

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2017**



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INDEPENDENT SCHOOL DISTRICT NO. 861  
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## INTRODUCTORY SECTION





**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
BOARD OF EDUCATION AND ADMINISTRATION  
YEAR ENDED JUNE 30, 2017**

**TERM EXPIRES**

Ben Baratto	2018	Chairperson
Tina Lehnertz	2018	Vice-Chairperson
Jeanne Nelson	2020	Clerk
Jay Kohner	2018	Treasurer
Karen Coleman	2018	Director
Steve Schild	2018	Director
Allison Quam	2020	Director

**ADMINISTRATION**

Dr. Stephen West	Superintendent (effective July 1, 2016 to January 5, 2017)
Kelly Halvorsen	Interim-Superintendent (effective January 5, 2017 to June 30, 2017)
Richard Dahman	Superintendent (effective July 1, 2017)
Sarah Slaby	Director of Finance

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Winona Area Public Schools  
Independent School District No. 861  
Winona, 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 Winona Area Public Schools Independent School District No. 861 (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 861 as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

As discussed in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle. Our auditor’s opinion was not modified with respect to the restatement.

### **Report on Summarized Comparative Information**

We have previously audited Independent School District No. 861’s 2016 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated December 5, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis, the Schedule of Changes in the District’s Net OPEB Liability and Related Ratios, the Schedule of Money-Weighted Rate of Return on OPEB Plan Assets, the Schedule of the District’s Proportionate Share of the Net Pension Liability, and the 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.

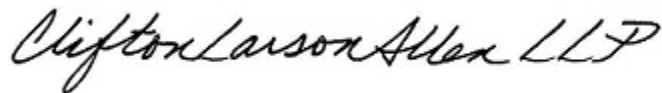
*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 861's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the Debt Service Fund and the OPEB Debt Service Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards Compliance Table, the Schedule of Expenditures of Federal Awards, the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the Debt Service Fund and the OPEB Debt Service Fund 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017 on our consideration of Independent School District No. 861's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 861's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
December 20, 2017

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

This section of Independent School District No. 861's annual financial report presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's financial statements. This discussion will include key financial highlights and an analysis of the District's finances.

As a reader of the financial statements, it is important to keep in mind that all of the tables are based on the same set of financial data. Although several differences can be noted between the entity wide statements as compared to the fund statements, the statements use the same data and merely present it in different ways as required by the Governmental Accounting Standards Board (GASB). The most significant difference to keep in mind is that the entity wide statements are presented using full accrual accounting and focus on economic resources while the fund financial statements are presented on the modified accrual basis and have more of a current financial focus. Both presentations of the financial statements provide valuable information to the informed reader.

**Key Financial Highlights For Fiscal 2016 – 2017**

- The district experienced two water-related insurance claims during the year which resulted in \$307,177 of insurance recovery revenue.
- Each of the district operating funds (general fund, school nutrition fund, community education fund) ended the year with positive fund balances.
- The district implement GASB Statement #75 during the fiscal year which is the contributing factor in the change in net position. This required implementation also required a restatement of the 2016 net position.

**Financial Analysis of the District as a Whole**

The government-wide financial statements are a component of the audit report which are required by GASB 34. The district-wide financial 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 for all funds presented on one statement. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash was received or paid. A summarized version of these statements as well as an analysis follows.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**

<u>Assets</u>	6/30/2016	6/30/2017	\$ Change	% Change
Current and Other Assets	\$ 26,946,945	\$ 21,932,177	\$ (5,014,768)	-19%
Capital Assets	26,995,631	25,293,212	(1,702,419)	-6%
Total Assets	<u>\$ 53,942,576</u>	<u>\$ 47,225,389</u>	<u>\$ (6,717,187)</u>	<u>-12%</u>
 <u>Deferred Outflows of Resources</u>	 <u>\$ 5,843,714</u>	 <u>\$ 56,341,703</u>	 <u>\$ 50,497,989</u>	 864%
 <u>Liabilities</u>				
Long-term Liabilities	\$ 43,788,938	\$ 107,170,032	\$ 63,381,094	145%
Other Liabilities	9,060,109	8,655,531	(404,578)	-4%
Total Liabilities	<u>\$ 52,849,047</u>	<u>\$ 115,825,563</u>	<u>\$ 62,976,516</u>	<u>119%</u>
 <u>Deferred Inflows of Resources</u>	 <u>\$ 16,255,926</u>	 <u>\$ 15,227,518</u>	 <u>\$ (1,028,408)</u>	 <u>-6%</u>
 <u>Net Position</u>				
Invested in Capital Assets, Net of Related Debt	\$ 15,609,385	\$ 16,591,985	\$ 982,600	6%
Restricted	6,144,494	1,754,970	(4,389,524)	-71%
Unrestricted	(31,072,562)	(45,832,944)	(14,760,382)	48%
Total Net Position	<u>\$ (9,318,683)</u>	<u>\$ (27,485,989)</u>	<u>\$ (18,167,306)</u>	<u>195%</u>

The District's combined net position as of June 30, 2017 was (\$27,485,989). This is a decrease of \$18,167,306 or 195% as compared to the prior year's reported ending net position of (\$9,318,683). The significant decrease is largely related to the increase in expenses reported on the district-wide statement related to the change in the net pension liability and deferred outflows/inflows of resources for the defined benefit pension plans for the District (PERA and TRA).

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**

<u>Revenues and Other Financing Sources</u>	<u>6/30/2016</u>	<u>6/30/2017</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
Charges for Services	\$ 2,659,680	\$ 2,380,937	\$ (278,743)	-10%
Operating Grants	13,114,552	16,067,337	2,952,785	23%
Capital Grants	332,241	984,851	652,610	196%
General Revenues				
Property Taxes	12,846,534	12,067,700	(778,834)	-6%
State Aid-Formula Grants	20,054,127	19,190,614	(863,513)	-4%
Other	238,068	83,302	(154,766)	-65%
Total Revenues	<u>49,245,202</u>	<u>50,774,741</u>	<u>1,529,539</u>	<u>3%</u>
<u>Expenses</u>				
Instruction				
Regular	18,142,121	24,660,447	6,518,326	36%
Vocational	338,379	660,381	322,002	95%
Special	10,505,719	13,995,330	3,489,611	33%
Support Services				
Pupil	7,478,605	8,284,177	805,572	11%
Instructional	2,159,471	2,575,601	416,130	19%
District	1,699,042	1,996,297	297,255	17%
District Administration	1,735,235	2,360,597	625,362	36%
Site, Buildings, and Equipment	4,804,052	4,338,906	(465,146)	-10%
Fiscal and Other Fixed Cost Programs	136,581	132,225	(4,356)	-3%
Community Service	2,314,732	2,469,224	154,492	7%
Interest and Fiscal Charges on Long-Term Debt	749,639	440,518	(309,121)	-41%
Total Expenses	<u>50,063,576</u>	<u>61,913,703</u>	<u>11,850,127</u>	<u>24%</u>
Increase (Decrease) in Net Assets	(818,374)	(11,138,962)		
Beginning Net Position	(8,500,309)	(9,318,683)		
Restatement	-	(7,028,344)		
Ending Net Position	<u>\$ (9,318,683)</u>	<u>\$ (27,485,989)</u>		

***Changes in Revenue***

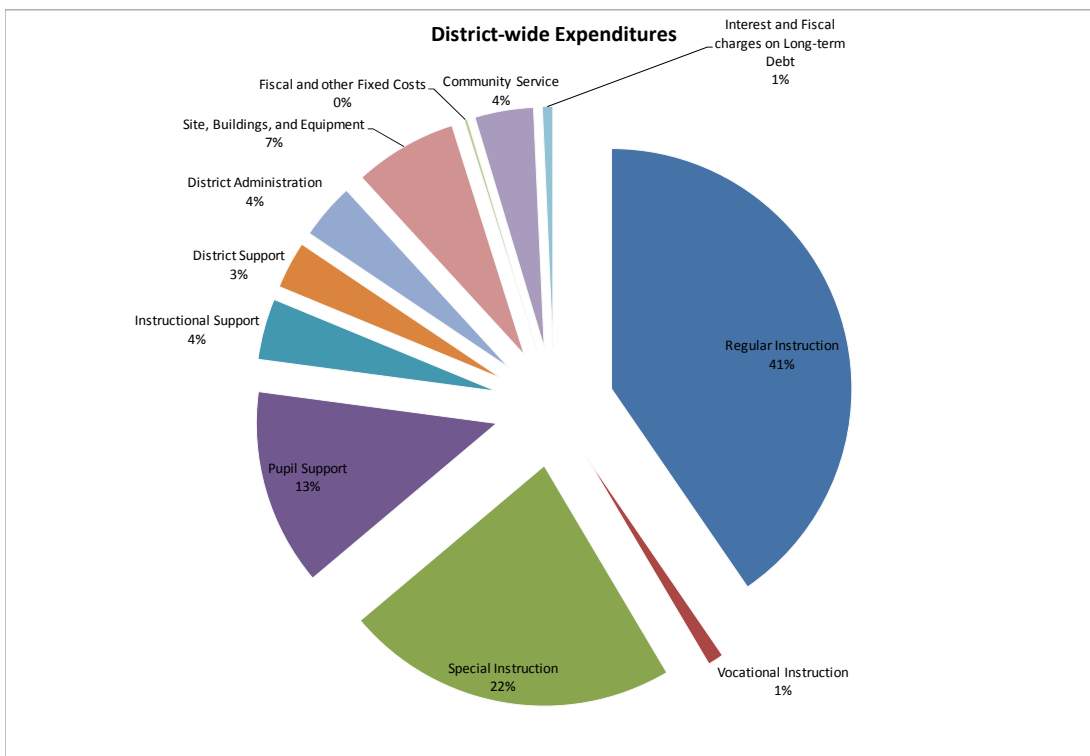
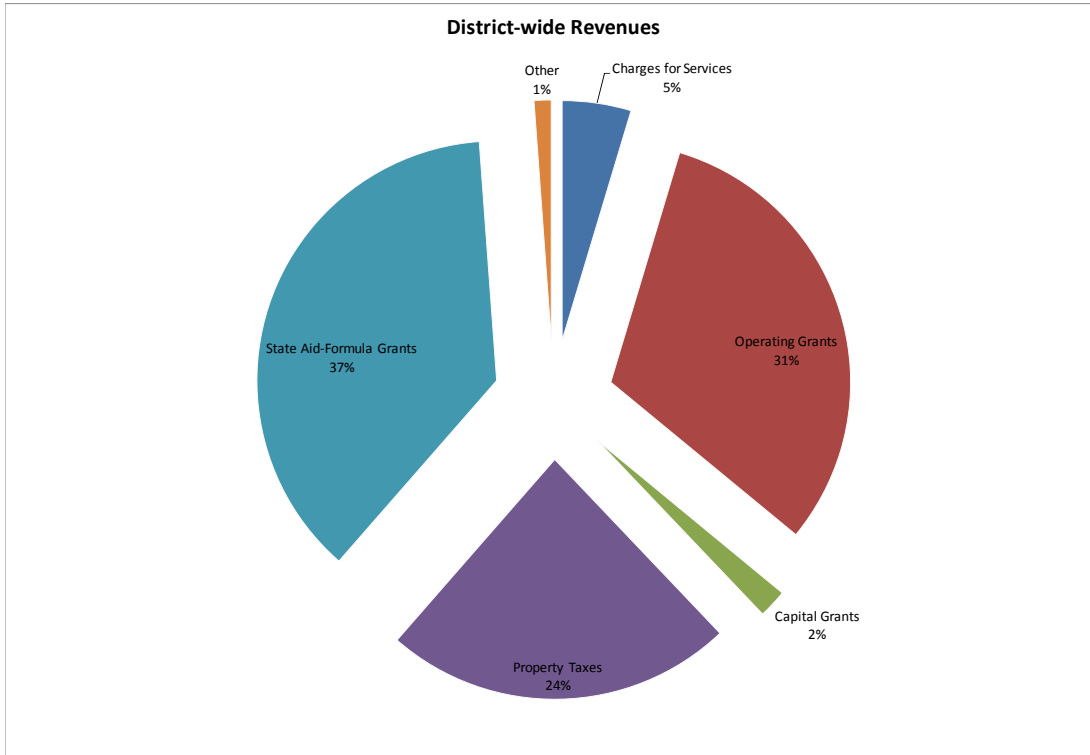
The District's overall revenues increased \$1,529,539 or 3% between fiscal years 2016 and 2017. Within the revenue categories, a fluctuation of \$2,952,785 or 23% in operating grants can be noted. However, this increase is offset by a 6% decrease in property tax revenue (\$778,834) and a 4% decrease in state aids (\$863,513).

***Changes in Expenses***

District expenses increased 24% to a total of \$61,913,703. This represents an increase of \$11,850,127. The increase in expenses reported on the district-wide statement are related to the change in the net pension liability and deferred outflows/inflows of resources for the defined benefit pension plans for the District (PERA and TRA). It is important to note that this does not represent an actual increase in expenditures by the district. Rather, this is the result of the estimating pension costs, which is required of government entities.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**



**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**

**Financial Analysis of the District's Funds**

The fund financial statements provide more detailed information about the District's funds – focusing on the most significant or “major” funds. The governmental funds statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources than can be spent in the near term to finance the District's programs. The governmental funds statements are the figures used by the district for budgeting purposes. This information does not encompass the additional long-term focus of the government-wide statements. Therefore, a reconciliation of the two statements is provided within the financial report to summarize the differences. A summarized version of the General Fund statements as well as an analysis of all funds follows.

	6/30/16	6/30/17	% Change
<u>Assets</u>			
Cash and Investments	\$ 7,666,430	\$ 7,138,619	-7%
Property Taxes Receivable	4,734,131	5,148,903	9%
Receivable from Gov't Units	4,626,574	4,210,159	-9%
Other Receivables	358,708	487,891	36%
Due from Other Funds	205,593	2,324	-99%
Inventory and Prepaids	220,030	122,952	-44%
Total Assets	<u>\$ 17,811,466</u>	<u>\$ 17,110,848</u>	<u>-4%</u>
<u>Liabilities</u>			
Accounts and Contracts Payable	\$ 712,595	\$ 679,706	-5%
Accrued Salaries, Wages, and Benefits	4,327,737	3,976,346	-8%
Deferred Revenue	183,533	144,512	-21%
Total Liabilities	<u>5,223,865</u>	<u>4,800,564</u>	<u>-8%</u>
<u>Deferred Inflows of Resources</u>			
Property Taxes Levied for Subsequent Year's Expenditures	8,384,408	9,521,283	14%
Delinquent Property Taxes	135,212	124,099	-8%
Total Deferred Inflows of Resources	<u>8,519,620</u>	<u>9,645,382</u>	<u>13%</u>
<u>Fund Balances</u>			
Staff Development	187,469	102,417	-45%
Deferred Maintenance	56,393	-	-100%
Operating Capital	357,851	153,653	-57%
Long-Term Facilities Maintenance	-	349,647	N/A
Student Activities	173,535	150,518	-13%
Nonspendable	220,030	122,952	-44%
Kolter Estate	141,326	141,588	0%
Unassigned	2,931,377	1,644,127	-44%
Total Fund Balance	<u>4,067,981</u>	<u>2,664,902</u>	<u>-34%</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 17,811,466</u>	<u>\$ 17,110,848</u>	<u>-4%</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**

	<u>6/30/16</u>	<u>6/30/17</u>	<u>% Change</u>
<u>Revenues and Other Financing Sources</u>			
Property Taxes	\$ 9,485,087	\$ 8,764,066	-8%
Other Local and County	1,753,735	2,147,918	22%
State Sources	29,283,365	30,192,901	3%
Federal Sources	1,442,478	1,571,520	9%
Insurance Recovery	-	307,177	N/A
Sale of Real Property	104,556	-	-100%
Total	<u>42,069,221</u>	<u>42,983,582</u>	<u>2%</u>
<u>Expenditures and Other Financing Uses</u>			
Administration	\$ 1,654,572	\$ 1,778,277	7%
District Support Services	1,578,063	1,451,401	-8%
Regular Instruction	16,691,977	16,745,591	0%
Vocational Instruction	333,948	440,315	32%
Special Education Instruction	10,347,098	10,773,503	4%
Instructional Support Services	2,006,503	1,996,973	0%
Pupil Support Services	5,269,705	5,428,985	3%
Sites and Buildings	4,502,298	4,110,081	-9%
Capital Outlay	282,363	670,045	137%
Transfer Out	400,000	329,655	-18%
Fiscal and Other Fixed Programs	136,581	132,225	-3%
Debt Service (Principal and Interest)	1,472,513	529,610	-64%
Total	<u>44,675,621</u>	<u>44,386,661</u>	<u>-1%</u>
Change in Fund Balance	(2,606,400)	(1,403,079)	-46%
Prior Year Fund Balance	<u>6,674,381</u>	<u>4,067,981</u>	<u>-39%</u>
Ending Fund Balance	<u><u>\$ 4,067,981</u></u>	<u><u>\$ 2,664,902</u></u>	<u><u>-34%</u></u>

**General Fund**

The General Fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12. The general fund also includes transportation, operating capital, long-term facilities maintenance, and student activities. The total fund balance decreased by \$1,403,079 (or 34%) to a total of \$2,664,902. Of the total fund balance, \$747,305 is restricted, \$150,518 is assigned for Student Activities, and \$122,952 is nonspendable (represents amount of prepaid expenditures included on the District's balance sheet). The remaining \$1,644,127 is unassigned, which is inclusive of a deficit related to health and safety of \$1,271,134.

When reviewing the General Fund balance sheet summary there are several changes that should be noted. Overall assets decreased by \$700,618 or 4%. The reason for this overall decrease is a \$203,269 decrease in amounts due from other funds as well as a \$527,811 decrease in cash and investments.

Overall liabilities decreased \$423,301 or 8% as compared to the prior year. This is primarily related to a decrease in the accrued salaries, wages, and benefits.



**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**

***General Fund (Continued)***

The District's Deferred Maintenance fund balance decreased in fiscal year 2017 from \$56,393 to a balance of \$-0-. This represents a spend-down of remaining funds in this discontinued funding source. The Health & Safety deficit, mentioned earlier, improved 44% or \$983,175. This is due to current year revenue related to previously completed projects as well as the first of three annual transfers from the unreserved fund balance to alleviate the deficit.

***General Fund Budgetary Highlights***

Following approval of the budget prior to the beginning of the fiscal year, the District officially revised the annual operating budget one time during the year with a budget update presented to the board. During the course of the year, if significant projects were approved, separate budget approvals were received on those projects and these special pre-approved amounts were then included in the official budget update subsequently presented to the board. These budget amendments fall into two general categories:

- Implementing budgets for specially funded projects, which include federal, state, and local grants and reinstating unexpended funds being carried over from unspent grants from the prior year.
- Legislation passed subsequent to budget adoption, changes necessitated by collective bargaining agreements, and increases in appropriations for significant unbudgeted costs.

Actual revenues were \$386,959 more than the final board approved revenue budget of \$42,289,446 or a 1% variance from the approved budget.

The actual expenditures were \$41,666 less than the final approved budget. This represents less than a 1% variance from the approved budget.

***Food Service Fund***

The Food Service Fund accounts for the activities related to providing nutrition services to the K-12 academic program. The fund operates on the principle of revenues exceeding expenditures on day-to-day operations so that the excess can be used to systematically replace and upgrade kitchen equipment around the district. By operating in this manner, the goal of the School Nutrition program is to be self-contained and not to pull resources away from direct K-12 instruction.

The fund recorded \$31,372 of expenditures in excess of revenues for the fiscal year resulting in a total ending fund balance of \$230,086. The School Nutrition Program is well run and continues to not only cover its costs but also maintain a healthy fund balance. By maintaining a fund balance, the program has the resources needed to continue to make improvements to the program through equipment purchases and food offerings that are both nutritious and appealing to the students of Winona Area Public Schools.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Financial Analysis of the District as a Whole (Continued)**

***Community Service Fund***

The Community Service Fund accounts for the activities related to providing education services for Pre-Kindergarten and Post-Grade 12 students. The fund operates on a principle of breaking even on year-to-year basis so that it does not pull resources away from K-12 instruction. The Community Education fund balance decreased from \$371,996 to \$310,964. Community Education management has been proactive in its approach to budgets maintaining a healthy fund balance which protects future programming.

***Debt Service Fund***

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the district to construct school facilities, improve buildings and grounds, or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise. The debt service fund balance is also monitored by the Minnesota Department of Education for accumulation of excess fund balance. If the debt service fund balance is deemed to be at a level in excess of what is needed to make debt payments, a levy adjustment is made to reduce revenue. During fiscal year 2017 the total debt service fund balance increased from \$576,387 to \$579,865. This represents an increase of approximately one half of one percent as compared to the prior fiscal year.

***Capital Projects Fund***

The Capital Projects Fund accounts for the costs of school construction, addition, and renovation projects. When bonds (or certificates of participation) are issued in connection with a building project, the bond proceeds are recorded as revenue in the Capital Projects Fund. The funds are then drawn down as the payments are made for work completed on the building project. The proceeds of bonds (or certificates of participation) can only be used for the purpose for which they were issued. The total fund balance as of June 30, 2017 is \$106,942. This amount is related to a capital facility bond issued for Energy Projects and must be used for approved energy project improvements.

***OPEB Debt Service***

The Other Post-Employment Benefit (OPEB) Debt Service Fund is required to be used to record activity related to the levy proceeds and the repayment of OPEB bonds. The OPEB Debt Service fund balance decreased from \$162,273 to \$156,741 during fiscal year 2017.

***Agency Fund***

During fiscal year 2012, Winona Area Public Schools became the fiscal host for the Winona County Collaborative. This activity is accounted for using what is called an Agency Fund. An Agency Fund is used to account for assets where the school district has a formal agency agreement with another entity. The District simply holds the funds and performs certain duties as directed by the decision makers of the other entity. In the case of the Winona County Collaborative, a board makes the decisions regarding how to expend the dollars. According to Uniform Financial Accounting and Reporting Standards, an agency fund is not permitted to carry a fund balance.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Contacting the District's Financial Management**

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Winona Area Public Schools, 903 Gilmore Avenue, Winona, Minnesota 55987, visit the District Website at [www.winona.k12.mn.us](http://www.winona.k12.mn.us), or call 507-494-0800.

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## **BASIC FINANCIAL STATEMENTS**

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>Governmental Activities</b>
	<b>2017</b>
<b>ASSETS</b>	
Cash and Investments	\$ 10,136,849
Receivables:	
Property Taxes	6,793,203
Other Governments	4,348,778
Other	514,646
Prepaid Items	126,034
Inventories	12,667
Capital Assets:	
Land and Construction in Progress	1,310,892
Other Capital Assets, Net of Depreciation	23,982,320
Total Assets	47,225,389
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Debt Refunding	629,222
Pension Related	55,712,481
Total Deferred Outflows	56,341,703
<b>LIABILITIES</b>	
Salaries Payable	4,227,029
Accounts Payable	617,882
Accrued Interest	255,510
Due to Other Governmental Units	108,470
Unearned Revenue	175,430
Long-Term Liabilities:	
Portion Due Within One Year	3,271,210
Portion Due in More Than One Year	12,879,361
Other Postemployment Benefits Liability	3,159,404
Net Pension Liability	91,131,267
Total Liabilities	115,825,563
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Year	12,593,785
Gain on Debt Refunding	31,963
Other Postemployment Benefits Related	196,414
Pension Related	2,405,356
Total Deferred Inflows of Resources	15,227,518
<b>NET POSITION</b>	
Net Investment in Capital Assets	16,591,985
Restricted for:	
Operating Capital Purposes	153,653
State-Mandated Reserves	452,064
Facility Improvements	141,588
Food Service	230,086
Community Service	317,233
Capital Projects - Building Construction	106,942
Debt Service	353,404
Unrestricted	(45,832,944)
Total Net Position	\$ (27,485,989)

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

2017			
Functions	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Administration	\$ 2,360,597	\$ 210	\$ 51,118
District Support Services	1,996,297	156,863	7,829
Regular Instruction	24,660,447	623,218	4,725,357
Vocational Education Instruction	660,381	6,697	25,423
Special Education Instruction	13,995,330	122,985	7,772,119
Instructional Support Services	2,575,601	10,045	474,138
Pupil Support Services	6,409,733	12,747	1,023,998
Sites and Buildings	4,338,906	116	35,774
Fiscal and Other Fixed Cost Programs	132,225	-	-
Food Service	1,874,444	690,185	1,093,622
Community Service	2,469,224	757,871	857,959
Interest and Fiscal Charges on Long-Term Liabilities	440,518	-	-
Total School District	\$ 61,913,703	\$ 2,380,937	\$ 16,067,337

**General Revenues**

Property Taxes Levied for:  
     General Purposes  
     Community Service  
     Debt Service  
 State Aid Not Restricted to Specific Purposes  
 Earnings on Investments  
 Miscellaneous  
     Total General Revenues

Change in Net Position

Net Position - As Previously Stated  
 Restatement  
 Net Position - As Restated  
 Net Position - Ending

See accompanying Notes to Financial Statements.



2017

<u>2017</u>	
<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position Total Governmental Activities</u>
\$ -	\$ (2,309,269)
410,727	(1,420,878)
31,212	(19,280,660)
-	(628,261)
-	(6,100,226)
63,450	(2,027,968)
-	(5,372,988)
479,462	(3,823,554)
-	(132,225)
-	(90,637)
-	(853,394)
-	(440,518)
<u>\$ 984,851</u>	<u>(42,480,578)</u>

8,752,953
483,638
2,831,109
19,190,614
15,775
<u>67,527</u>
<u>31,341,616</u>
(11,138,962)
(9,318,683)
<u>(7,028,344)</u>
<u>(16,347,027)</u>
<u>\$ (27,485,989)</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017**

	<u>Major</u>		
	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>
<b>ASSETS</b>			
Cash and Investments	\$ 7,138,619	\$ 281,655	\$ 651,222
Receivables:			
Current Property Taxes	5,024,804	-	267,707
Delinquent Property Taxes	124,099	-	6,269
Accounts Receivable	487,891	32	26,723
Due from Other Minnesota School Districts	31,168	50	22,559
Due from Minnesota Department of Education	3,030,672	2,484	44,170
Due from Federal through Minnesota Department of Education	1,146,741	55,677	-
Due from Other Governmental Units	1,578	-	8,327
Due from Other Funds	2,324	-	-
Inventory	-	12,667	-
Prepays	122,952	2,082	1,000
Total Assets	<u>\$ 17,110,848</u>	<u>\$ 354,647</u>	<u>\$ 1,027,977</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>			
Liabilities:			
Salaries and Payroll Deductions Payable	\$ 3,976,346	\$ 80,141	\$ 170,542
Accounts and Contracts Payable	579,558	14,986	15,827
Due to Other Governmental Units	100,148	-	8,322
Due to Other Funds	-	-	-
Unearned Revenue	144,512	29,434	1,484
Total Liabilities	<u>4,800,564</u>	<u>124,561</u>	<u>196,175</u>
Deferred Inflows of Resources:			
Unavailable Revenue - Property Taxes Levied for Subsequent Year	9,521,283	-	514,569
Unavailable Revenue - Delinquent Property Taxes	124,099	-	6,269
Total Deferred Inflows of Resources	<u>9,645,382</u>	<u>-</u>	<u>520,838</u>
Fund Balance:			
Nonspendable:			
Inventory	-	12,667	-
Prepays	122,952	2,082	1,000
Restricted for:			
Staff Development	102,417	-	-
Operating Capital	153,653	-	-
Community Education	-	-	199,109
Early Childhood and Family Education	-	-	2,704
School Readiness	-	-	64,030
Adult Basic Education	-	-	44,121
Long-Term Facilities Maintenance	349,647	-	-
Restricted for Other Purposes	141,588	215,337	-
Assigned for:			
Student Activities	150,518	-	-
Unassigned	1,644,127	-	-
Total Fund Balance	<u>2,664,902</u>	<u>230,086</u>	<u>310,964</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 17,110,848</u>	<u>\$ 354,647</u>	<u>\$ 1,027,977</u>

See accompanying Notes to Financial Statements.

<b>Funds</b>			<b>Total Governmental Funds</b>	
<b>Capital Projects - Building Construction</b>	<b>Debt Service</b>	<b>OPEB Debt Service</b>	<b>2017</b>	<b>2016</b>
\$ 106,942	\$ 1,640,877	\$ 317,534	\$ 10,136,849	\$ 10,688,730
-	1,154,891	175,885	6,623,287	6,419,980
-	29,049	10,499	169,916	183,763
-	-	-	514,646	404,498
-	-	-	53,777	40,014
-	3,954	1,398	3,082,678	3,670,867
-	-	-	1,202,418	1,036,342
-	-	-	9,905	75,680
-	-	-	2,324	205,593
-	-	-	12,667	19,733
-	-	-	126,034	223,759
<u>\$ 106,942</u>	<u>\$ 2,828,771</u>	<u>\$ 505,316</u>	<u>\$ 21,934,501</u>	<u>\$ 22,968,959</u>
\$ -	\$ -	\$ -	\$ 4,227,029	\$ 4,566,322
-	-	-	610,371	749,295
-	-	-	108,470	46,900
-	-	-	-	205,593
-	-	-	175,430	220,744
-	-	-	5,121,300	5,788,854
-	2,219,857	338,076	12,593,785	11,761,840
-	29,049	10,499	169,916	183,763
-	2,248,906	348,575	12,763,701	11,945,603
-	-	-	12,667	19,733
-	-	-	126,034	223,759
-	-	-	102,417	187,469
-	-	-	153,653	357,851
-	-	-	199,109	266,176
-	-	-	2,704	-
-	-	-	64,030	25,464
-	-	-	44,121	81,623
-	-	-	349,647	-
106,942	579,865	156,741	1,200,473	1,244,971
-	-	-	150,518	173,535
-	-	-	1,644,127	2,653,921
<u>106,942</u>	<u>579,865</u>	<u>156,741</u>	<u>4,049,500</u>	<u>5,234,502</u>
<u>\$ 106,942</u>	<u>\$ 2,828,771</u>	<u>\$ 505,316</u>	<u>\$ 21,934,501</u>	<u>\$ 22,968,959</u>

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2017**

	<b>2017</b>
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 4,049,500</b>
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	1,310,892
Land Improvements, Net of Accumulated Depreciation	2,248,208
Buildings and Improvements, Net of Accumulated Depreciation	20,082,682
Equipment, Net of Accumulated Depreciation	1,651,430
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as unearned revenue in the funds.	169,916
When a bond refunding occurs the difference between the amount paid to the refunded bond escrow and the principal of the refunded debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.	597,259
The District's OPEB liability is recorded only on the Statement of Net Position.	(3,159,404)
OPEB deferred inflows are reported only on the Statement of Net Position.	(196,414)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.	(255,510)
The District's Net Pension liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:	
Net Pension Liability	(91,131,267)
Deferred Outflows of Resources - Pensions	55,712,481
Deferred Inflows of Resources - Pensions	(2,405,356)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(13,125,000)
Unamortized Premiums	(377,186)
Unamortized Discounts	1,348
Certificates of Participation Payable	(864,698)
Capital Lease Payable	(1,155,093)
Severance and Health Benefits Payable	(426,000)
Compensated Absences Payable	(203,942)
Internal service funds are used by management to charge the costs of dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end are:	(9,835)
<b>Total Net Position of Governmental Activities</b>	<b><u>\$ (27,485,989)</u></b>

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2017  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016)**

	<u>Major</u>		
	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>
<b>REVENUES</b>			
Local Sources:			
Property Taxes	\$ 8,764,066	\$ -	\$ 483,744
Earnings and Investments	9,599	699	1,221
Other	2,138,319	695,345	936,642
State Sources	30,192,901	94,207	652,315
Federal Sources	<u>1,571,520</u>	<u>991,370</u>	<u>5,532</u>
Total Revenues	42,676,405	1,781,621	2,079,454
<b>EXPENDITURES</b>			
Current:			
Administration	1,778,277	-	-
District Support Services	1,451,401	-	-
Elementary and Secondary Regular Instruction	16,745,591	-	-
Vocational Education Instruction	440,315	-	-
Special Education Instruction	10,773,503	-	-
Instructional Support Services	1,996,973	-	-
Pupil Support Services	5,428,985	-	-
Sites and Buildings	4,110,081	-	-
Fiscal and Other Fixed Cost Programs	132,225	-	-
Food Service	-	1,754,881	-
Community Service	-	-	2,125,501
Capital Outlay	670,045	58,112	14,985
Debt Service:			
Principal	401,899	-	-
Interest and Fiscal Charges	<u>127,711</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>44,057,006</u>	<u>1,812,993</u>	<u>2,140,486</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,380,601)	(31,372)	(61,032)
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of Real Property	-	-	-
Insurance Recovery	307,177	-	-
Sale of Bonds	-	-	-
Bond Premium	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Transfers Out	(329,655)	-	-
Transfers In	-	-	-
Total Other Financing Sources (Uses)	<u>(22,478)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(1,403,079)	(31,372)	(61,032)
<b>FUND BALANCES</b>			
Beginning of Year	<u>4,067,981</u>	<u>261,458</u>	<u>371,996</u>
End of Year	<u>\$ 2,664,902</u>	<u>\$ 230,086</u>	<u>\$ 310,964</u>

See accompanying Notes to Financial Statements.

<b>Funds</b>			<b>Total Governmental Funds</b>	
<b>Capital Projects - Building Construction</b>	<b>Debt Service</b>	<b>OPEB Debt Service</b>	<b>2017</b>	<b>2016</b>
\$ -	\$ 2,093,405	\$ 740,332	\$ 12,081,547	\$ 12,918,998
-	3,422	836	15,777	30,846
-	-	-	3,770,306	3,846,858
-	39,531	13,977	30,992,931	30,019,837
-	-	-	2,568,422	2,414,062
-	<u>2,136,358</u>	<u>755,145</u>	<u>49,428,983</u>	<u>49,230,601</u>
-	-	-	1,778,277	1,654,572
-	-	-	1,451,401	1,578,063
-	-	-	16,745,591	16,691,977
-	-	-	440,315	333,948
-	-	-	10,773,503	10,347,098
-	-	-	1,996,973	2,006,503
-	-	-	5,428,985	5,269,705
-	-	-	4,110,081	4,502,298
-	-	-	132,225	136,581
-	-	-	1,754,881	1,712,574
-	-	-	2,125,501	2,306,883
17,120	-	-	760,262	408,980
-	1,965,000	565,000	2,931,899	3,534,690
-	167,880	195,677	491,268	886,659
<u>17,120</u>	<u>2,132,880</u>	<u>760,677</u>	<u>50,921,162</u>	<u>51,370,531</u>
(17,120)	3,478	(5,532)	(1,492,179)	(2,139,930)
-	-	-	-	104,556
-	-	-	307,177	-
-	-	-	-	6,495,000
-	-	-	-	235,343
-	-	-	-	(6,618,042)
-	-	-	(329,655)	(400,000)
329,655	-	-	329,655	400,000
<u>329,655</u>	<u>-</u>	<u>-</u>	<u>307,177</u>	<u>216,857</u>
312,535	3,478	(5,532)	(1,185,002)	(1,923,073)
(205,593)	576,387	162,273	5,234,502	7,157,575
<u>\$ 106,942</u>	<u>\$ 579,865</u>	<u>\$ 156,741</u>	<u>\$ 4,049,500</u>	<u>\$ 5,234,502</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017**

	<b>2017</b>
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ (1,185,002)</b>
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:	
Capital Outlays	139,903
Depreciation Expense	(1,842,322)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.	
	(13,847)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.	
Principal Payments - Capital Leases	230,495
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expense on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	
	(10,691,251)
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	
	(8,204)
Other postemployment benefits (OPEB) expenditures in the governmental funds are measured by current year employer contributions. OPEB expense on the statement of activities is measured by the change in the net OPEB liability and the related deferred inflows and outflows of resources.	
	(511,053)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Repayment of Bond Principal	2,530,000
Change in Accrued Interest - General Obligation Bonds	3,196
Repayment of Certificates of Participation Payable	171,404
Amortization of Bond Premium	85,219
Amortization of Bond Discount	(4,302)
Amortization of Deferred Charges on Refunding Bonds	(33,363)
Internal service funds are used by the District to charge the costs of employee dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	
	(9,835)
<b>Total</b>	<b>\$ (11,138,962)</b>

See accompanying Notes to Financial Statements.



**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 8,777,893	\$ 8,718,564	\$ 8,764,066	\$ 45,502
Earnings and Investments	42,427	8,137	9,599	1,462
Other	1,907,293	2,321,829	2,138,319	(183,510)
State Sources	29,365,108	29,659,462	30,192,901	533,439
Federal Sources	1,468,430	1,581,454	1,571,520	(9,934)
Total Revenues	<u>41,561,151</u>	<u>42,289,446</u>	<u>42,676,405</u>	<u>386,959</u>
<b>EXPENDITURES</b>				
Current:				
Administration	1,594,219	1,729,869	1,778,277	48,408
District Support Services	1,431,825	1,533,088	1,451,401	(81,687)
Elementary and Secondary Regular Instruction	16,014,884	16,457,133	16,745,591	288,458
Vocational Education Instruction	338,411	342,014	440,315	98,301
Special Education Instruction	10,278,580	10,707,894	10,773,503	65,609
Instructional Support Services	1,990,122	2,110,325	1,996,973	(113,352)
Pupil Support Services	5,355,735	5,481,414	5,428,985	(52,429)
Sites and Buildings	4,020,339	4,309,949	4,110,081	(199,868)
Fiscal and Other Fixed Cost Programs	127,861	132,215	132,225	10
Capital Outlay	734,341	765,161	670,045	(95,116)
Debt Service:				
Principal	408,886	408,886	401,899	(6,987)
Interest and Fiscal Charges	120,724	120,724	127,711	6,987
Total Expenditures	<u>42,415,927</u>	<u>44,098,672</u>	<u>44,057,006</u>	<u>(41,666)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(854,776)	(1,809,226)	(1,380,601)	428,625
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance Recovery	-	329,921	307,177	(22,744)
Transfers Out	-	-	(329,655)	(329,655)
Total Other Financing Sources (Uses)	<u>-</u>	<u>329,921</u>	<u>(22,478)</u>	<u>(352,399)</u>
Net Change in Fund Balance	<u>\$ (854,776)</u>	<u>\$ (1,479,305)</u>	(1,403,079)	<u>\$ 76,226</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>4,067,981</u>	
End of Year			<u>\$ 2,664,902</u>	

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 500	\$ 500	\$ 699	\$ 199
Other - Primarily Meal Sales	723,630	723,630	695,345	(28,285)
State Sources	82,400	103,889	94,207	(9,682)
Federal Sources	848,064	848,064	991,370	143,306
Total Revenues	<u>1,654,594</u>	<u>1,676,083</u>	<u>1,781,621</u>	<u>105,538</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	1,639,280	1,636,683	1,754,881	118,198
Capital Outlay	24,000	45,489	58,112	12,623
Total Expenditures	<u>1,663,280</u>	<u>1,682,172</u>	<u>1,812,993</u>	<u>130,821</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (8,686)</u>	<u>\$ (6,089)</u>	(31,372)	<u>\$ (25,283)</u>
<b>FUND BALANCE</b>				
Beginning of Year			261,458	
End of Year			<u>\$ 230,086</u>	

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 464,429	\$ 455,252	\$ 483,744	\$ 28,492
Earnings and Investments	-	-	1,221	1,221
Other - Primarily Tuition and Fees	844,130	856,812	936,642	79,830
State Sources	525,254	631,469	652,315	20,846
Federal Sources	3,000	3,000	5,532	2,532
Total Revenues	<u>1,836,813</u>	<u>1,946,533</u>	<u>2,079,454</u>	<u>132,921</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	1,882,686	1,916,271	2,125,501	209,230
Capital Outlay	12,600	13,600	14,985	1,385
Total Expenditures	<u>1,895,286</u>	<u>1,929,871</u>	<u>2,140,486</u>	<u>210,615</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (58,473)</u>	<u>\$ 16,662</u>	(61,032)	<u>\$ (77,694)</u>
<b>FUND BALANCE</b>				
Beginning of Year			371,996	
End of Year			<u>\$ 310,964</u>	

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS**  
**INDEPENDENT SCHOOL DISTRICT NO. 861**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**JUNE 30, 2017**

		<u>Governmental Activities</u> <u>Internal Service Funds</u>
<b>LIABILITIES</b>		
Accounts Payable	\$	7,511
Due to Other Funds		2,324
Total Liabilities		<u>9,835</u>
 <b>NET POSITION</b>		
Unrestricted	\$	<u><u>(9,835)</u></u>

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 861  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2017**

	<u>Governmental Activities - Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for Services:	
Dental Insurance Premiums	\$ 139,036
Total Operating Revenues	<u>139,036</u>
<b>OPERATING EXPENSES</b>	
Dental Insurance Claims	127,451
General Administration Fees	<u>21,420</u>
Total Operating Expenses	<u>148,871</u>
Operating Income	(9,835)
Net Position - Beginning	<u>-</u>
Net Position - Ending	<u><u>\$ (9,835)</u></u>

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2017**

	Governmental Activities - Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Interfund Services Provided	\$ 139,036
Payments for Dental Insurance Claims	(119,940)
Payments for Administrative Fees	(21,420)
Net Cash Provided by Operating Activities	(2,324)
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash Received from Other Funds	2,324
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	-
Cash and Cash Equivalents - Beginning	-
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ -
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (9,835)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Increase (Decrease) in Accounts Payable	7,511
Total Adjustments	7,511
Net Cash Used by Operating Activities	\$ (2,324)

See accompanying Notes to Financial Statements.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2017**

	<b>Irrevocable OPEB Trust</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 4,615,851	\$ 79,792
Accounts Receivable	9,000	-
Total Assets	4,624,851	\$ 79,792
<b>LIABILITIES</b>		
Accounts and Contracts Payable	-	205
Due to Collaborative	-	79,587
Total Liabilities	-	\$ 79,792
<b>NET POSITION</b>		
Held In Trust	\$ 4,624,851	

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2017**

	<b>Irrevocable OPEB Trust</b>
<b>ADDITIONS</b>	
Earnings on Investments	\$ 479,384
Total Additions	479,384
<b>DEDUCTIONS</b>	
Administration Fees	29,705
Benefit Payments	659,109
Total Deductions	688,814
Change in Net Position	(209,430)
Net Position - Beginning of Year	4,834,281
Net Position - End of Year	\$ 4,624,851

See accompanying Notes to Financial Statements.

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 861 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

**B. Financial Reporting Entity**

Independent School District No. 861 (the District) is an instrumentality of the State of Minnesota established to function as an education institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

In accordance with Minnesota Statutes, the District's School Board has elected to control or be financially accountable for extracurricular student activities. Accordingly, the accounts and transactions are included in the financial statements within the General Fund.

**C. Basic Financial Statement Presentation**

The District-wide financial statements (i.e. the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the statement of fiduciary net position at the fund financial statement level.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Basic Financial Statement Presentation (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational; or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type; agency fund and irrevocable OPEB trust. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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 charges to customers for service. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**Description of Funds**

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is as follows:

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Measurement Focus and Basis of Accounting (Continued)**

*Major Governmental Funds*

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

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues in the Food Service Fund consist of user fees and state and federal reimbursements restricted for the Food Service program.

Community Service Special Revenue Fund – The Community Service Fund is used to account for service provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenue in the Community Service Fund consist of local property taxes, use fees, and state tax credits and aids restricted for the Community Service programs.

Capital Projects - Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term 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, OPEB obligation bond principal, interest, and related costs.

*Proprietary Fund*

Internal Service Funds – The Internal Service Fund accounts for the financing of a self-insured dental plan provided for the District's employees on a cost reimbursement basis

*Fiduciary Funds*

Irrevocable OPEB Trust Fund – The Irrevocable OPEB Fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

Agency Fund – The Agency Fund is established to account for cash and other assets held by the District as the agent for others. This fund accounts for money held and and/or receivable from Minnesota Department of Education under agency agreements with the Winona County Collaborative.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Budgeting**

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction Fund, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

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

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

**E. Cash and Investments**

Cash and investments consist of interest bearing accounts, an external investment pool, mutual funds, and cash on hand.

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

**F. Cash and Cash Equivalents**

For purposes of reporting cash flows, the District considers all demand accounts to be cash and cash equivalents.

**G. Accounts Receivable**

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**H. Inventories**

Inventories are recorded using the consumption method of accounting and consist of surplus commodities received from the federal government. Surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

**I. Prepaid Items**

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

**J. Property Taxes**

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1. Taxes are due on May 15 and October 15. The county generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits, which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent year).

The majority of District revenue in the General (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 pay 2001 operating referendum, which is frozen at \$163,276 for the District. Certain other portions of the District's 2016 pay 2017 levy, normally revenue for the 2017-18 fiscal year, are also advance recognized at June 30, 2017, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2017, are included in the Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets**

Capital assets are capitalized as historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$4,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-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 purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 20 years for equipment.

Capital assets not being depreciated include land.

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 building or other improvable property.

**L. Deferred Outflows of Resources**

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense) until that time. The District has two type of items that qualifies as this reporting element which include pension related and loss on bond refunding.

**M. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Accrued Employee Benefits**

**Compensated Absences**

Employees earn annual vacation at rates dependent upon each employee group labor contract. At June 30, 2017, unpaid vacation pay totaling \$203,942 is recorded in the Statement of Net Position.

**Sick Pay**

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

**Severance and Other Postemployment Benefits**

Accounting policies for severance and other postemployment benefits are described as follows:

**1. Severance Payment – Nonaffiliated Employees, Plant Operation and Maintenance Employees**

A severance payment is available to nongroup employees and plant operation and maintenance employees who have completed at least 15 consecutive years of full or part time service with the District and are at least age 55 or employees who qualify for early retirement under rule of 90 as prescribed by PERA. An eligible individual will receive an amount equal to \$5.00 an hour for each unused hour of sick leave, reduced by the 403b matching dollars paid by the District over the employee's employment.

**2. Severance Payment – Educational Office Professionals, and Paraprofessionals**

A severance payment is available to educational office professionals and paraprofessionals that have 15 years of service and who are at least 55 years of age, or employees who qualify for early retirement under rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to \$4.50 an hour for each hour of unused sick leave, reduced by the amount of 403b matching dollars paid by the District over the employee's employment.

**3. Severance Payment – School Nutrition Personnel**

A severance payment is available to food service personnel that have completed at least 15 years of continuous service with the District and are at least age 55 or employees who qualify for early retirement under rule of 90 as prescribed by PERA. Qualified employees receive a severance payment equal to \$5.00 an hour for each unused hour of sick leave.



**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**N. Accrued Employee Benefits (Continued)**

**Severance and Other Postemployment Benefits (Continued)**

**4. Severance Payment – Teachers**

A severance payment is available to teachers who have taught a minimum of 15 years in the District and are at least 55 years of age. An eligible individual will receive an amount equal to \$10 per day for each day of unused sick leave, up to 195 days, directly into the retiree's 403b account.

**5. Other Postemployment Benefits – Educational Office Professionals, Teachers, and Paraprofessionals**

Upon retirement, employees with at least 15 years of continuous service with the District and are at least age 55 will receive \$40,000, which will be placed into a post-retirement healthcare account. If the employee is less than full time, the \$40,000 benefit is prorated based on the employee's FTE status for the last 5 years of their employment with the District.

Starting with the 2005-2006 school year, teachers starting the school year who are age 50 with a minimum of 15 years of full-time service, the District will contribute \$2,000 annually for teachers and \$840 annually for paraprofessionals and educational office professionals into a healthcare savings account administered by the Minnesota State Retirement Association. Upon retirement, the cumulative amount of the deposits made for the teacher into the account will be subtracted from the \$40,000 retirement incentive mentioned above.

**6. Other Postemployment Benefits – School Nutrition Personnel**

Upon retirement, employees with a minimum of 15 years of full-time service in the District and are at least 55 years of age are eligible to receive a post-employment health care benefit. The benefit is an amount equal to \$40,000, reduced by 403(b) matching dollars paid by the District over the employee's employment.

Part-time employees with a minimum of 15 years of service in the District, working in a capacity in which the employee was eligible for insurance benefits, and who are at least 55 years of age is eligible to receive a post-employment health care benefit. The benefit is equal to a prorated payment of the \$40,000 based on the employee's fractional time.

The District budgets for payments of severance pay for the year when it anticipates the retirement of personnel requires a severance payment. The payment of severance pay is recorded as a current expenditure in the year of the payment. Expenditures for severance pay made in 2017 were \$31,799. The liability for severance totaled \$426,000 and is recorded in the Statement of Net Position.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**O. Pensions**

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

**P. Deferred Inflows of Resources**

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. The District has five types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred inflows of resources is a gain on bond refunding, which is being amortized over the life of the bonds. The fourth is pension related. The fifth is other postemployment benefits related.

**Q. Unearned Revenue**

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues in the General Fund for a variety of unexpended local grants and unearned fees. In the Food Service Fund, unearned revenues have been recorded for school lunch deposits. The District also recorded unearned revenue in the Community Service Fund related to unexpended local grants and fees.

**R. Fund Balance**

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently does not report any committed fund balances. The Board of Education passed a resolution authorizing the Director of Finance the ability to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**R. Fund Balance (Continued)**

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum unassigned fund balance in the General Fund of two months of budgeted operating expenditures. In the Food Service Fund and Community Service Fund the District has a minimum fund balance policy, which identifies a minimum total fund balance of two months of budgeted operating expenditures.

**S. Risk Management**

The District is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; error and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**T. Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**U. Restatement Due to a Change in Accounting Principle**

The District adopted the provisions of the District adopted the provisions of Governmental Accounting Standards Board Statement No. 74 – *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of these standards, the District reported a restatement for the change in accounting principle. The pronouncement required the restatement of the June 30, 2016, net position of the governmental activities as follows:

	<b>Governmental Activities</b>
Net Position, June 30, 2016, as Previously Reported	\$ (9,318,683)
Change in Accounting Principle	(7,028,344)
Net Position, June 30, 2016, as Restated	\$ (16,347,027)

**V. Summarized Comparative Information**

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government’s financial statements for the year ended June 30, 2016, from which the summarized information was derived. Some of the prior year balances were reclassified to conform with the current year presentation.

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY**

**A. Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds at June 30, 2017:

	Budget	Expenditures	Excess
Special Revenue Funds:			
Food Service Fund	\$ 1,682,172	\$ 1,812,993	\$ 130,821
Community Service Fund	1,929,871	2,140,486	210,615
Debt Service Fund	2,128,710	2,132,880	4,170

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 2 STEWARDSHIP AND ACCOUNTABILITY (CONTINUED)**

**B. Interfund Balances**

The District had the following interfund transfer during the year ended June 30, 2017:

	Due from Other Fund	Due to Other Fund
General Fund	\$ 2,324	\$ -
Internal Service Fund	-	2,324
	\$ 2,324	\$ 2,324

The interfund balances was to eliminate negative cash reported in the Internal Service Fund. The balance is expected to be repaid within one year.

**C. Interfund Balances**

The District had the following interfund transfer during the year ended June 30, 2017:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 329,655
Capital Projects Fund	329,655	-
	\$ 329,655	\$ 329,655

The operating transfer was to close the negative alternative facilities fund balance from the Capital Project Fund to the General Fund.

**NOTE 3 DEPOSITS AND INVESTMENTS**

**A. Deposits**

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds, except the OPEB Irrevocable Trust Fund. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits (Continued)**

The District's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**B. Investments**

The District may also invest idle funds as authorized by Minnesota Statutes, as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by United States commercial banks, domestic branches of a foreign bank or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

In addition, investments held in the OPEB Irrevocable Trust Fund may be invested as authorized by Minnesota State Statute 356A.06, Subdivision 7.

At June 30, 2017, the District had the following investments:

	Fair Value
First American Government Obligations Fund CI Z	\$ 4,087
Mutual Funds	4,948,725
Total	\$ 4,952,812

The First American Government Obligations Fund CI Z is an external investment pool and its investments are valued at fair value. There are no redemption requirements with the pool.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy does not set specific limits on instruments, diversification, and maturity scheduling. However, the Board's policy does require that funds be available to meet immediate payment requirements. In addition, the policy states that investments be managed in a manner to obtain market rates of return through various economic and budget cycles. The Director of Finance is designated as the District's investment officer. Investment activity is reported monthly to the School Board. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Type</u>	<u>Total</u>	<u>Less Than 1 Year</u>
First American Government Obligations Fund CI Z	\$ 4,087	\$ 4,087
Mutual Funds	4,948,725	4,948,725
	<u>\$ 4,952,812</u>	<u>\$ 4,952,812</u>

The Director of Finance generally schedules investment maturities to coincide with projected school district cash flow needs. Within these parameters, portfolio maturities are generally staggered to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates.

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the School District's investments:

<u>Investment</u>	<u>Rated by</u>	<u>Credit Rating</u>
Money Market Fund - First American Government Obligations Fund CI Z	S&P	AAAm
Mutual Funds - Equity		Not Rated
Fixed Income		Not Rated

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

***Concentration of Credit Risk***

The District's investment policy does not set specific limits on instruments, diversification, and maturity scheduling. It is the District's policy to diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments. The investments that constitute more than 5% of the District's total investments are as follows:

Type	Percentage
Johcm International Select I	5.19%
Vnguard Tot Int ST Idx Adm	5.82%
Vanguard Total Stock Mkt Idx Adm	29.09%
Baird Core Plus Bond Fund Insitut	15.42%
Metropolitan West Tr Bond I	11.64%
Vanguard ltm Term Inv G Adm	15.40%

**Fair Value Measurements**

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.



**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

**Fair Value Measurements (Continued)**

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ 4,948,725	\$ -	\$ -	\$ 4,948,725
First American Government Obligations Fund CI Z	4,087	-	-	4,087
	\$ 4,952,812	\$ -	\$ -	\$ 4,952,812

**C. Balance Sheet Presentation**

Total cash and investments at June 30, 2017 consist of:

Deposits	\$ 9,878,555
Cash on Hand	1,125
First American Government Obligations Fund CI Z	4,087
Mutual Funds	4,948,725
Total Cash and Investments	\$ 14,832,492
Cash and Investments - Statement of Net Position	\$ 10,136,849
Cash and Investments - Statement of Fiduciary Net Position	4,695,643
Total Cash and Investments	\$ 14,832,492

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 4 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,310,892	\$ -	\$ -	\$ 1,310,892
Total Capital Assets, Not Being Depreciated	1,310,892	-	-	1,310,892
Capital Assets, Being Depreciated				
Land Improvements	4,950,321	-	-	4,950,321
Buildings and Improvements	47,021,528	-	-	47,021,528
Equipment	7,391,047	139,903	(39,294)	7,491,656
Total Capital Assets, Being Depreciated	59,362,896	139,903	(39,294)	59,463,505
Accumulated Depreciation for:				
Land Improvements	(2,520,810)	(181,303)	-	(2,702,113)
Buildings and Improvements	(25,589,714)	(1,349,132)	-	(26,938,846)
Equipment	(5,567,633)	(311,887)	39,294	(5,840,226)
Total Accumulated Depreciation	(33,678,157)	(1,842,322)	39,294	(35,481,185)
Total Capital Assets, Being Depreciated, Net	25,684,739	(1,702,419)	-	23,982,320
Governmental Activities Capital Assets, Net	<u>\$ 26,995,631</u>	<u>\$ (1,702,419)</u>	<u>\$ -</u>	<u>\$ 25,293,212</u>

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

<b>Governmental Activities</b>	
Administration	\$ 45,041
District Support Services	21,368
Regular Instruction	1,152,345
Vocational Education Instruction	24,746
Special Education Instruction	46,476
Instructional Support Services	76,961
Pupil Support Services	318,363
Sites and Buildings	108,772
Food Service	47,270
Community Service	980
Total Depreciation Expense, Governmental Activities	<u>\$ 1,842,322</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 LONG-TERM LIABILITIES**

**A. Components of Long-Term Liabilities**

The District has issued general obligation school building bonds to finance the construction of capital facilities or refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitation imposed by Minnesota law.

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding	
					Due Within One Year	Total
1/15/2009	3.25% - 6.7%	2009A	\$ 8,690,000	2/1/2029	\$ 365,000	\$ 365,000
11/6/2012	1% - 2%	2012A	9,585,000	2/1/2019	1,780,000	3,605,000
2/5/2013	2% - 2.15%	2013A	1,580,000	2/1/2028	100,000	1,185,000
11/13/2013	2% - 3.05%	2013B	2,140,000	2/1/2028	135,000	1,695,000
4/17/2016	6.40%	2016A	6,495,000	2/1/2029	185,000	6,275,000
Total General Obligation Bonds					2,565,000	13,125,000
Bond Premiums					-	377,186
Bond Discounts					-	(1,348)
Certificates of Participation Payable					181,757	864,698
Capital Lease Payable					241,331	1,155,093
Severance Payable					79,180	426,000
Compensated Absences Payable					203,942	203,942
					<u>\$ 3,271,210</u>	<u>\$ 16,150,571</u>

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term debt, not including vacation payable and severance and health benefits payable are as follows:

Year Ending June 30,	General Obligation OPEB Refunding Bonds Payable		General Obligation Refunding Bonds Payable	
	Principal	Interest	Principal	Interest
2018	\$ 550,000	\$ 205,510	\$ 1,780,000	\$ 53,850
2019	465,000	180,250	1,825,000	18,250
2020	485,000	166,300	-	-
2021	505,000	151,750	-	-
2022	520,000	136,600	-	-
2023-2027	2,845,000	439,550	-	-
2028-2029	1,270,000	56,513	-	-
Total	<u>\$ 6,640,000</u>	<u>\$ 1,336,473</u>	<u>\$ 3,605,000</u>	<u>\$ 72,100</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**B. Minimum Debt Payments (Continued)**

<u>Year Ending June 30,</u>	General Obligation Capital Facilities Bonds	
	Principal	Interest
	2018	\$ 235,000
2019	240,000	64,510
2020	245,000	59,710
2021	250,000	54,810
2022	255,000	49,448
2023-2027	1,360,000	149,015
2028-2029	295,000	7,918
Total	\$ 2,880,000	\$ 454,621

**C. Description of Long-Term Liabilities**

**General Obligation Bonds**

On January 15, 2009, the District issued \$8,690,000 of General Obligation Taxable OPEB Bonds, Series 2009A. The proceeds of this issue were used to fund the District's OPEB liability. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On November 6, 2012 the District issued \$9,585,000 in General Obligation School Building Refunding Bonds, Series 2012A. The proceeds of the issue were used to refund, in advance of maturity, \$9,870,000 of the outstanding maturities of the District's General Obligation School Building Refunding Bonds, Series 2005A. Future ad valorem tax levies are dedicated to the retirement of these bonds.

On February 5, 2013, the District issued \$1,580,000 of General Obligation Capital Facilities Bonds, Series 2013A. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

On November 13, 2013, the District issued \$2,140,000 of General Obligation Capital Facilities Bonds, Series 2013B. The proceeds of the issue were used to finance the betterment of capital projects in the District. Future ad valorem tax levies are dedicated to retire these bonds.

**WINONA AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

**General Obligation Bonds (Continued)**

On April 17, 2016, the District issued \$6,495,000 in General Obligation Taxable OPEB Bonds, Series 2016A. Net proceeds of these bonds were used to purchase U.S. Treasury securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments on the Series 2009A bonds. As a result, \$5,970,000 of the Series 2009A Bonds are considered defeased and the liability for those bonds has been removed from the governmental activities column of the statement of net position. As of June 30, 2017, \$5,970,000 of the Series 2009A Bonds are still outstanding. The reacquisition price exceeded the net carrying amount of the old debt by \$696,161. This amount is reported as deferred outflows of resources in the statement of net position and amortized over the remaining life of the new bond. The advanced refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,284,686 and resulted in an economic gain (difference between the present values of the old and net debt service payments) of \$1,074,288.

**Certificates of Participation**

The District raised funds through the issuance of a certificate of participation during the year ended June 30, 2009. The loan in the amount of \$1,855,000, dated May 13, 2009 was used to finance the construction of a track facility. This loan is structured as governmental lease purchase agreements for facility improvements. Repayment of principal is made through rental payments, which are structured to correspond to the related debt service requirements. Annual debt service payments go through August 1, 2024.

**Capital Leases**

The District raised funds through the issuance of a loan payable during the year ended June 30, 2007. The loan in the amount of \$2,421,480, dated June 13, 2007 was used to finance the construction of an alternative learning center. This loan is structured as governmental lease purchase agreements for facility improvements. Repayment of principal is made through rental payments, which are structured to correspond to the related debt service requirements. The loan is included in capital leases in the financial statements.

On December 1, 2014, the District entered into a lease agreement for a phone system. The lease term is for 5 years. The lease amounts were for a total of \$247,123.

**WINONA AREA PUBLIC SCHOOLS  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

**C. Description of Long-Term Liabilities (Continued)**

**Capital Leases (Continued)**

The capital assets related to the above capital leases have a cost of \$4,644,638 and accumulated depreciation of \$1,885,268. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2017:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 295,625
2019	295,625
2020	241,394
2021	241,394
2022	241,394
Total Minimum Lease Payments	1,315,432
Less Amounts Representing Interest	160,339
Present Value of Net Minimum Lease Payments	\$ 1,155,093

**Severance Payable**

Severance payable consists of severance pay, which is convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General Fund, Food Service Fund, and Community Service Fund.

**Compensated Absences**

Compensated absences consist of unused vacation at June 30, 2017. In prior years, the General Fund, Food Service Fund, and Community Service Fund have been used to liquidate vacation payable.

**D. Changes in Long-Term Liabilities**

	<u>June 30,</u> <u>2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30,</u> <u>2017</u>
General Obligation Bonds	\$ 15,655,000	\$ -	\$ 2,530,000	\$ 13,125,000
Bond Premiums	462,405	-	85,219	377,186
Bond Discount	(5,650)	-	(4,302)	(1,348)
Certificates of Participation Payable	1,036,102	-	171,404	864,698
Capital Lease Payable	1,385,588	-	230,495	1,155,093
Severance Payable	423,000	34,799	31,799	426,000
Compensated Absences Payable	198,738	337,296	332,092	203,942
Total	\$ 19,155,183	\$ 372,095	\$ 3,376,707	\$ 16,150,571

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 6 RESTRICTED FUND BALANCES**

**Restricted Fund Equity**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds.

**A. Restricted for Staff Development**

In accordance with state statute, represents available resources dedicated exclusively for staff development.

**B. Restricted for Health and Safety**

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota statute, a deficit in this restriction generates specific future levy authority.

**C. Restricted for Operating Capital**

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

**D. Community Education**

The fund balance restriction represents accumulated resources available to provide general community education programming

**E. Restricted for Early Childhood and Family Education**

This fund balance represents accumulated resources available to provide services for early childhood family education programming.

**F. Restricted for School Readiness**

The fund balance restriction represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

**G. Restricted for Adult Basic Education**

Represents accumulated resources available to provide services for adult basic education programs.

**H. Restricted for Long Term Facilities Maintenance (LTFM)**

The fund balance restriction represents accumulated resources available to be used for LTFM projects in accordance with the District's ten-year plan

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**NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)**

**Restricted Fund Equity (Continued)**

**I. Restricted for Other Purposes**

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

**NOTE 7 ASSIGNED FUND BALANCES**

**Assigned for Student Activities**

As of July 1, 2004, the School Board brought the various student activity funds under Board control. This fund balance assignment represents accumulated resources available for use in various student activities.

**NOTE 8 DEFINED BENEFIT PENSION PLANS**

**A. Plan Description**

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

1. General Employees Retirement Plan (GERF)

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

2. Teachers Retirement Fund (TRA)

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



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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**A. Plan Description (Continued)**

2. Teachers Retirement Fund (TRA) (Continued)

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

**B. Benefits Provided**

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

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

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

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 10 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 10 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.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits

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

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

*Tier I Benefits*

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years 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) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

*Tier II Benefits*

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota 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.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

2. TRA Benefits (Continued)

*Tier II Benefits (Continued)*

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

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

**C. Contribution Rate**

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 6.5% of their annual covered salary, respectively, in fiscal year 2017. The District was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in fiscal year 2017. The District's contributions to the GERF for the plan's fiscal year ended June 30, 2017, were \$577,277. 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:

	2017	
	Employee	Employer
Basic	11.0%	11.5%
Coordinate	7.5%	7.5%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2017, were \$1,350,368. The District's contributions were equal to the required contributions for each year as set by state statute.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs**

1. GERF Pension Costs

At June 30, 2017, the District reported a liability of \$10,295,531 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in fiscal year 2016. The State of Minnesota is considered a nonemployer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District was \$134,405. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the District's proportion was 0.1268%. At June 30, 2015, the District's proportion was 0.1292%.

For the year ended June 30, 2017, the District recognized pension expense of \$1,044,371 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$40,076 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Plan.

At June 30, 2017, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 30,471	\$ 836,359
Changes in Actuarial Assumptions	2,220,497	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	1,149,425	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	554,104
District Contributions Subsequent to the Measurement Date	577,277	-
Total	<u>\$ 3,977,670</u>	<u>\$ 1,390,463</u>

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

1. GERF Pension Costs (Continued)

Of the resources related to pensions resulting from District contributions to GERF subsequent to the measurement date, \$577,277 is reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ending June 30.	Pension Expense Amount
2018	\$ 456,064
2019	220,970
2020	961,005
2021	371,891

2. TRA Pension Costs

At June 30, 2017, the District reported a liability of \$80,835,736 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.3389% at the end of the measurement period and 0.3420% for the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 80,835,736
State's Proportionate Share of the Net Pension Liability Associated with the District	8,113,435

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date. Post-retirement benefit adjustments are now assumed to remain level at 2.0% annually. While in the previous measurement the COLA increased to 2.5% in 2034.

For the year ended June 30, 2017, the District recognized pension expense of \$11,574,272. It also recognized \$1,132,958 as pension expense for the support provided by direct aid.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. TRA Pension Costs (Continued)

At June 30, 2017, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 791,819	\$ 2,254
Changes in Actuarial Assumptions	46,095,617	-
Net Difference Between Projected and Actual		
Earnings on Plan Investments	3,497,007	-
Changes in Proportion and Differences Between		
District Contributions and Proportionate		
Share of Contributions	-	1,012,639
District Contributions Subsequent to the		
Measurement Date	1,350,368	-
Total	<u>\$ 51,734,811</u>	<u>\$ 1,014,893</u>

Of the resources related to pensions resulting from District contributions to TRA subsequent to the measurement date, \$1,350,368 is reported as deferred outflows and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2018	\$ 9,657,144
2019	9,657,144
2020	10,836,919
2021	10,284,158
2022	8,934,185

3. Aggregate Pension Costs

At June 30, 2017, the District reported the following aggregate amounts related to pensions for all plans to which it contributes:

	<u>TRA</u>	<u>PERA</u>	<u>Total</u>
Net Pension Liability	\$ 80,835,736	\$ 10,295,531	\$ 91,131,267
Deferred Outflows of Resources	51,734,811	3,977,670	55,712,481
Deferred Inflows of Resources	1,014,893	1,390,463	2,405,356
Pension Expense	12,707,230	1,084,447	13,791,677

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions**

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

Assumptions	GERF	TRA
Inflation	2.50% per Year	2.75%
Active Member Payroll Growth	3.25% per Year	3.50%, Based on Years of Service
Investment Rate of Return	7.50%	8.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Costs of living benefit increases for retirees are assumed to be 1.0% per year for all future years for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be 2.0% per year for all future years for TRA.

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

The following changes in actuarial assumptions for GERP occurred in 2016:

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date for TRA. Post-retirement benefit adjustments are now assumed to be 2.0% annually. The prior year valuation assumed a 2.5% increase commencing July 1, 2034.

The long-term expected rate of return on pension plan investments is 7.5% for GERP and 8.0% for TRA. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.50%
International Equity	15	6.00%
Bonds	18	1.45%
Alternative Assets	20	6.40%
Cash	2	0.50%
Totals	<u>100 %</u>	

**G. Discount Rate**

The discount rate used to measure the total General Employees Plan pension liability in 2016 was 7.50%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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



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**NOTE 8 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**H. Pension Liability Sensitivity**

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

Description	1% Decrease	Current Discount Rate	1% Increase
GERF Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 14,622,705	\$ 10,295,531	\$ 6,731,117
TRA Discount Rate	3.66%	4.66%	5.66%
District's Proportionate Share of the TRA Net Pension Liability	\$ 104,136,633	\$ 80,835,736	\$ 61,857,916

**I. Pension Plan Fiduciary Net Position**

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

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 514 active participants and 21 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing the District's employees and are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

**B. Funding Policy and Contributions**

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust, which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**B. Funding Policy and Contributions (Continued)**

Contribution requirements are also negotiated between the District and the union representatives. The District contributes up to \$40,000 to a health retirement account for eligible retired administration, teachers, office professionals, paraprofessionals, food service, and nonaffiliated plan members. For retired maintenance plan members, the District contributes the single health insurance premium, up to \$40,000. The District also contributes 10% the final salary for retired administrators and teachers to the health retirement account. The District contributes eight days for each year of service (up to a maximum of 130 days) to a health retirement account for retired directors. For fiscal year 2017, the District contributed \$-0- to the plan.

**C. Net OPEB Liability of the District**

The components of the net OPEB liability of the District at June 30, 2017, were as follows:

Total OPEB Liability	\$ 7,784,255
Plan Fiduciary Net Position	4,624,851
District's Net OPEB Liability (Asset)	\$ 3,159,404

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59%
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**D. Actuarial Methods and Assumptions**

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Actuarial Methods and Assumptions (Continued)**

The total OPEB liability was determined by an actuarial valuation as of July 1, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	4.30%
20-Year Municipal Bond Yield	2.90%
	6.75% grading to 5.00% over 7 years
Health Care Trend Rates	7 years

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

The actuarial assumptions used in the July 1, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2015.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic Equity	33.00%	5.20%
International Equity	17.00%	5.20%
Fixed Income	50.00%	3.40%
Real Estate and Alternatives	0.00%	0.00%
Cash and Equivalents	0.00%	0.00%
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		<u>4.30%</u>

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**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**D. Actuarial Methods and Assumptions (Continued)**

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using our capital market assumption model.

Since the most recent GASB 45 valuation, the following changes have been made:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP2000 projected to 2014 with Scale BB 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 were also updated.
- The discount rate was changed from 4.00% to 3.00%.
- The percentage of employees who are assumed to receive the District's 403(b) matching contribution in the future was increased from 75% to 100% for Administrators, and was decreased from 75% to 50% for Nonaffiliated Employees and Managers, Custodians, and Nutrition Personnel

**E. Changes in the Net OPEB Liability**

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 7,679,046	\$ 4,834,281	\$ 2,844,765
Changes for the Year:			
Service Cost	527,922	-	527,922
Interest Cost	236,395	-	236,395
Projected Investment Return	-	207,874	(207,874)
Differences Between Expected and Actual Experience	-	245,518	(245,518)
Benefit Payments	(659,108)	(659,108)	-
Administrative Expense	-	(3,714)	3,714
Net Changes	105,209	(209,430)	314,639
Balances at June 30, 2017	\$ 7,784,255	\$ 4,624,851	\$ 3,159,404

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Changes in the Net OPEB Liability (Continued)**

The discount rate used to measure the total OPEB liability was 3.00%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

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

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Net OPEB Liability	\$ 3,514,911	\$ 3,159,404	\$ 2,812,303

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

	Healthcare Cost		
	1% Decrease (5.75% decreasing to 4.00% over 7 years)	Current Trend Rates (6.75% decreasing to 5.00% over 7 years)	1% Increase (7.75% decreasing to 6.00% over 7 years)
Net OPEB Liability	\$ 2,794,821	\$ 3,159,404	\$ 3,590,210

For the year ended June 30, 2017, the District recognized OPEB expense of \$511,053. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings	\$ -	\$ 196,414
Total	\$ -	\$ 196,414

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**E. Changes in the Net OPEB Liability (Continued)**

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

<u>Year Ending June 30,</u>	<u>Future Recognition</u>
2018	\$ (49,104)
2019	(49,104)
2020	(49,104)
2021	(49,102)
Total	<u>\$ (196,414)</u>

**F. Trust Fund Financial Statements**

The condensed financial statements of the District's OPEB trust fund is as follows:

**ASSETS**

Cash and Cash Equivalents	\$ 4,615,851
Accounts Receivable	9,000
Interest Receivable	-
Total Assets	<u>4,624,851</u>

**LIABILITIES**

-

**NET POSITION**

Held in Trust for Payment of OPEB Benefits	<u>\$ 4,624,851</u>
--	---------------------

**ADDITIONS**

Earnings on Investments	\$ 479,384
Total Additions	<u>479,384</u>

**DEDUCTIONS**

Administration Fees	29,705
Benefit Payments	659,109
Total Deductions	<u>688,814</u>

Change in Net Position	(209,430)
------------------------	-----------

Net Position - Beginning of Year	<u>4,834,281</u>
Net Position - End of Year	<u>\$ 4,624,851</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 10 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirements benefit through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amount set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2017, 2016, and 2015 are \$90,149, \$92,533, and \$100,499, respectively. The related employee contributions were \$538,384, \$435,623, and \$513,904, for the years ended June 30, 2017, 2016, and 2015, respectively.

**NOTE 11 FLEXIBLE BENEFIT PLAN**

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

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

Payments of health insurance premiums are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General, Food Service, and Community Service Funds.

Payments for amount withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

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

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 12 SELF-INSURED DENTAL PLAN**

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide claims processing and other administrative duties. The District has not elected to purchase stop-loss insurance. However, the claims processor has indicated the District will not be held liable for amounts in excess of the maximum funding rates determined by the processor, which is \$159,902 for fiscal year 2017. The District established an internal service fund to account for contributions from other funds for dental insurance. Contributions during the year were based on maximum claims estimates. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year-end. The District recorded total expenses of \$148,871 for the year ended June 30, 2017.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

	2017
Beginning Liability - July 1	\$ -
Incurred Claims	127,451
Claims Payments	119,940
Ending Liability - June 30	\$ 7,511

**NOTE 13 JOINTLY GOVERNED ORGANIZATION**

The District and 13 other school districts in Minnesota have entered into a Joint Powers Agreement to form the Minnesota Schools Wind Energy Cooperative (the Cooperative). The purpose of the cooperative is to acquire, develop, construct, finance, operate, and maintain a wind energy project to be located in Minnesota. The Cooperative is governed by a Joint Powers Board, which consists of two members (a school board member and the superintendent or another district employee) from each of the participating districts. Any district may withdraw from the Cooperative prior to the issuance of any project financing instruments, provided that the withdrawing district reimburses the Cooperative for its pro rata portion of the total development or other project costs other than obligations incurred by the Cooperative. Once financing instruments, other than Clean Renewable Energy Bonds (CREBs), have been issued, a district may withdraw provided it prepays the outstanding balance of its pro rata portion of any outstanding financing instruments. Upon issuance of the CREBs, no district may withdraw membership until the CREBs have been repaid in full. The District has not committed any financial resources to the Cooperative as of June 30, 2017.



**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017**

**NOTE 14 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

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. The financial assistance received is subject to audits by the grantor agency.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**WINONA AREA PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 861  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
 LAST FISCAL YEAR**

	2017
<b>Total OPEB Liability</b>	
Service Cost	\$ 527,922
Interest	236,395
Benefit Payments	(659,108)
<b>Net Change in Total OPEB Liability</b>	105,209
<b>Total OPEB Liability - beginning</b>	7,679,046
<b>Total OPEB Liability - ending (a)</b>	\$ 7,784,255
 <b>Plan Fiduciary Net Position</b>	
Projected Investment Return	\$ 207,874
Differences Between Expected and Actual Experience	245,518
Benefit Payments	(659,108)
Administrative Expense	(3,714)
<b>Net Change in Plan Fiduciary Net Position</b>	(209,430)
<b>Plan Fiduciary Net Position - beginning</b>	4,834,281
<b>Plan Fiduciary Net Position - ending (b)</b>	\$ 4,624,851
 <b>District's Net OPEB Liability - ending (a) - (b)</b>	\$ 3,159,404
 Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.41%
 Covered-employee Payroll	\$ 24,778,677
 District's Net OPEB Liability as a Percentage of Covered-employee Payroll	12.75%

\*The District implemented GASB Statement No. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF MONEY-WEIGHTED RATE OF RETURN ON OPEB PLAN ASSETS  
LAST FISCAL YEAR**

<u>Year</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expense</u>
2017	9.40%

\*The District implemented GASB Statements No. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Measurement Date</b>	June 30, 2016	June 30, 2015	June 30, 2014
<b>PERA</b>			
District's Proportion of the Net Pension Liability	0.1268%	0.1292%	0.1460%
District's Proportionate Share of the Net Pension Liability	\$ 10,295,531	\$ 6,695,815	\$ 6,861,686
State's Proportionate Share of the Net Pension Liability Associated with District	134,405	-	-
Total	<u>\$ 10,429,936</u>	<u>\$ 6,695,815</u>	<u>\$ 6,861,686</u>
District's Covered Payroll	\$ 7,853,650	\$ 7,660,610	\$ 7,651,708
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	132.80%	87.41%	89.68%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.90%	78.20%	78.70%
<b>TRA</b>			
District's Proportion of the Net Pension Liability	0.4014%	0.3420%	0.3735%
District's Proportionate Share of the Net Pension Liability	\$ 80,835,736	\$ 21,156,082	\$ 17,202,274
State's Proportionate Share of the Net Pension Liability Associated with District	8,113,435	2,594,660	1,210,819
Total	<u>\$ 88,949,171</u>	<u>\$ 23,750,742</u>	<u>\$ 18,413,093</u>
District's Covered Payroll	\$ 17,627,133	\$ 17,404,261	\$ 17,048,760
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	458.59%	121.56%	100.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44.88%	76.80%	81.50%

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST THREE FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>PERA</b>			
Statutorily Required Contribution	\$ 577,277	\$ 589,026	\$ 566,623
Contributions in Relation to the Statutorily Required Contribution	(577,277)	(589,026)	(566,623)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,697,016	\$ 7,853,650	\$ 7,660,610
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.40%
<b>TRA</b>			
Statutorily Required Contribution	\$ 1,350,368	\$ 1,325,653	\$ 1,305,316
Contributions in Relation to the Statutorily Required Contribution	(1,350,368)	(1,325,653)	(1,305,316)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 18,004,839	\$ 17,675,351	\$ 17,404,261
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%



## **SUPPLEMENTARY INFORMATION**

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

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

	<u>2017</u>			<u>2016</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>	<u>Actual Amounts</u>
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 2,091,590	\$ 2,093,405	\$ 1,815	\$ 2,278,868
Earnings and Investments	3,500	3,422	(78)	3,331
State Sources	<u>39,532</u>	<u>39,531</u>	<u>(1)</u>	<u>47,073</u>
Total Revenues	2,134,622	2,136,358	1,736	2,329,272
<b>EXPENDITURES</b>				
Debt Service:				
Bond Principal	1,965,000	1,965,000	-	1,885,000
Bond Interest	162,360	162,360	-	202,010
Paying Agent Fees and Other	<u>1,350</u>	<u>5,520</u>	<u>4,170</u>	<u>1,350</u>
Total Expenditures	<u>2,128,710</u>	<u>2,132,880</u>	<u>4,170</u>	<u>2,088,360</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 5,912</u>	3,478	<u>\$ (2,434)</u>	240,912
<b>FUND BALANCE</b>				
Beginning of Year		<u>576,387</u>		<u>335,475</u>
End of Year		<u>\$ 579,865</u>		<u>\$ 576,387</u>

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
OPEB DEBT SERVICE FUND  
YEAR ENDED JUNE 30, 2017**

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

	<u>2017</u>			<u>2016</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>	<u>Actual Amounts</u>
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 739,484	\$ 740,332	\$ 848	\$ 737,781
Earnings and Investments	800	836	36	867
State Sources	<u>13,976</u>	<u>13,977</u>	<u>1</u>	<u>15,212</u>
Total Revenues	754,260	755,145	885	753,860
<b>EXPENDITURES</b>				
Debt Service:				
Bond Principal	565,000	565,000	-	325,000
Bond Interest	194,777	194,777	-	427,340
Paying Agent Fees and Other	<u>900</u>	<u>900</u>	<u>-</u>	<u>108,136</u>
Total Expenditures	<u>760,677</u>	<u>760,677</u>	<u>-</u>	<u>860,476</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,417)	(5,532)	885	(106,616)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Bonds	-	-	-	6,495,000
Bond Premium	-	-	-	235,343
Payment to Refunded Bond Escrow Agent	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,618,042)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>112,301</u>
Net Change in Fund Balance	<u>\$ (6,417)</u>	(5,532)	<u>\$ 885</u>	5,685
<b>FUND BALANCE</b>				
Beginning of Year		<u>162,273</u>		<u>156,588</u>
End of Year		<u>\$ 156,741</u>		<u>\$ 162,273</u>

**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

Grantor/Program	CFDA Number	Agency or Pass-Through Number		Federal Expenditures
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Education				
Non-Cash Assistance (Commodities):				
National School Lunch Program	# 10.555	1-861-0000	\$ 100,222	
Cash Assistance:				
Commodity Cash Rebate Program	# 10.555	1-861-0000	15,898	
National School Lunch Program	# 10.555	1-861-0000	<u>619,232</u>	
Subtotal CFDA No. 10.555			<u>735,352</u>	
School Breakfast Program	# 10.553	1-861-0000	168,038	
Summer Food Service Program	# 10.559	1-861-0000	82,694	
Child Nutrition Discretionary Grants	10.579	1-861-0000	<u>5,285</u>	
Total U.S. Department of Agriculture				\$ 991,369
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Cash Assistance:				
Title I, Part A - Grants to Local Educational Agencies	84.010	1-861-0000	508,997	
Title II, Part A - Supporting Effective Instruction State Grant	84.367	1-861-0000	150,820	
Title III, Part A - English Language Acquisition Grants	84.365	1-861-0000	13,299	
Special Education - Preschool Grants	& 84.173	1-861-0000	28,291	
Special Education - Grants for Infants and Families	84.181	1-861-0000	37,015	
Special Education - Grants to States	& 84.027	1-861-0000	826,401	
Early Learning Grant - Race to the Top	84.412	1-861-0000	2,500	
Total Minnesota Department of Education				1,567,323
Pass-Through Goodhue County Education District				
Cash Assistance:				
Carl Perkins Vocational Education Basic Grants to States	84.048	**	<u>6,697</u>	
Total Goodhue County Education District				<u>6,697</u>
Pass-Through Owatonna Public Schools				
Cash Assistance:				
Adult Education Basic Grants to States	84.002	**	<u>3,032</u>	
Total Owatonna Public Schools				<u>3,032</u>
Total U.S. Department of Education				<u>1,577,052</u>
Total Federal Awards Expended				<u><u>\$ 2,568,421</u></u>
&	Special Education Cluster = \$854,692			
#	Child Nutrition Cluster = \$986,084			
**	Not available			

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Independent School District No. 861 under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.





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**INDEPENDENT AUDITORS' 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**

Board of Education  
Winona Area Public Schools  
Independent School District No. 861  
Winona, Minnesota

We have audited, in accordance with the 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. 861, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Winona Area Public Schools Independent School District No. 861's (the District) basic financial statements, and have issued our report thereon dated December 20, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a material weakness.

**Compliance and Other Matters**

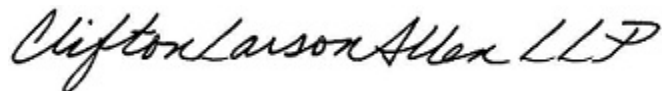
As part of obtaining reasonable assurance about whether District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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*.

**Independent School District No. 861's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Independent School District No. 861's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
December 20, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Winona Area Public Schools  
Independent School District No. 861  
Winona, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Winona Area Public Schools Independent School District No. 861's (the District) 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, 2017. The District's major federal programs are identified in the summary of auditors' 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on 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 types of 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 Independent School District No. 861'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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002. Our opinion on each major federal program is not modified with respect to this matter.

Independent School District No. 861's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 861's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program 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 over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002 that we consider to be a material weakness.

Board of Education  
Winona Area Public Schools  
Independent School District No. 861

Independent School District No. 861's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 861's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



**CliftonLarsonAllen LLP**

Austin, Minnesota  
December 20, 2017

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Winona Area Public Schools  
Independent School District No. 861  
Winona, Minnesota

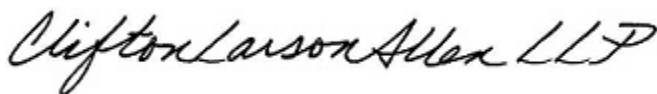
We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Winona Area Public Schools Independent School District No. 861 (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements and have issued our report thereon dated December 20, 2017.

The *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to Minn. Stat. §6.65, covers 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. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 861 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as noted in the Schedule of Findings and Questioned Costs as item 2017-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Independent School District No. 861's noncompliance with the above-referenced provisions.

Independent School District No. 861's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Independent School District No. 861's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



**CliftonLarsonAllen LLP**

Austin, Minnesota  
December 20, 2017

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**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

**PART I: SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

- |   |                       |                                |
|---|-----------------------|--------------------------------|
| 1. Type of auditors' report issued:   | Unmodified            |                                |
| 2. Internal control over financial reporting:   |                       |                                |
| • Material weakness(es) identified?   | <u>    X    </u> yes  | <u>          </u> no           |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | <u>          </u> yes | <u>    X    </u> none reported |
| 3. Noncompliance material to financial statements noted?                                      | <u>          </u> yes | <u>    X    </u> no            |

***Federal Awards***

- |  |                       |                                |
|--|-----------------------|--------------------------------|
| 1. Internal control over major federal programs:   |                       |                                |
| • Material weakness(es) identified?  | <u>    X    </u> yes  | <u>          </u> no           |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)?        | <u>          </u> yes | <u>    X    </u> none reported |
| 2. Type of auditors' report issued on compliance for major federal programs:                         | Unmodified            |                                |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? | <u>    X    </u> yes  | <u>          </u> no           |

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
10.553, 10.555, and 10.559	Child Nutrition
84.027 and 84.173	Special Education

- |  |                           |                     |
|--|---------------------------|---------------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$ <u>    750,000    </u> |                     |
| Auditee qualified as low-risk auditee                                    | <u>          </u> yes     | <u>    X    </u> no |

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**PART II: FINANCIAL STATEMENT FINDINGS**

**Finding: 2017-001**

**Type of Finding: Material Weakness in Internal Control over Material Journal Entry**

**Condition:** The audit firm proposed, and the District posted to its general ledger accounts, a journal entry to correct certain misstatements identified by the auditors.

**Criteria:** The District should have controls in place to prevent or detect a material misstatement in the annual financial statements in a timely manner.

**Context:** The audit firm proposed a journal entry to correct certain misstatements in the internal service fund.

**Effect:** The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the District's internal controls.

**Cause:** The District established an internal service fund in fiscal year 2017 and was unfamiliar with the accounting treatment.

**Repeat Finding:** The finding was not identified in the prior year.

**Recommendation:** We recommend that the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with Generally Accepted Accounting Principles (GAAP).

**Views of responsible officials and planned corrective actions:**

There is no disagreement with the finding. The District will record premium revenue and claims expense in the Internal Service Fund in future years. The Director of Finance is the official responsible for ensuring corrective action.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS**

**Finding: 2017-002**

**Federal agency:** U.S. Department of Education

**Federal program title:** Special Education Cluster

**CFDA Number:** 84.027 and 84.173

**Pass-Through Agency:** Minnesota Department of Education

**Pass-Through Number(s):** 1-861-0000

**Award Period:** July 1, 2016 – September 30, 2018

**Type of Finding:** Material Weakness in Internal Control Over Compliance

**Condition:** 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of time and effort reporting. The District should have internal controls designed to ensure compliance with those provisions

**Criteria:** The District's time and effort documentation was not completed accurately and reviewed in a timely manner.

**Questioned Costs:** \$39,936

**Context:** Time and effort documentation for one employee was not reviewed timely. Time and effort documentation for two employees did not reflect an accurate after-the-fact distribution of the actual activity of each employee

**Effect:** The potential exists that a more than consequential noncompliance may have existed and not been detected or corrected in a timely manner.

**Cause:** The District's internal control procedures did not detect and correct the error in time and effort documentation.

**Repeat Finding:** The finding was not identified in the prior year.

**Recommendation:** We recommend the District continue to evaluate their internal control procedures to determine if further controls over are beneficial.

**Views of responsible officials:**  
There is no disagreement with the finding.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2017**

**PART IV: FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE**

**Finding: 2017-003**

**Type of Finding: Compliance with Filing Report of Outstanding Obligations**

**Condition:** Minnesota Statutes § 471.70 requires the District to report on or before February 1 of each year, to the auditor of each county in which the municipality is situated, the total amount of outstanding obligations and the purpose for which issued, as of December 31 of the preceding year.

**Criteria:** The District should have controls in place to ensure compliance.

**Context:** The report was filed on February 10, 2017.

**Effect:** The District was not in compliance with state statute.

**Cause:** The District filed the report after the February 1<sup>st</sup> deadline.

**Repeat Finding:** The finding was not identified in the prior year.

**Recommendation:** We recommend the District implement a control to ensure compliance.

**Views of responsible officials and planned corrective actions:**  
There is no disagreement with the finding. Future reports will be filed within the statutory deadline. The Director of Finance is the official responsible for ensuring corrective action.

**WINONA AREA PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 861  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2017**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 42,983,582	\$ 42,983,538	\$ 44	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	\$ 44,057,006	\$ 44,056,964	\$ 42	Total Expenditures	\$ 17,120	\$ 17,120	\$ -
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	\$ 122,952	\$ 122,951	\$ 1	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development	\$ 102,417	\$ 102,417	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
406 Health and Safety	\$ (1,271,134)	\$ (1,271,134)	\$ -	413 Projects Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	467 LTFM	\$ -	\$ -	\$ -
408 Cooperative Programs	\$ -	\$ -	\$ -	<i>Restricted:</i>			
413 Projects Funded by COP	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 106,942	\$ 106,942	\$ -
414 Operating Debt	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
416 Levy Reduction	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
417 Taconite Building Maintenance	\$ -	\$ -	\$ -				
424 Operating Capital	\$ 153,653	\$ 153,653	\$ -	<b>07 DEBT SERVICE</b>			
426 \$25 Taconite	\$ -	\$ -	\$ -	Total Revenue	\$ 2,136,358	\$ 2,136,358	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	Total Expenditures	\$ 2,132,880	\$ 2,132,880	\$ -
428 Learning and Development	\$ -	\$ -	\$ -	<i>Nonspendable:</i>			
434 Area Learning Center	\$ -	\$ -	\$ -	460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
435 Contracted Alternative Programs	\$ -	\$ -	\$ -	<i>Restricted/Reserved:</i>			
436 State Approved Alternative Programs	\$ -	\$ -	\$ -	425 Bond Refunding	\$ -	\$ -	\$ -
438 Gifted and Talented	\$ -	\$ -	\$ -	451 QZAB and QSCB Payments	\$ -	\$ -	\$ -
440 Teacher Development and Evaluations	\$ -	\$ -	\$ -	<i>Restricted:</i>			
441 Basic Skills Programs	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 579,865	\$ 579,865	\$ -
445 Career and Technical Programs	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
448 Achievement and Integration	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
449 Safe Schools Crime Levy	\$ -	\$ -	\$ -				
450 Pre-Kindergarten	\$ -	\$ -	\$ -	<b>08 TRUST</b>			
451 QZAB Payments	\$ -	\$ -	\$ -	Total Revenue	\$ -	\$ -	\$ -
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
453 Unfunded Severance & Retirement Levy	\$ -	\$ -	\$ -	<i>Net Position:</i>			
467 LTFM	\$ 349,647	\$ 349,647	\$ -	422 Net Position	\$ -	\$ -	\$ -
472 Medical Assistance	\$ -	\$ -	\$ -				
<i>Restricted:</i>				<b>20 INTERNAL SERVICE</b>			
464 Restricted Fund Balance	\$ 141,588	\$ 141,588	\$ -	Total Revenue	\$ 139,036	\$ 139,037	\$ (1)
<i>Committed:</i>				Total Expenditures	\$ 148,871	\$ 148,871	\$ -
418 Committed for Separation	\$ -	\$ -	\$ -	<i>Net Position:</i>			
461 Committed Fund Balance	\$ -	\$ -	\$ -	422 Net Position	\$ (9,835)	\$ (9,834)	\$ (1)
<i>Assigned:</i>							
462 Assigned Fund Balance	\$ 150,518	\$ 150,519	\$ (1)	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Unassigned:</i>				Total Revenue	\$ -	\$ -	\$ -
422 Unassigned Fund Balance	\$ 2,915,261	\$ 2,915,258	\$ 3	Total Expenditures	\$ -	\$ -	\$ -
				<i>Net Position:</i>			
				422 Net Position	\$ -	\$ -	\$ -
<b>02 FOOD SERVICE</b>							
Total Revenue	\$ 1,781,621	\$ 1,781,619	\$ 2	<b>45 OPEB IRREVOCABLE TRUST</b>			
Total Expenditures	\$ 1,812,993	\$ 1,812,991	\$ 2	Total Revenue	\$ 479,384	\$ 479,384	\$ -
<i>Nonspendable:</i>				Total Expenditures	\$ 688,814	\$ 688,813	\$ 1
460 Nonspendable Fund Balance	\$ 14,749	\$ 14,750	\$ (1)	<i>Net Position:</i>			
<i>Restricted/Reserved:</i>				422 Net Position	\$ 4,624,851	\$ 4,624,851	\$ -
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>				<b>47 OPEB DEBT SERVICE</b>			
464 Restricted Fund Balance	\$ 215,337	\$ 215,337	\$ -	Total Revenue	\$ 755,145	\$ 755,145	\$ -
<i>Unassigned:</i>				Total Expenditures	\$ 760,677	\$ 760,677	\$ -
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	<i>Nonspendable:</i>			
				460 Nonspendable Fund Balance	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>				<i>Restricted:</i>			
Total Revenue	\$ 2,079,454	\$ 2,079,450	\$ 4	425 Bond Refunding	\$ -	\$ -	\$ -
Total Expenditures	\$ 2,140,486	\$ 2,140,481	\$ 5	464 Restricted Fund Balance	\$ 156,741	\$ 156,741	\$ -
<i>Nonspendable:</i>				<i>Unassigned:</i>			
460 Nonspendable Fund Balance	\$ 1,000	\$ 1,000	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<i>Restricted/Reserved:</i>							
426 \$25 Taconite	\$ -	\$ -	\$ -				
431 Community Education	\$ 199,109	\$ 199,111	\$ (2)				
432 E.C.F.E.	\$ 2,704	\$ 2,704	\$ -				
440 Teacher Development and Evaluations	\$ -	\$ -	\$ -				
444 School Readiness	\$ 64,030	\$ 64,030	\$ -				
447 Adult Basic Education	\$ 44,121	\$ 44,121	\$ -				
452 OPEB Liability Not Held in Trust	\$ -	\$ -	\$ -				
<i>Restricted:</i>							
464 Restricted Fund Balance	\$ -	\$ -	\$ -				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

