	-	-	-	-	645,840
Special education instruction	9,862,484	-	-	-	-	9,862,484
Community education and service	-	-	-	-	1,989,562	1,989,562
Instructional support services	2,505,924	-	-	-	-	2,505,924
Pupil support services	3,164,300	-	-	-	2,752,973	5,917,273
Sites and buildings	5,874,239	4,951,986	-	-	-	10,826,225
Fiscal and other fixed cost programs	143,890	-	6,573,981	861,458	-	7,579,329
Total expenditures	<u>44,216,819</u>	<u>4,951,986</u>	<u>6,573,981</u>	<u>861,458</u>	<u>4,742,535</u>	<u>61,346,779</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(385,339)	(4,951,986)	(164,827)	(476,685)	153,856	(5,824,981)
Other Financing Sources (Uses)						
Capital lease proceeds	416,378	-	-	-	-	416,378
Transfers in (out)	(1,320,833)	1,320,833	-	-	-	-
Total other financing sources (uses)	<u>(904,455)</u>	<u>1,320,833</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>416,378</u>
Net Change in Fund Balance	(1,289,794)	(3,631,153)	(164,827)	(476,685)	153,856	(5,408,603)
Fund Balance, Beginning of Year	<u>9,024,555</u>	<u>3,631,153</u>	<u>19,794,460</u>	<u>5,841,144</u>	<u>497,436</u>	<u>38,788,748</u>
Fund Balance, End of Year	<u>\$ 7,734,761</u>	<u>\$ -</u>	<u>\$ 19,629,633</u>	<u>\$ 5,364,459</u>	<u>\$ 651,292</u>	<u>\$ 33,380,145</u>

Independent School District No. 206
 Alexandria Public Schools
 Reconciliation of the Statement of Revenues, Expenditures,
 and Changes in Fund Balances to the Statement of Activities
 Year Ended June 30, 2016

Net Change in Fund Balances - Total Governmental Funds \$ (5,408,603)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposals in the current period.	2,905,902
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(21,372)
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.	(208,954)
In the statement of activities OPEB 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.	(675,423)
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.	461,802
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. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,830,380
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The net revenue of the internal service fund is reported in governmental activities.	5,247

Change in Net Position of Governmental Activities	<u><u>\$ (111,021)</u></u>
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Independent School District No. 206
Alexandria Public Schools

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues				
Local property tax levies	\$ 4,847,699	\$ 4,847,699	\$ 4,849,861	\$ 2,162
Other local and county sources	1,488,962	1,802,894	1,885,855	82,961
State sources	34,396,875	34,443,595	35,633,167	1,189,572
Federal sources	1,397,176	1,555,992	1,457,002	(98,990)
Miscellaneous	5,000	5,000	5,595	595
Total revenues	<u>42,135,712</u>	<u>42,655,180</u>	<u>43,831,480</u>	<u>1,176,300</u>
Expenditures				
Administration	1,757,304	1,699,414	1,685,629	13,785
District support services	1,286,634	1,320,199	1,319,923	276
Regular instruction	18,720,365	18,850,442	19,014,590	(164,148)
Vocational instruction	602,018	640,520	645,840	(5,320)
Special education instruction	9,629,737	10,122,273	9,862,484	259,789
Instructional support services	2,416,827	2,565,165	2,505,924	59,241
Pupil support services	3,334,545	3,215,522	3,164,300	51,222
Sites and buildings	4,163,838	5,294,780	5,874,239	(579,459)
Fiscal and other fixed cost programs	145,000	203,278	143,890	59,388
Total expenditures	<u>42,056,268</u>	<u>43,911,593</u>	<u>44,216,819</u>	<u>(305,226)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures				
	79,444	(1,256,413)	(385,339)	871,074
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	416,378	416,378
Transfers out	-	-	(1,320,833)	(1,320,833)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(904,455)</u>	<u>(904,455)</u>
Net Change in Fund Balance				
	<u>\$ 79,444</u>	<u>\$ (1,256,413)</u>	(1,289,794)	<u>\$ (33,381)</u>
Fund Balance, Beginning of Year			<u>9,024,555</u>	
Fund Balance, End of Year			<u>\$ 7,734,761</u>	

Independent School District No. 206
Alexandria Public Schools
Statement of Net Position
Proprietary Fund
June 30, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Assets	
Cash and investments	<u>\$ 145,438</u>
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	<u>\$ 5,600</u>
Net Position	
Unrestricted	<u>139,838</u>
Total liabilities and net position	<u>\$ 145,438</u>

Independent School District No. 206
Alexandria Public Schools
Statement of Changes in Net Position
Proprietary Fund
June 30, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Additions	
Dental revenue	<u>\$ 349,639</u>
Deductions	
Dental claims	<u>344,392</u>
Change in Net Position	5,247
Net Position, Beginning of Year	<u>134,591</u>
Net Position, End of Year	<u><u>\$ 139,838</u></u>

Independent School District No. 206
 Alexandria Public Schools
 Statement of Cash Flows
 Proprietary Fund
 Year Ended June 30, 2016

	<u>Governmental Activities - Internal Service Fund</u>
Operating Activities	
Receipts from participants	\$ 349,639
Payments for insurance claims and administration	<u>(344,392)</u>
Net cash from operating activities	<u>5,247</u>
Net Change in Cash and Investments	5,247
Cash and Investments, July 1	<u>140,191</u>
Cash and Investments, June 30	<u><u>\$ 145,438</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating Activities	
Operating income	\$ 5,247
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	<u>-</u>
Net cash from operating activities	<u><u>\$ 5,247</u></u>

Independent School District No. 206
 Alexandria Public Schools
 Statement of Fiduciary Net Position
 June 30, 2016

	<u>Student Activities Agency Fund</u>	<u>OPEB Trust Fund</u>
Assets		
Cash and investments	<u>\$ 431,212</u>	<u>\$ 2,951,437</u>
Liabilities and Net Position		
Liabilities		
Due to other organizations	<u>\$ 431,212</u>	<u>\$ -</u>
Net position		
Unrestricted	<u>-</u>	<u>2,951,437</u>
Total liabilities and net position	<u>\$ 431,212</u>	<u>\$ 2,951,437</u>

Independent School District No. 206
Alexandria Public Schools
Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2016

	<u>OPEB Trust</u>
Additions	
Interest	<u>\$ (13,932)</u>
Deductions	
OPEB health insurance	<u>815,134</u>
Net Change in Net Position	(829,066)
Net Position, Beginning of Year	<u>3,780,503</u>
Net Position, End of Year	<u><u>\$ 2,951,437</u></u>

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 206, Alexandria Public Schools, Alexandria, 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. Descriptions 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.

Capital Projects Fund – The capital projects 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.

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.

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.

Other Funds

Internal Service Fund – The Dental Internal Service Fund is used to account for the activities of the District's dental plan.

Agency Fund – The Student Activities Agency Fund is used to account for assets held by the District as an agent for other individuals and organizations.

Trust Fiduciary Fund – The Postemployments Benefits Irrevocable Trust Fund is used to report the resources set aside and held in an irrevocable arrangement for postemployment benefits, including health insurance premiums.

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 Credit Agricole Corporate & Investment Bank and are stated at market.

Cash Held with Fiscal Agent

In the OPEB Debt Service fund, the Series 2013A refunding bonds are to be used to refund the OPEB Bond Series 2008B when they are available to be paid. Series 2013A bond funds will be held as cash with fiscal agent until the Series 2008B debt is callable on 2/1/2018.

In the Debt Service fund, the Series 2015B refunding bonds are to be used to refund the Capital Projects Fund Series 2008A when they are available to be paid. Series 2015B bond funds will be held as cash with fiscal agent until the Series 2008A debt is callable on 2/1/2018.

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.

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 \$10,000 or more for capitalizing capital assets. Federally funded assets maintain a threshold 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 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.

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 11.

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 a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has two items that qualify for reporting in this category. They are the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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

Accrued Employee Benefits

Vacation – The District compensates substantially all full-time noncertified employees for unused vacation upon termination. The expenditure for vacation pay is recognized when earned. As of June 30, 2016, this amount did not exceed a normal year's accumulation.

Sick Leave – The District grants 13 days per year with an accumulation of up to 120 days of sick leave. Upon accumulation of 120 days of leave each teacher will be eligible for a buy back for unused days to a maximum number of 10 days per year at a rate of \$90 per day.

Severance Pay – The District maintains various severance plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements. The related supplemental pension liability was actuarially determined, in accordance with GASB No. 27 at July 1, 2015.

Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2016.

Net Position

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

Fund Balance

The following classifications describe the relative strength of the 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 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.
- 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 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. A committed fund balance cannot be a negative number.
- 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. The 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: the Superintendent and the Director of Business Services. 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. An assigned fund balance cannot be a negative number.
- Unassigned fund balance amounts are the residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

If resources from more than one fund balance classification could be spent, the school district will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned. The school district will strive to maintain an unassigned general fund balance ranging between 8.5% and 12.75% of the annual general fund budget.

Note 2 - Legal Compliance

Excess of Expenditures over Appropriations

For the year ended June 30, 2016, expenditures exceeded appropriations in the General Fund by \$305,230. These over disbursements were funded by revenues in excess of budget.

Note 3 - Deposits and Investments

Deposits

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

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

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

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

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

Investments

Credit Risk – Investments

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

Custodial Credit Risk – Investments

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

Interest Rate Risk – Investments

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

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

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

- U.S. Treasury Securities of \$22,298,678 are valued using quoted market prices (Level 1 inputs)
- Equities of \$1,078,419 are valued using quoted market prices (Level 1 inputs)
- Municipal bonds of \$2,334,957 are valued using the matrix pricing model (Level 2 inputs)

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

Type	Fair Value	Investment Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	\$ 15,346,052	\$ 15,346,052	\$ -
Money market	642,429	642,429	-
Investments			
Equities	1,078,419	1,078,419	
Fixed income	2,334,958	-	2,334,958
	\$ 19,401,858	\$ 17,066,900	\$ 2,334,958

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

Cash and Investments - Statement of Net Position	\$ 16,450,421
Cash and Investments - Statement of Fiduciary Net Position	2,951,437
	\$ 19,401,858

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 4 - Due from Other Governmental Units

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

<u>Fund</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
Major funds			
General	\$ 334,424	\$ 4,382,385	\$ 4,716,809
Debt service	-	6,148	6,148
OPEB debt service	-	2,875	2,875
Non-major funds	735	51,837	52,572
	<u>\$ 335,159</u>	<u>\$ 4,443,245</u>	<u>\$ 4,778,404</u>

Note 5 - Capital Assets

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

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Capital assets not being depreciated:				
Land	\$ 6,031,424	\$ -	\$ -	\$ 6,031,424
Construction in progress	856,502	-	(856,502)	-
Total capital assets, not being depreciated	<u>6,887,926</u>	<u>-</u>	<u>(856,502)</u>	<u>6,031,424</u>
Capital assets being depreciated:				
Buildings and improvements	122,346,635	5,772,814		128,119,449
Equipment	12,236,137	678,112	(204,815)	12,709,434
Land improvements	8,623,202	-	-	8,623,202
Total capital assets being depreciated	<u>143,205,974</u>	<u>6,450,926</u>	<u>(204,815)</u>	<u>149,452,085</u>
Less accumulated depreciation for:				
Buildings and improvements	19,812,720	1,772,293	-	21,585,013
Equipment	9,031,543	594,588	(199,740)	9,426,391
Land improvements	3,620,288	316,566	-	3,936,854
Total accumulated depreciation	<u>32,464,551</u>	<u>2,683,447</u>	<u>(199,740)</u>	<u>34,948,258</u>
Net capital assets, depreciated	<u>110,741,423</u>	<u>3,767,479</u>	<u>(5,075)</u>	<u>114,503,827</u>
Total capital assets, net	<u>\$ 117,629,349</u>	<u>\$ 3,767,479</u>	<u>\$ (861,577)</u>	<u>\$ 120,535,251</u>

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

Regular instruction	\$ 5,905
Special education instruction	1,344
Instructional support services	1,244
Pupil support services	242,775
Sites and buildings	2,432,179
Total depreciation expense	\$ 2,683,447

Note 6 - Other Post-Employment Benefits

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

Superintendent – For retirees reaching age 58 with 7 years of service, the District will pay the full medical insurance premium until Medicare eligibility for the retiree and spouse. For retirees reaching age 58 with 7 years of service, the District will pay the full premium at the time of retirement for a \$50,000 life insurance policy until Medicare eligibility.

Principals and Administration – For retirees reaching age 55 (58 for Administration) with 10 years of service (or “Rule of 90”), and for Administration a hire date prior to July 1, 2015 and not electing to Defined Contribution Plan, the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 55 (58 for Administration) with 10 years of service (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$40,000 life insurance policy until age 65.

Cabinet – For retirees reaching age 58 with 7 years of service (or “Rule of 90”), and a hire date prior to July 1, 2015, the District will pay the full medical insurance premium until Medicare eligibility (includes HSA contributions up to IRS maximum) for the retiree and spouse. For retirees reaching age 58 with 7 years of service (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$50,000 life insurance policy until age 65.

Teachers – For retirees reaching age 55 with 10 years of service, and with a hire date prior to June 2014, 2014. The District will pay the Board Contribution for medical insurance premium at the same as active teachers (full single or 2/3 of family if retired before June 30, 2005) which is currently \$525 per month until Medicare eligibility. For retirees reaching age 55 with 10 years of service, the District will pay the full premium at the time of retirement for a \$10,000 life insurance policy until age 65.

Secretaries, Custodians, K-12 Classified Personnel and Food Service – For retirees reaching age 55 with 10 years of service, with a hire date prior to July 1, 2014 (and Custodians hired before July 1, 2014 or hired between June 1, 2014 and July 1, 2015 and not electing the Defined Contribution Plan), the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently \$465 per month, until Medicare eligibility.

Confidential Secretary – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2014, the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently \$465 per month, until Medicare eligibility. For retirees reaching age 55 with 10 years of service (or “Rule of 90”), the District will pay the full premium at the time of retirement for a \$10,000 life insurance policy until age 65.

Supervisors – For retirees reaching age 55 with 10 years of service and a hire date prior to July 1, 2015 and not electing the Defined Contribution Plan, the District will pay the Board Contribution for medical insurance premium at the same as actives which is currently \$545 per month, until Medicare eligibility.

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

Funding Policy – In November 2008, the District issued \$7,910,000 General Obligation Other Post-Employment Benefits (OPEB) bonds to provide resources for funding the OPEB Trust.

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

Annual required contribution	\$ 711,598
Interest on net OPEB obligation	(76,223)
Adjustment to annual required contribution	<u>127,727</u>
Annual OPEB cost	763,102
Contributions made	<u>-</u>
Change in net OPEB asset	763,102
Net OPEB asset, beginning of year	<u>(2,540,779)</u>
Net OPEB asset, end of year	<u><u>\$ (1,777,677)</u></u>

The District’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the previous five years were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Actual Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net Ending OPEB Obligation (Asset)</u>
2016	\$ 763,102	\$ -	0.00%	\$ (1,777,677)
2015	685,997	-	0.00%	(2,540,779)
2014	693,591	-	0.00%	(3,226,776)
2013	671,440	-	0.00%	(3,920,367)
2012	676,030	-	0.00%	(4,591,807)

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$9,043,311 and the actuarial value of assets was \$3,780,503, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,262,808. The covered payroll (annual payroll of active employees covered by the plan) was \$22,654,223, and the ratio of the UAAL to the covered payroll was 23.2 percent.

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

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

In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return (net of investment expenses), which is a blended rate of the expected long-term investment returns on the employer’s own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7.25 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after nine years. Both rates included an inflation assumption.

Note 7 - Supplemental Benefit Plan

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

Teachers – For retirees reaching age 55 with 10 years of service, the benefit where probation is complete before July 1, 1998 and not electing the Matching Contribution Program is \$30,000. All teachers with 20 years of service and electing the Matching Contribution Plan the benefit is \$30,000 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$30,000 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Principals and Administration – For retirees reaching age 55 (58 for Administration) with 10 years of service (or “Rule of 90”), the benefit is \$40,500 minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is \$40,500 and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan.

Cabinet – For retirees reaching age 58 with 7 years of service (or “Rule of 90”), hired before July 1, 2012, and with a retirement date prior to July 1, 2015, the District will pay 5 days per year of service times the daily rate of pay at the time of termination, minus the District contributions to the Matching Contribution Plan. The limitation on the total benefit is 120 days and matching contributions are equal to 2% of annual base salary up to \$2,000 per year. The benefit is payable in 3 equal payments over 2 years to a 403(b) plan. Cabinet employees hired prior to July 1, 2012 who retire in the future will no longer have a GASB 27 benefit.

K-12 Classified Employees, Secretaries, Paraprofessionals and Bus Drivers – For retirees reaching age 55 with 10 years of service (15 for Secretaries and 25 for K-12 Classified Employees) the benefit is a percentage of annual salary at the time of retirement at the following rates:

With 10-15 years of service	20%
With 16-19 years of service	30%
With 20+ years of service	40%

(Note: Secretaries have 30% with 15-19 years of service)

The benefit is payable in one lump sum.

Confidential Employees – For retirees reaching age 55 with 15 years of service the benefit is a percentage of annual salary at the time of retirement at the following rates:

With 15-19 years of service	30%
With 20-24 years of service	40%
With 25+ years of service	50%

The benefit is payable in one lump sum.

Food Service Employees – For retirees reaching age 55 with 20 years of service the District will pay \$1,200 in one lump sum.

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

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

Annual required contribution	\$ 137,230
Interest on net pension obligation	(19,578)
Adjustment to annual required contribution	<u>32,806</u>
Annual pension cost	150,458
Contributions made	<u>(238,137)</u>
Change in net pension obligation	(87,679)
Net pension asset, beginning of year	<u>(652,593)</u>
Net pension asset, end of year	<u><u>\$ (740,272)</u></u>

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

Fiscal Year Ended June 30,	Annual Pension Cost	Actual Employer Contribution	Percentage Contributed	Net Ending Pension Asset
2016	\$ 150,458	\$ 238,137	158.27%	\$ (740,272)
2015	172,292	214,386	124.43%	(652,593)
2014	171,215	253,627	148.13%	(610,499)
2013	171,473	327,582	191.04%	(528,087)
2012	169,394	257,405	151.96%	(371,978)

Funded Status and Funding Progress – As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefit was \$1,200,448, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,200,448. The covered payroll (annual payroll of active employees covered by the plan) was \$23,436,118, and the ratio of the UAAL to the covered payroll was 5.1%.

Actuarial Methods and Assumptions – The annual required contribution for the current year was determined as part of the July 1, 2015 actuarial valuation using the projected unit actuarial cost method. The actuarial assumptions included a 3.0% discount rate, which is a blended rate of the expected long-term investment returns on plan assets and on the employer’s own investments calculated based on the funded level of the plan at the valuation date and projected salary increases at 3.0%.

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

Note 8 - Long-Term Liabilities

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

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Due Within One Year
Bonds payable	\$ 125,445,000	\$ -	\$ 2,790,000	\$ 122,655,000	\$ 3,185,000
Unamortized bond premium	3,149,349	-	238,146	2,911,203	238,409
Capital leases payable	687,872	416,378	408,653	695,597	296,094
Vacation and sick leave	94,525	452,383	243,428	303,480	303,480
	<u>\$ 129,376,746</u>	<u>\$ 868,761</u>	<u>\$ 3,680,227</u>	<u>\$ 126,565,280</u>	<u>\$ 4,022,983</u>

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

Capital leases payable are to account for items that the District has entered into leases that are considered capital assets to the District. These leases include copiers, buses, and network hardware. Total cost of capital lease assets as of June 30, 2016 was \$1,721,301 and total accumulated depreciation on these assets as of June 30, 2016 was \$545,698. Payments on capital leases are made out of the general fund.

In the current year the district added a capital lease for 4 busses. The lease calls for annual principal and interest payments of \$111,287 for the first three years and \$100,000 in the fourth year. Payments commence in July 2015 through July 2018.

Independent School District No. 206
 Alexandria Public Schools
 Notes to Financial Statements
 June 30, 2016

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

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation School Building Bonds Series 2008A	2018	4 - 5%	\$ 23,590,000	\$ 20,055,000
General Obligation Taxable OPEB Bonds Series 2008B	2018	6 - 7%	7,910,000	6,275,000
General Obligation Alternative and Capital Facilities Bonds Series 2010A	2025	1.25 - 4.5%	5,820,000	3,865,000
General Obligation School Building Bonds Series 2011A	2037	2 - 5%	64,500,000	63,090,000
General Obligation School Building Bonds Series 2011B	2037	2 - 3%	650,000	550,000
General Obligation Taxable OPEB Refunding Bonds Series 2013A	2029	3 - 3.65%	6,365,000	6,365,000
General Obligation School Capital Facilities Bonds Series 2015A	2031	2 - 3.125%	5,560,000	5,560,000
General Obligation School Refunding Bonds Series 2015B	2028	2 - 5%	16,895,000	<u>16,895,000</u>
				<u>\$ 122,655,000</u>

Bond principal and interest payments are made by the debt service fund, except for the principal and interest payments on the OPEB Bonds of 2010A, which are made by the OPEB debt service fund.

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

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 3,185,000	\$ 5,082,834	\$ 296,094	\$ 17,770	\$ 3,481,094	\$ 5,100,604
2018	26,345,000	4,356,692	302,312	8,974	26,647,312	4,365,666
2019	3,220,000	3,619,426	97,191	2,809	3,317,191	3,622,235
2020	3,845,000	3,539,116	-	-	3,845,000	3,539,116
2021	4,055,000	3,438,965	-	-	4,055,000	3,438,965
2022 - 2026	20,160,000	15,257,882	-	-	20,160,000	15,257,882
2027 - 2031	26,025,000	11,124,929	-	-	26,025,000	11,124,929
2032 - 2036	29,270,000	5,639,118	-	-	29,270,000	5,639,118
2037	6,550,000	327,500	-	-	6,550,000	327,500
	<u>\$ 122,655,000</u>	<u>\$ 52,386,462</u>	<u>\$ 695,597</u>	<u>\$ 29,553</u>	<u>\$ 123,350,597</u>	<u>\$ 52,416,015</u>

Note 9 - Interfund Receivables, Payables, and Transfers

Interfund receivables and payables are used when a fund has a cash deficit. A summary of the District's interfund balances at June 30, 2016, is as follows:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 161,591	\$ -
OPEB Debt Service Fund	-	161,591
	\$ 161,591	\$ 161,591

During the year ended June 30, 2016 a transfer was made from the General Fund to the Capital Projects Fund in the amount of \$1,320,833 to eliminate a fund balance deficit.

Note 10 - Fund Balance

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

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

	General	Capital Projects	Debt Service	OPEB Debt Service Fund	Other Government Funds	Totals
Nonspendable						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 18,968	\$ 18,968
Prepays	29,306	-	-	-	-	29,306
Total nonspendable	29,306	-	-	-	18,968	48,274
Restricted						
Debt service	-	-	2,734,633	-	-	2,734,633
Debt service bond refundings	-	-	16,895,000	-	-	16,895,000
OPEB bond refundings	-	-	-	6,365,000	-	6,365,000
Food service	-	-	-	-	215,576	215,576
Community education	-	-	-	-	273,376	273,376
Early childhood and family education	-	-	-	-	24,780	24,780
School readiness	-	-	-	-	18,739	18,739
Community service	-	-	-	-	99,853	99,853
Total restricted	-	-	19,629,633	6,365,000	632,324	26,626,957
Assigned						
Capital projects	775,000	-	-	-	-	775,000
Technology	1,000,000	-	-	-	-	1,000,000
Academic innovation projects	750,000	-	-	-	-	750,000
Total assigned	2,525,000	-	-	-	-	2,525,000
Unassigned	5,180,455	-	-	(1,000,541)	-	4,179,914
Total fund balance	\$ 7,734,761	\$ -	\$ 19,629,633	\$ 5,364,459	\$ 651,292	\$ 33,380,145

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

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Inventory	\$ 18,968	\$ -	\$ 18,968
Prepays	29,306	-	29,306
Total nonspendable	<u>48,274</u>	<u>-</u>	<u>48,274</u>
Restricted			
Debt service	2,734,633	-	2,734,633
Debt service bond refundings	16,895,000	-	16,895,000
OPEB bond refundings	6,365,000	-	6,365,000
Food service	215,576	-	215,576
Community education	273,376	-	273,376
Early childhood and family education	24,780	-	24,780
School readiness	18,739	-	18,739
Community service	99,853	-	99,853
Total restricted	<u>26,626,957</u>	<u>-</u>	<u>26,626,957</u>
Assigned			
Capital projects	775,000	-	775,000
Technology	1,000,000	-	1,000,000
Academic innovation projects	750,000	-	750,000
Total assigned	<u>2,525,000</u>	<u>-</u>	<u>2,525,000</u>
Unassigned	<u>4,179,914</u>	<u>-</u>	<u>4,179,914</u>
Total fund balance	<u>\$ 33,380,145</u>	<u>\$ -</u>	<u>\$ 33,380,145</u>

Note 11 - Defined Benefit Pension Plans – Statewide

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:

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

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

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

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

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

1. GERS Benefits

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

2. TRA Benefits

TRA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota 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

<u>Tier1</u>	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	First ten years of service	2.2% per year
	All years after	2.7% per year
Coordinated	First ten years if service years are up to July 1, 2006	1.2% per year
	First ten years if service years are July 1, 2006 or after	1.4% per year
	All other years of service if service years are up to July 1, 2006	1.7% per year
	All other years of service if service years are July 1, 2006 or after	1.9% per year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 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.

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25% of pay, respectively, in fiscal year 2016. In fiscal year 2016, the District was required to contribute 11.78% of pay for Basic Plan members and 7.25% for the Coordinated Plan. The District's contributions to the GERF for the year ended June 30, 2016, were \$588,688. The District's contributions were equal to the required contributions for each year as set by state statute.

2. TRA Contributions

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

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

The District’s contributions to TRA for the plan’s fiscal year ended June 30, 2016, were \$1,461,876. The District’s contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At June 30, 2016, the District reported a liability of \$6,234,570 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2015, the District’s proportion was 0.1203%, which was an increase of 0.0007% from June 30, 2014.

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

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

For the year ended June 30, 2016, the District recognized pension expense of \$839,274 for its proportionate share of GERF’s pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 57,818	\$ 314,328
Changes in actuarial assumptions	388,266	-
Difference between projected and actual investment earnings	590,198	1,145,190
Changes in net pension liability proportion	24,662	-
District's contributions to GERF subsequent to the measurement date	588,688	-
Total	\$ 1,649,632	\$ 1,459,518

\$588,688 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2016	\$ (109,748)
2017	(109,751)
2018	(332,791)
2019	153,716
2020	-

2. TRA Pension Costs

At June 30, 2016, the District reported a liability of \$21,855,099 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on The District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.3533% at the end of the measurement period and 0.3817% 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	\$ 21,855,099
State's proportionate share of the net pension liability associated with the district	\$ 2,680,496

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

For the year ended June 30, 2016, the District recognized pension expense of \$2,304,656. It also recognized \$473,877 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,119,853	\$ -
Changes in actuarial assumptions	1,680,074	-
Difference between projected and actual investment earnings	2,167,132	3,838,654
Change in proportion and differences between contributions made and District's proportionate share of contributions	-	914,452
District's contributions to TRA subsequent to the measurement date	1,461,876	-
Total	\$ 6,428,935	\$ 4,753,106

\$1,461,876 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2016	\$ (301,537)
2017	(301,537)
2018	(301,537)
2019	942,684
2020	175,880

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.75% per year	3.0%
Active Member Payroll Growth	3.25% per year	3.5 - 12%, based on years of service
Investment Rate of Return	7.90% per year	8.0%

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, to June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

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

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for GERF and 8.0% for TRA. This is a decrease from the discount rate at the prior measurement date of 8.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2016 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	7%	7.90%	8.90%
District's proportionate share of the GERF net pension liability	\$ 9,802,961	\$ 6,234,570	\$ 3,287,628
TRA discount rate	7.00%	8.00%	9.00%
District's proportionate share of the TRA net pension liability	\$ 33,266,290	\$ 21,855,099	\$ 12,332,131

H. Pension Plan Fiduciary Net Position

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

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

Note 12 - Employee Benefit Plan 403(B)

All teachers having completed their tenth 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 a maximum of \$2,000 per year. The maximum career matching contribution by the District will not exceed \$30,000 per teacher. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2016, 2015, and 2014 were \$239,368, \$248,286, and \$248,891.

Note 13 - Dental Self-Insurance

The District is self-insured with respect to dental insurance costs. The District implemented the self-insurance medical plan on July 1, 1985. Terms of the plan do not include a stop-loss provision which would limit the District's liability. The following is the activity for the year ended June 30, 2016:

Claims incurred but not reported at beginning of year	\$ 5,600
Claims incurred	307,566
Claims paid	<u>(307,566)</u>
Claims incurred but not reported at end of year	<u>\$ 5,600</u>

Note 14 - Commitments and Contingencies

Federal and State 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.

Note 15 - Joint Ventures

Lakes Area Recreation was established by an agreement between Independent School District No. 206 and the Alexandria and LaGrande Townships, pursuant to authority contained in the Minnesota State Statute 471.59. The Recreation Board is responsible for legislative and fiscal control of the program. The majority of the Recreation Program's funding is provided by patron fees and local government contributions.

The Runestone Area Education District No. 61-6014 was organized on August 15, 1988. The purpose of the Education District is to increase options for learning and access to educational opportunities for all residents within the boundaries of the member districts by facilitating cooperation among school districts. Funding is provided by the member districts. The following school districts are member of the Runestone Area Education District:

- Independent School District No. 206, Alexandria, Minnesota
- Independent School District No. 2908, Brandon - Evansville, Minnesota
- Independent School District No. 213, Osakis, Minnesota
- Independent School District No. 2149, Glenwood, Minnesota
- Independent School District No. 547, Parkers Prairie, Minnesota

Central Minnesota Educational Telecommunications System, (CMETS) is a joint powers entity established pursuant to provisions of Minnesota Statute Section 471.59. The purpose of CMETS is to provide a comprehensive educational program for all member districts involved. Member districts jointly provide planning, research, purchasing, development, implementation, and programming of distance learning systems and technological services. The following school districts are members of CMETS:

- Independent School District No. 745, Albany, Minnesota
- Independent School District No. 206, Alexandria, Minnesota
- Independent School District No. 2908, Brandon - Evansville, Minnesota
- Independent School District No. 213, Osakis, Minnesota
- Independent School District No. 547, Parkers Prairie, Minnesota
- Independent School District No. 740, Melrose, Minnesota
- Independent School District No. 743, Sauk Centre, Minnesota
- Independent School District No. 2149, Glenwood, Minnesota

Each joint venture's financial statements are audited and available for inspection.

Note 16 - Issued But Non-effective Accounting Pronouncements

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

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

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

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

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

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

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

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



Required Supplementary Information
June 30, 2016

Independent School District No. 206
Alexandria Public Schools

Schedule of Funding Progress – Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/15	\$ 3,780,503	\$ 9,043,311	\$ 5,262,808	41.80%	\$ 22,654,223	23.23%
07/01/13	5,403,189	9,210,421	3,807,232	58.66%	18,840,807	20.21%
07/01/11	6,682,252	9,310,455	2,628,203	71.77%	20,028,813	13.12%
07/01/09	7,355,603	9,083,042	1,727,439	0.80%	20,213,404	8.50%
07/01/07	-	7,766,513	7,766,513	0.00%	21,521,280	34.00%

Note to the Schedule of Funding Progress – Other Postemployment Benefits

Since the last actuarial valuation as of July 1, 2013, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from the projection of RP 2000 rates to 2013 to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Since the last actuarial valuation as of July 1, 2013, the following plan provisions have changed:

- The Superintendent is now eligible for GASB 45 subsidies at age 58 (instead of age 55) with 7 years of service or “Rule of 90”.
- The life insurance subsidy for Cabinet employees increased from \$40,000 to \$50,000.
- Confidential employees, 12 Month Professionals, Food Service employees, Secretaries and Teachers must be hired before July 1, 2014 in order to be eligible for GASB 45 medical subsidies. Administrators, Cabinet employees, Custodial employees, and Supervisors must be hired before July 1, 2015 in order to be eligible for GASB 45 medical subsidies. Note: Some contract groups allowed employees hired prior to the new sunset dates a choice between participating in the Defined Contribution Plan or continuing to be eligible to receive GASB 45 medical subsidies.

Schedule of Funding Progress – Supplemental Pension

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/15	\$ -	\$ 1,200,448	\$ 1,200,448	0.00%	\$ 23,436,118	5.12%
07/01/13	-	1,507,278	1,507,278	0.00%	19,885,753	7.58%
07/01/11	-	1,604,563	1,604,563	0.00%	21,215,725	7.56%
07/01/09	-	1,941,469	1,941,469	0.00%	20,577,111	9.40%
07/01/07	-	4,466,309	1,466,309	0.00%	19,636,421	7.50%

Note to the Schedule of Funding Progress – Supplemental Pension

Since the last actuarial valuation as of July 1, 2013, the following assumptions have changed:

- The mortality table was updated from the projection of RP 2000 rates to 2013 to the RP-2014 White Collar Mortality Table with MP-2015 Generational Improvement Scale.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 were also updated.

Since the last actuarial valuation as of July 1, 2013, the following plan provisions have changed:

- Cabinet employees hired prior to July 1, 2012 who retire in the future will no longer have a GASB 27 benefit.

Independent School District No. 206
Alexandria Public Schools

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions
June 30, 2016

**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)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (d/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2014	0.1196%	\$ 5,618,209	N/A	\$ 5,618,209	\$ 6,499,980	86.4%	78.8%
PERA	6/30/2015	0.1203%	\$ 6,234,570	N/A	\$ 6,234,570	\$ 7,342,953	84.9%	78.2%
TRA	6/30/2014	0.3817%	\$ 17,588,461	\$ 1,237,470	\$ 18,825,931	\$ 17,696,238	106.4%	81.5%
TRA	6/30/2015	0.3533%	\$ 21,855,099	\$ 2,680,496	\$ 24,535,595	\$ 18,773,863	130.7%	76.8%

* 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	6/30/2015	\$ 527,584	\$ 527,584	\$ -	\$ 7,342,953	7.2%
PERA	6/30/2016	\$ 588,688	\$ 588,688	\$ -	\$ 8,125,945	7.2%
TRA	6/30/2015	\$ 1,359,295	\$ 1,359,295	\$ -	\$ 18,773,863	7.2%
TRA	6/30/2016	\$ 1,461,876	\$ 1,461,876	\$ -	\$ 19,882,744	7.4%

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

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

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

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



Combining and Individual Fund Schedules
June 30, 2016

Independent School District No. 206 Alexandria Public Schools

Independent School District No. 206
 Alexandria Public Schools
 General Fund
 Schedule of Changes in UFARS Fund Balances
 Year Ended June 30, 2016

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 29,306	\$ -	\$ 29,306
Restricted for health and safety	(215,405)	215,405	-
Assigned for Ag Education Center	1,300,000	(1,300,000)	-
Assigned for capital projects	1,275,000	(500,000)	775,000
Assigned for technology	1,000,000	-	1,000,000
Assigned for academic innovation projects	-	750,000	750,000
Unassigned	5,635,654	(455,199)	5,180,455
	\$ 9,024,555	\$ (1,289,794)	\$ 7,734,761

Independent School District No. 206
 Alexandria Public Schools
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2016

	Food Service	Community Service	Totals
Assets			
Cash and investments	\$ 331,373	\$ 735,703	\$ 1,067,076
Receivables			
Current property taxes	-	210,531	210,531
Delinquent property taxes	-	4,944	4,944
Accounts	-	2,864	2,864
Due from other governmental units	-	52,572	52,572
Inventories	18,968	-	18,968
	<u>\$ 350,341</u>	<u>\$ 1,006,614</u>	<u>\$ 1,356,955</u>
Liabilities			
Accounts payable	\$ 8,558	\$ 25,218	\$ 33,776
Salaries payable	107,239	110,371	217,610
Total liabilities	<u>115,797</u>	<u>135,589</u>	<u>251,386</u>
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	454,277	454,277
Fund Balance			
Nonspendable	18,968	-	18,968
Restricted	215,576	416,748	632,324
Total fund balance	<u>234,544</u>	<u>416,748</u>	<u>651,292</u>
	<u>\$ 350,341</u>	<u>\$ 1,006,614</u>	<u>\$ 1,356,955</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 350,341</u>	<u>\$ 1,006,614</u>	<u>\$ 1,356,955</u>

Independent School District No. 206
 Alexandria Public Schools
 Nonmajor Governmental Funds
 Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
 Year Ended June 30, 2016

	<u>Food Service</u>	<u>Community Service</u>	<u>Totals</u>
Revenues			
Local property tax levies	\$ -	\$ 491,713	\$ 491,713
Other local and county sources	21,037	1,116,705	1,137,742
State sources	138,045	566,098	704,143
Federal sources	1,009,286	8,612	1,017,898
Sales and other conversion of assets	1,544,895	-	1,544,895
Total revenues	<u>2,713,263</u>	<u>2,183,128</u>	<u>4,896,391</u>
Expenditures			
Community education and service	-	1,989,562	1,989,562
Pupil support services	2,752,973	-	2,752,973
Total expenditures	<u>2,752,973</u>	<u>1,989,562</u>	<u>4,742,535</u>
Excess (Deficiency) of Revenues over (under) Expenditures	(39,710)	193,566	153,856
Fund Balance, Beginning of Year	<u>274,254</u>	<u>223,182</u>	<u>497,436</u>
Fund Balance, End of Year	<u>\$ 234,544</u>	<u>\$ 416,748</u>	<u>\$ 651,292</u>



Other Supplementary Information
June 30, 2016

Independent School District No. 206 Alexandria Public Schools

Independent School District No. 206
 Alexandria Public Schools
 Changes in Student Activity Cash Balances
 Year Ended June 30, 2016

Activity	Balance 7/1/15	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/16
A-Club	\$ 80,583	\$ 136,371	\$ 112,580	\$ 104,374
Baseball	263	-	-	263
Boys Basketball	13	130	133	10
Boys Hockey	2,000	2,110	3,569	541
Boys Soccer	7,612	-	717	6,895
Cardinal Dance	989	1,977	2,374	592
CES	20,563	23,647	26,353	17,857
CES Student Activity Fund	1,276	161	1,437	-
CES Student Field Trip	1,639	3,278	4,474	443
Cheerleaders	531	4,780	3,220	2,091
Cross Country	7,435	5,515	4,786	8,164
DMS 6th Grade Field Trip	-	660	-	660
DMS Box Tops	8,130	5,615	7,217	6,528
DMS Cardinal	7,292	984	2,332	5,944
DMS Choir	504	-	-	504
DMS Guthrie Trip	672	10,779	10,363	1,088
DMS Orchestra	472	-	158	314
DMS Pencil Fund	1,099	444	593	950
DMS Renaissance	346	2,147	728	1,765
DMS Student Council	4,430	6,278	5,911	4,797
Drama Club	3,525	1,676	2,007	3,194
Football	16,442	26,390	29,055	13,777
GES Academic Support	956	-	-	956
GES Activity	11,335	4,457	4,011	11,781
GES Deep Portage	4,116	2,012	1,852	4,276
GES Playground	1,114	-	-	1,114
GES Student Fund	8,562	13,985	12,797	9,750
Gifted & Talented	93	-	-	93
Girls Basketball	8,404	27,956	27,145	9,215
Girls Hockey	95	1,900	1,807	188
Girls Soccer	2,295	1,240	2,236	1,299
Golf	1,288	-	-	1,288
Gymnastic	910	400	435	875
JHS Amnesty Int'l	50	-	50	-
JHS Band	1,047	-	385	662

Independent School District No. 206
 Alexandria Public Schools
 Changes in Student Activity Cash Balances
 Year Ended June 30, 2016

Activity	Balance 7/1/15	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/16
JHS Carolers	442	2,986	2,176	1,252
JHS Choir	141	5,776	3,190	2,727
JHS DECA	5,592	27,685	19,875	13,402
JHS FFA	1,139	31,249	25,971	6,417
JHS Fine Arts	11	-	11	-
JHS Industrial Ed (VICA)	732	-	-	732
JHS Jazz Band	12	-	-	12
JHS Jr Viking Sportsmen	376	-	-	376
JHS Knowledge Bowl	807	200	72	935
JHS Math Team	972	-	36	936
JHS National Honor Society	1,314	470	367	1,417
JHS Orchestra	-	10,107	8,534	1,573
JHS Rainbow Strings	-	910	115	795
JHS Robotics	-	6,152	517	5,635
JHS Science Fund	5,519	1,300	1,400	5,419
JHS Senior Citizen Dance	1,155	-	286	869
JHS SLAM	3,379	7,731	5,632	5,478
JHS Speech	546	-	-	546
JHS Student Council	5,980	15,561	15,039	6,502
LES	26,380	35,515	23,946	37,949
MES	27,749	58,874	57,570	29,053
MES Water Festival	3,163	3,300	6,463	-
Miscellaneous	1,623	74	1,203	494
Nordic Skiing	2,412	-	556	1,856
Softball	842	-	493	349
Swimming	3,011	5,605	6,496	2,120
Tennis	79	324	89	314
Track	3,894	2,659	969	5,584
VES Music	1,112	-	81	1,031
VES Student	25,079	37,821	44,357	18,543
Volleyball	4,275	17,519	13,758	8,036
Weight Training	14,981	-	63	14,918
Wellness	25	-	25	-
WES Cupigram	1,344	672	545	1,471
WES Student Activity	26,747	43,203	40,106	29,844
Wrestling	-	2,379	-	2,379
	<u>\$ 376,914</u>	<u>\$ 602,964</u>	<u>\$ 548,666</u>	<u>\$ 431,212</u>

Independent School District No. 206
Alexandria Public Schools
Uniform Accounting and Reporting Standards Compliance Table
Year Ended June 30, 2016

Fiscal Compliance Report - 6/30/2016

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District: ALEXANDRIA (206-1) [Back](#) [Print](#)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$43,831,480	<u>\$43,831,477</u>	\$3	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$44,216,819	<u>\$44,216,821</u>	(\$2)	Total Expenditures	\$4,951,986	<u>\$4,951,986</u>	<u>\$0</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$29,306	<u>\$29,306</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.05 Deferred Maintenance	\$0	<u>\$0</u>	<u>\$0</u>	4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.09 Alternative Facility Program	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>	07 DEBT SERVICE			
4.23 Certain Teacher Programs	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$6,409,154	<u>\$6,409,154</u>	<u>\$0</u>
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$6,573,981	<u>\$6,573,982</u>	(\$1)
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$16,895,000	<u>\$16,895,000</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$2,734,633	<u>\$2,734,633</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.45 Career Tech Programs	\$0	<u>\$0</u>	<u>\$0</u>				
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	08 TRUST			
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	20 INTERNAL SERVICE			
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$349,639	<u>\$349,639</u>	<u>\$0</u>
<i>Restricted:</i>				Total Expenditures	\$344,392	<u>\$344,392</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$139,838	<u>\$139,838</u>	<u>\$0</u>
<i>Committed:</i>							
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>	25 OPEB REVOCABLE TRUST			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$2,525,000	<u>\$2,525,000</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>							
4.22 Unassigned Fund Balance	\$5,180,455	<u>\$5,180,454</u>	\$1	45 OPEB IRREVOCABLE TRUST			
				Total Revenue	(\$13,932)	<u>(\$13,933)</u>	<u>\$1</u>
02 FOOD SERVICES				Total Expenditures	\$815,134	<u>\$815,132</u>	<u>\$2</u>
Total Revenue	\$2,713,263	<u>\$2,713,261</u>	\$2	4.22 Unassigned Fund Balance (Net Assets)	\$2,951,437	<u>\$2,951,437</u>	<u>\$0</u>
Total Expenditures	\$2,752,973	<u>\$2,752,972</u>	\$1				
<i>Non Spendable:</i>				47 OPEB DEBT SERVICE			
4.60 Non Spendable Fund Balance	\$18,968	<u>\$18,968</u>	<u>\$0</u>	Total Revenue	\$384,773	<u>\$384,774</u>	(\$1)
<i>Restricted / Reserved:</i>				Total Expenditures	\$861,458	<u>\$861,459</u>	(\$1)
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
<i>Restricted:</i>				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$215,576	<u>\$215,576</u>	<u>\$0</u>	<i>Restricted:</i>			
				4.25 Bond Refundings	\$6,365,000	<u>\$6,365,000</u>	<u>\$0</u>
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
				4.63 Unassigned Fund Balance	(\$1,000,541)	<u>(\$1,000,541)</u>	<u>\$0</u>
04 COMMUNITY SERVICE							
Total Revenue	\$2,183,128	<u>\$2,183,127</u>	\$1				
Total Expenditures	\$1,989,562	<u>\$1,989,561</u>	\$1				
<i>Non Spendable:</i>							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted / Reserved:</i>							
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>				
4.31 Community Education	\$273,376	<u>\$273,376</u>	<u>\$0</u>				
4.32 E.C.F.E	\$24,780	<u>\$24,780</u>	<u>\$0</u>				
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>				
4.44 School Readiness	\$18,739	<u>\$18,739</u>	<u>\$0</u>				
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$99,853	<u>\$99,853</u>	<u>\$0</u>				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				

Independent School District No. 206
 Alexandria Public Schools
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2016

Federal Grantor/Program Title	Pass Through Number	Federal CFDA Number	Expenditures	
Department of Agriculture				
<i>Passed through Minnesota Department of Education</i>				
Non-Cash Assistance (Commodities):				
Food Distribution	0206-01-000 FIN 701	10.558	\$ 87,755	
Cash Assistance:				
Food Distribution	0206-01-000 FIN 701	10.558	<u>57,862</u>	
Total CFDA No. 10.558				\$ 145,617
School Breakfast Program	0206-01-000 FIN 705	10.553	106,068	
National School Lunch Program	0206-01-000 FIN 701	10.555	703,569	
Summer Food Service Program for Children	0206-01-000 FIN 709	10.559	<u>54,032</u>	
Total Child Nutrition Cluster				<u>863,669</u>
Total Department of Agriculture				\$ 1,009,286
Department of Education				
<i>Passed through Minnesota Department of Education</i>				
Title I, Part A, Improving the Academic Achievement of the Disadvantaged	0206-01-000 FIN 401	84.010		461,382
Title II, Part A, Teacher and Principal Training and Recruitment	0206-01-000 FIN 414	84.367		118,712
Part C IEIC, Ages 0-2	0206-01-000 FIN 422	84.181		20,679
Limited Eligibility Adult Basic Education	0206-01-000 FIN 438	84.002		8,612
IDEA Special Education Part B, Section 611	0206-01-000 FIN 419	84.027	824,035	
Part B Section 611 Coordinated Early Intervening Services (CEIS)	0206-01-000 FIN 425	84.027	2,670	
Special Education Grant	0206-01-000	84.027	307	
Part B Section 619 Preschool Incentive, Ages 3-5	0206-01-000 FIN 420	84.173	<u>24,446</u>	
Total Special Education Cluster				<u>851,458</u>
Total Department of Education				1,460,843
Department of Health and Human Services				
<i>Passed through Minnesota Department of Education</i>				
Medical Assistance Program	0206-01-000	93.778		<u>108,671</u>
Total Department of Health and Human Services				<u>108,671</u>
Total expenditures of federal awards				<u><u>\$ 2,578,800</u></u>

Note A – Basis of Presentation

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

Note B – Significant Accounting Policies

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

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

Note C – Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2016 the District had food commodities totaling \$18,968 in inventory.



Additional Reports
June 30, 2016

Independent School District No. 206 Alexandria Public Schools



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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. 206, Alexandria, Minnesota, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2016.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Response to Findings

The District's responses to the findings identified in our audit are described in the District's Corrective Action Plan. 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 result 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
October 13, 2016



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. 206
Alexandria Public Schools
Alexandria, Minnesota

Report on Compliance for Each Major Federal Program

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

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
October 13, 2016



Report on Compliance over Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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. 206, Alexandria Public Schools, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2016.

Compliance

As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported.

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

Fargo, North Dakota
October 13, 2016



Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 206
Alexandria Public Schools
Alexandria, 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. 206 Alexandria Public Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated October 13, 2016.

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

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Fargo, North Dakota
October 13, 2016

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 program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
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:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	10.553, 10.555 & 10.559
Special Education Cluster	84.027 & 84.173

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

Section II – Financial Statement Findings

Material Weakness

2016-A Preparation of Financial Statements

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

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

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

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

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

Material Weakness

2016-B Material Journal Entries

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

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.

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

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

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 done at both the accounting staff and accounting supervisor levels.

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

Material Weakness

2016-C Segregation of Duties

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.

Condition – The District does not adequately separate duties in cash receipts and journal entry posting.

Condition – One individual is responsible for receipting cash, preparing the deposit slip, making the deposit in the financial institution, and entering the transaction into the accounting system. Also, there is no formal process to review journal entries that are posted into the accounting system.

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.

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

None

Section IV – Student Activities

None

Section V – Minnesota Legal Compliance Findings

None

**2015-A Preparation of Financial Statements
 Material Weakness**

Initial Fiscal Year Finding Occurred – 2012

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

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

**2015-B Material Journal Entries including Prior Period Adjustments
 Material Weakness**

Initial Fiscal Year Finding Occurred – 2012

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

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

**2015-C Segregation of Duties
 Material Weakness**

Initial Fiscal Year Finding Occurred – 2012

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

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