Independent School District No. 47
Sauk Rapids, Minnesota

Financial Statements

June 30, 2019

bergankdv

Independent School District No. 47
Table of Contents

Independent School District No. 47
Table of Contents

Independent School District No. 47
Board of Education and Administration
June 30, 2019

Board of Education	Position	Term Expires
Ryan Butkowski	Chairperson	December 31, 2020
Jan Solarz	Vice Chairperson	December 31, 2020
Lisa Braun	Clerk	December 31, 2022
Robyn Holthaus	Treasurer	December 31, 2022
Mark Hauck	Director	December 31, 2020
Tracy Morse	Director	December 31, 2020
Lisa Loidolt	Director	December 31, 2022

Administration	
Aaron Sinclair	Superintendent
Andi Johnson	Director of Business Services
Heather Hipp	Controller

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 in the first paragraph 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. 47, Sauk Rapids, Minnesota, as of June 30, 2019, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information and the Schedule of Expenditures of Federal Awards are 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 October 10, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2019

Independent School District No. 47
Management's Discussion and Analysis

This section of Independent School District No. 47, Sauk Rapids-Rice Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

Financial Summary

- Net position increased by $16,930,922 for the current year activity, primarily due to the net effect of the large changes in the District's proportionate share of the net pension liability, deferred inflows of resources, and deferred outflows of resources of the TRA and PERA (GERF) pension plans.
- Overall governmental fund revenues and other financing sources was $63,099,691 and expenses were $61,125,078.
- The total fund balance of the General Fund increased by $2,051,667.
- The General Fund unassigned fund balance decreased by $2,359,798.
- During the 2018-2019 school year, the school board approved a plan to limit and cap open enrollment of non-resident students to the school district. The district will have to closely monitor enrollment in the future.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include several statements that present different views of the District:

- The first statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- Governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.
- Proprietary funds statements provide information about activities the District operates like a business.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data

District-Wide Statements

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

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

- Over time, increases, or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

- Governmental Activities: Most of the District's basic services are included here, such as regular and special education, transportation, administration, food service, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific resources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

The District has two kinds of funds:

- Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)

Net Position

The District's combined net position was $22,751,638 on June 30, 2019, (see details in Table A-1). This was an increase of $16,930,922 from June 30, 2018. This increase was primarily due to the net effect of the large changes in the District’s proportionate share of the net pension liability, deferred inflows of resources, and deferred outflows of resources of the TRA and PERA (GERF) pension plans.

Statement of Net Position
As of June 30, 2019
Table A-1

	Governmental Activities		Percentage
	2019	2018	Change
Assets			
Total current assets	$ 55,413,319	$ 52,483,529	5.58%
Total capital assets	58,649,453	58,581,939	0.12%
Total assets	114,062,772	111,065,468	2.70%
Deferred Outflows of Resources	38,918,052	48,221,787	-19.29%
Total assets and deferred outflows of resources	$ 152,980,824	$ 159,287,255	-3.96%
Liabilities			
Current liabilities	$ 11,800,481	$ 11,299,261	4.44%
Long-term liabilities	62,774,584	118,935,612	-47.22%
Total liabilities	74,575,065	130,234,873	-42.74%
Deferred Inflows of Resources	55,654,121	23,231,666	139.56%
Net Position			
Net investment in capital assets	23,876,940	19,128,620	24.82%
Restricted amounts	8,959,210	8,165,442	9.72%
Unrestricted amounts	(10,084,512)	(21,473,346)	-53.04%
Total net position	22,751,638	5,820,716	290.87%
Total liabilities, deferred inflows of resources, and net position	$ 152,980,824	$ 159,287,255	-3.96%

Change in Net Position

In Table A-2, Change in Net Position, operations are reported on a district-wide basis with no reference to funds.

Change in Net Position
Table A-2

	Governmental Activities for the Fiscal Year Ended June 30, 2019	2018	Percentage Change
Revenues			
Program revenues			
Charges for services	$ 4,823,881	$ 4,187,020	15.21%
Operating grants and contributions	15,314,635	15,247,519	0.44%
Capital grants and contributions	1,983,903	1,952,295	1.62%
General revenues			
Property taxes	8,925,367	8,706,908	2.51%
State aid-formula grants	28,824,054	29,760,027	-3.15%
Other	502,293	278,577	80.31%
Investment income	941,221	503,933	86.78%
Total revenues	61,315,354	60,636,279	1.12%
Expenditures			
Administration	1,496,839	1,983,489	-24.54%
District support services	2,054,624	1,988,628	3.32%
Elementary and secondary regular education	13,395,918	25,466,891	-47.40%
Vocational education instruction	454,321	1,137,380	-60.06%
Special education instruction	8,394,215	12,729,539	-34.06%
Instructional support services	2,591,044	4,859,398	-46.68%
Pupil support services	4,378,730	6,031,110	-27.40%
Sites and buildings	5,343,162	4,826,975	10.69%
Fiscal and other fixed cost programs	149,835	148,093	1.18%
Food service	2,442,653	2,469,777	-1.10%
Community service	952,778	1,611,485	-40.88%
Unallocated depreciation	1,928,537	1,887,214	2.19%
Interest and fiscal charges on long-term debt	801,776	953,550	-15.92%
Total expenditures	44,384,432	66,093,529	-32.85%
Change in net position	16,930,922	(5,457,250)	-410.25%
Beginning of year net position	5,820,716	12,800,711	
Change in accounting principle	-	(1,522,745)	
Beginning of year net position, as restated	5,820,716	11,277,966	-48.39%
Ending of year net position	$ 22,751,638	$ 5,820,716	290.87%

The District's total revenues were $61,315,354 for the year ended June 30, 2019. Property taxes and state aids accounted for 15% and 47%, respectively, of total revenues. For the fiscal year ended June 30, 2019, the overall percentage of revenue funds received from state aid has remained similar to the previous year (see Figure A-1).

The total costs of all programs and services were $44,384,432. Most of these costs are instruction and pupil support services, 56% and 10%, respectively (see Figure A-2). The majority of District expenditures in operating areas are for human resources. Salaries and benefits make up approximately 74% of total expenditures. Many of the other operational costs are fixed costs, such as utilities and core supplies.

Figure A-1 Sources of District's Revenues for Fiscal 2019

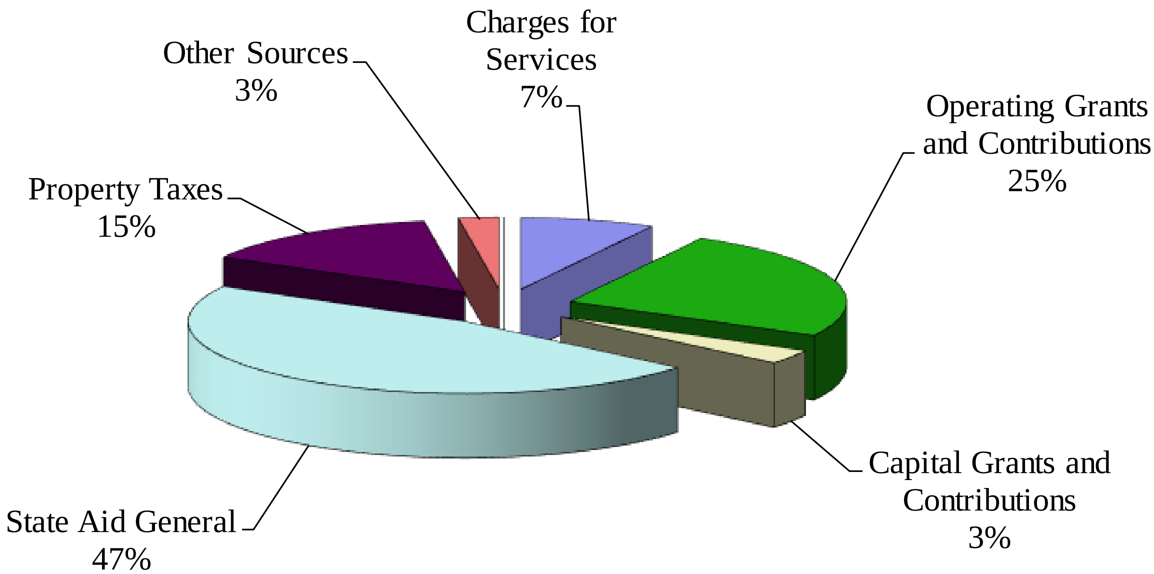
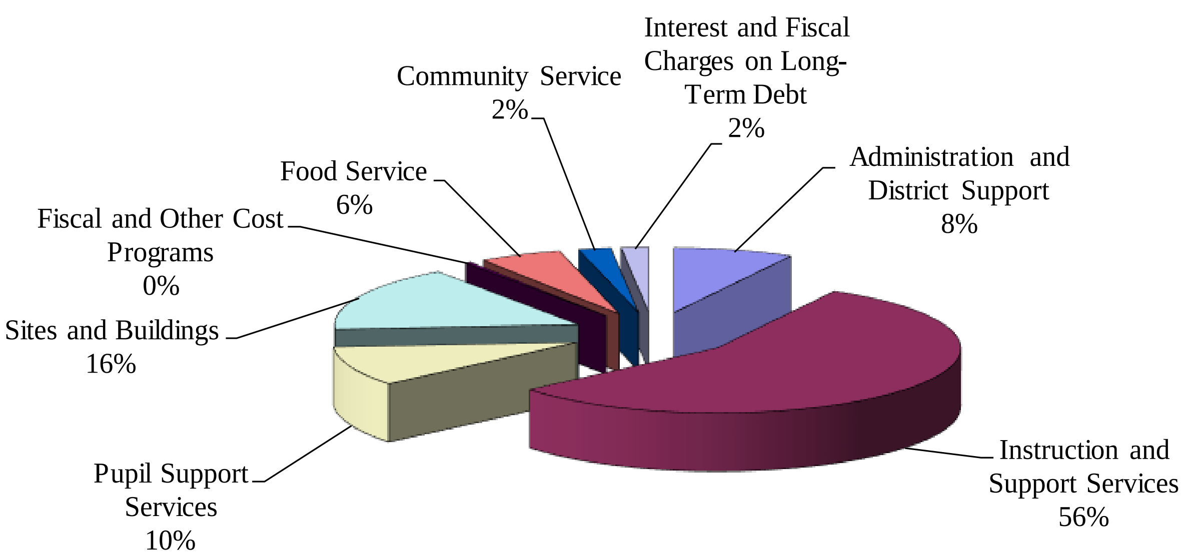


Figure A-2 District Expenses for Fiscal 2019



The net cost of governmental activities is their total cost less program revenues applicable to each category. All governmental activities include not only funds received for the general operation of the District, but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education for the fiscal services to enhance general operation resources. Table A-3 presents these costs.

Net Cost of Governmental Activities
Table A-3

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2019	2018	2019-2018	2019	2018	2019-2018
Administration	$ 1,496,839	$ 1,983,489	-24.54%	$ 1,496,839	$ 1,983,489	-24.54%
District Support Services	2,054,624	1,988,628	3.32%	2,054,624	1,988,628	3.32%
Elementary and Secondary Regular Education	13,395,918	25,466,891	-47.40%	7,284,709	19,976,245	-63.53%
Vocational Education Instruction	454,321	1,137,380	-60.06%	368,428	987,743	-62.70%
Special Education Instruction	8,394,215	12,729,539	-34.06%	1,121,026	5,659,018	-80.19%
Instructional Support Services	2,591,044	4,859,398	-46.68%	1,955,846	4,175,289	-53.16%
Pupil Support Services	4,378,730	6,031,110	-27.40%	2,023,932	3,763,657	-46.22%
Sites and Buildings	5,343,162	4,826,975	10.69%	3,244,829	2,788,180	16.38%
Fiscal and Other Fixed Cost Programs	149,835	148,093	1.18%	149,835	148,093	1.18%
Food Service	2,442,653	2,469,777	-1.10%	(42,902)	(110,938)	-61.33%
Community Service	952,778	1,611,485	-40.88%	(125,466)	506,527	-124.77%
Depreciation - Unallocated	1,928,537	1,887,214	2.19%	1,928,537	1,887,214	2.19%
Interest and Fiscal Charges on Long-Term Debt	801,776	953,550	-15.92%	801,776	953,550	-15.92%
Total	$ 44,384,432	$ 66,093,529	-32.85%	$ 22,262,013	$ 44,706,695	-50.20%

The decrease of total cost of services and net cost of services is primarily due to the net effect of the large changes in the District's proportionate share of the net pension liability, deferred inflows of resources, and deferred outflows of resources of the TRA and PERA (GERF) pension plans.

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $39,573,276, an overall increase of $1,974,613. The General Fund increased by $2,051,667, of which, $1.2 million was related to an increase in the Operating Capital fund balance, while $500,000 was related to insurance proceeds received due to a fire at Pleasantview Elementary School. The Food Service fund balance decreased by $169,251 due to planned kitchen equipment replacements. The Community Service fund increased by $110,449, which will allow for future program growth. The Debt Service fund was stable, ending the year with a decrease in fund balance of $18,252.

General Fund

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

General Fund Revenues are outlined in Table A-4 below:

Summary of General Fund Revenues
Table A-4

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Local Sources				
Property taxes	4,190,178	$ 3,898,597	$ 291,581	7.48%
Other	3,481,665	3,171,952	309,713	9.76%
State sources	44,203,671	43,005,317	1,198,354	2.79%
Federal sources	1,232,223	1,238,498	(6,275)	-0.51%
Sales and other conversion of assets	33,570	55,923	(22,353)	-39.97%
Total General Fund revenue	$ 53,141,307	$ 51,370,287	$ 1,771,020	3.45%

Total General Fund revenue increased by $1,771,020, or 3.45%, from the previous year. The main reason for the increase was due to an increase in the per-pupil formula increase over the previous year and changes in special education funding.

General fund revenue is received in two major categories as follows:

1. State Education Finance Appropriations
   a. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.
   b. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital, long-term facilities maintenance).
2. Property Tax Levies
   a. The largest share of the levy is from board-approved local optional revenue, which is also enrollment driven.

General Fund Expenditures are itemized in Table A-5:

Summary of General Fund Expenditures
Table A-5

	Year Ended		Amount of Increase	Percent Increase
	June 30, 2019	June 30, 2018	(Decrease)	(Decrease)
Salaries	$ 30,472,564	$ 28,743,617	$ 1,728,947	6.02%
Employee benefits	8,219,580	7,687,694	531,886	6.92%
Purchased services	6,203,145	6,018,054	185,091	3.08%
Supplies, material, and equipment	3,332,556	2,526,263	806,293	31.92%
Other expenditures	4,002,074	3,643,998	358,076	9.83%
Total expenditures	$ 52,229,919	$ 48,619,626	$ 3,610,293	7.43%

Total General Fund expenditures increased by $3,610,293 or 7.43% over the prior year. The increase can be attributed mostly to personnel and employee benefits.

Salaries expense increased mainly as a result of factors including employee longevity, education, pay rates and other items included in bargaining agreements, statutory increases in TRA employer contributions, and rising insurance premiums. The District continues to look at various strategies to minimize the impact of rising health insurance premiums through investigating plan design and increasing employee education.

Purchased services and Supplies, materials, and equipment consist of expenditures for fees for service, postage, utilities, diesel and gasoline, property insurance, maintenance repairs, leases, travel, telephone, tuition, contracted transportation, instructional supplies, textbooks, as well as capital expenditures such as, equipment, technology equipment and building improvements. The main increase in this category is related to the secure entrance projects occurring at each school building.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the unassigned fund balance of the General Fund decreased by $2,359,798 to $19,088,902 due to planned construction projects related to secure entrance renovations, while the total General Fund balance increased by $2,051,667 to $36,887,793, of which, $1,197,438 was related to an increase in the Operating Capital fund balance, while $469,417 was related to insurance proceeds received due to a fire at Pleasantview Elementary School.

Budgetary Highlights

During the year ended June 30, 2019, the District revised its operating budget one time. The original budget was adopted in May 2018 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in June 2019. The final budget encompasses known changes due to student enrollment, staffing levels and other significant information items that are estimates. A similar revision is made each year for the same reasons.

Budgetary Highlights (Continued)

The District’s final budget for the General Fund anticipated that expenditures would exceed revenues by $5,806,500. The actual results for the year show that revenues exceeded expenditures by $2,051,667. Reasons for the difference between budget and actual include:

- The district has a practice of allowing budget carryover for unspent resources. For the current year, the total budget carryover that was assigned ($8.4 million) was $5.1 million more than budgeted.
- Revenues were over budget by $1.3 million due to conservative revenue estimates for state special education funding, general education funding based on students and other local revenues.
- Salaries and benefits were under budget by $1.1 million due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District investment in capital assets for its governmental activities equates to $58,649,453 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, and equipment (see Table A-6). Additional information on capital assets can be found in Note 3 of this report.

Capital Assets - Governmental Activities
Table A-6

	2019	2018	Percent Change 2019-2018
Land and land improvements	$ 7,161,544	$ 6,950,680	3.03%
Construction in progress	589,329	81,500	623.10%
Buildings	83,803,269	83,012,060	0.95%
Equipment	8,230,544	7,658,889	7.46%
Less accumulated depreciation	(41,135,233)	(39,121,190)	5.15%
Total	$ 58,649,453	$ 58,581,939	0.12%

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $34,246,495. The District only has one debt obligation. This bond was refunded in 2015-2016 and will result in considerable taxpayer savings over the life of the General Obligation Building bond (see Table A-7). Additional information on long-term debt can be found in Note 4 of this report.

Long-Term Debt (Continued)

Outstanding Long-Term Liabilities
Table A-7

	Total School District		Percent Change
	2019	2018	2019-2018
G. O. Bonds payable	$ 29,010,000	$ 32,610,000	-11.04%
Capital lease obligations	830,628	1,411,426	-41.15%
Premium/issuance costs	3,980,610	4,549,268	-12.50%
Compensated absences and severance payable	423,637	376,671	12.47%
Special assessments	1,620	4,860	-66.67%
Total	$ 34,246,495	$ 38,952,225	-12.08%

State Economic Factors and Next Year's Budget

- The budget for the 2019-2020 fiscal year was completed using the latest funding information available from the State Legislature at the time of the adoption of the budget, which occurred prior to June 30, 2019.
- Estimates of changes in contract settlements were taken into consideration in the budget development process. The majority of employee contracts are currently settled for the upcoming years.
- Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Requests for Information
This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Public Schools, Attention: Director of Business Services, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

(THIS PAGE LEFT BLANK INTENTIONALLY)

BASIC FINANCIAL STATEMENTS

Independent School District No. 47
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash and investments	$ 43,330,562
Current property taxes receivable	4,332,403
Delinquent property taxes receivable	210,129
Accounts receivable	395,491
Interest receivable	247
Due from Department of Education	5,226,603
Due from Federal Government through Department of Education	159,442
Due from other Minnesota school districts	1,351,646
Due from other governmental units	130,418
Inventory	84,142
Prepaid items	192,236
Capital assets not being depreciated	
Land	1,164,189
Construction in progress	589,329
Capital assets less: accumulated depreciation	
Buildings	83,803,269
Land improvements	5,997,355
Equipment	8,230,544
Less accumulated depreciation	(41,135,233)
Total assets	114,062,772
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	38,785,542
Deferred outflows of resources related to OPEB	132,510
Total deferred outflows of resources	38,918,052
Total assets and deferred outflows of resources	$ 152,980,824
Liabilities	
Accounts payable	$ 1,131,344
Contracts payable	417,525
Salaries and benefits payable	5,333,126
Interest payable	589,166
Due to other Minnesota school districts	81,339
Unearned revenue	66,798
Bond principal payable, net of premium	
Payable within one year	3,555,000
Payable after one year	29,435,610
Capital lease payable	
Payable within one year	272,799
Payable after one year	557,829
Special assessment payable	
Payable within one year	1,620
Compensated absences payable	
Payable within one year	351,764
Payable after one year	71,873
Total other post employment benefits (OPEB) liability	1,972,073
Net pension liability	30,737,199
Total liabilities	74,575,065
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	8,695,737
Deferred inflows of resources related to deferred charge on refunding	951,275
Deferred inflows of resources related to pensions	45,619,660
Deferred inflows of resources related to OPEB	387,449
Total deferred inflows of resources	55,654,121
Net Position	
Net investment in capital assets	23,876,940
Restricted for	
Debt service	729,759
Other purposes	8,229,451
Unrestricted	(10,084,512)
Total net position	22,751,638
Total liabilities, deferred inflows of resources, and net position	$ 152,980,824

See notes to financial statements.

Independent School District No. 47
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 1,496,839	$ -	$ -	$ -	$ (1,496,839)
District support services	2,054,624	-	-	-	(2,054,624)
Elementary and secondary regular instruction	13,395,918	2,671,104	3,440,105	-	(7,284,709)
Vocational education instruction	454,321	-	85,893	-	(368,428)
Special education instruction	8,394,215	333,188	6,940,001	-	(1,121,026)
Instructional support services	2,591,044	14,191	621,007	-	(1,955,846)
Pupil support services	4,378,730	-	2,354,798	-	(2,023,932)
Sites and buildings	5,343,162	114,430	-	1,983,903	(3,244,829)
Fiscal and other fixed cost programs	149,835	-	-	-	(149,835)
Food service	2,442,653	1,124,090	1,361,465	-	42,902
Community education and services	952,778	566,878	511,366	-	125,466
Unallocated depreciation	1,928,537	-	-	-	(1,928,537)
Interest and fiscal charges on long-term debt	801,776	-	-	-	(801,776)
Total governmental activities	$ 44,384,432	$ 4,823,881	$ 15,314,635	$ 1,983,903	(22,262,013)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,217,025
Property taxes, levied for community service					268,683
Property taxes, levied for debt service					4,439,659
State aid-formula grants					28,824,054
Other general revenues					189,371
Investment income					941,221
Gain of sale of assets					312,922
Total general revenues					39,192,935
Change in net position					16,930,922
Net position - beginning					5,820,716
Net position - ending					$ 22,751,638

See notes to financial statements.

Independent School District No. 47
Balance Sheet - Governmental Funds
June 30, 2019

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 38,197,948	$ 3,502,869	$ 1,629,745	$ 43,330,562
Current property taxes receivable	1,920,259	2,282,946	129,198	4,332,403
Delinquent property taxes receivable	92,650	107,650	9,829	210,129
Accounts receivable	391,736	-	3,755	395,491
Interest receivable	247	-	-	247
Due from Department of Education	5,127,152	47,166	52,285	5,226,603
Due from Federal Government through Department of Education	159,442	-	-	159,442
Due from other Minnesota school districts	1,201,646	-	150,000	1,351,646
Due from other governmental units	130,418	-	-	130,418
Inventory	-	-	84,142	84,142
Prepaid items	192,236	-	-	192,236
Total assets	$ 47,413,734	$ 5,940,631	$ 2,058,954	$ 55,413,319
Liabilities				
Accounts payable	$ 988,127	$ -	$ 143,217	$ 1,131,344
Contracts payable	417,525	-	-	417,525
Salaries and benefits payable	5,195,616	-	137,510	5,333,126
Due to other Minnesota school districts	81,339	-	-	81,339
Unearned revenue	270	-	66,528	66,798
Total liabilities	6,682,877	-	347,255	7,030,132
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	50,645	56,708	6,821	114,174
Property taxes levied for subsequent year's expenditures	3,792,419	4,633,579	269,739	8,695,737
Total deferred inflows of resources	3,843,064	4,690,287	276,560	8,809,911
Fund Balances				
Nonspendable	192,236	-	84,142	276,378
Restricted	6,787,491	1,250,344	1,350,997	9,388,832
Committed	2,395,710	-	-	2,395,710
Assigned	8,423,453	-	-	8,423,453
Unassigned	19,088,903	-	-	19,088,903
Total fund balances	36,887,793	1,250,344	1,435,139	39,573,276
Total liabilities, deferred inflows of resources, and fund balances	$ 47,413,734	$ 5,940,631	$ 2,058,954	$ 55,413,319

See notes to financial statements.

Independent School District No. 47
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2019

Total fund balances - governmental funds	$ 39,573,276
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	99,784,686
Less accumulated depreciation	(41,135,233)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(29,010,000)
Capital lease payable	(830,628)
Special assessment payable	(1,620)
Unamortized premium	(3,980,610)
Compensated absences payable	(423,637)
Total OPEB liability	(1,972,073)
Net pension liability	(30,737,199)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	38,785,542
Deferred inflows of resources related to pensions	(45,619,660)
Deferred outflows of resources related to OPEB	132,510
Deferred outflows of resources related to OPEB	(387,449)
Deferred charges are not recognized in the governmental funds but amortized over the life of the debt in the Statement of Activities.	(951,275)
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	114,174
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(589,166)
Total net position - governmental activities	$ 22,751,638

See notes to financial statements.

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019

	General	Debt Service	Other Nonmajor Funds	Total Governmental Funds
Revenues				
Local property taxes	$ 4,190,178	$ 4,432,812	$ 267,076	$ 8,890,066
Other local and county revenues	3,481,665	34,473	658,013	4,174,151
Revenue from state sources	44,203,671	471,738	671,885	45,347,294
Revenue from federal sources	1,232,223	-	1,158,018	2,390,241
Sales and other conversion of assets	33,570	-	1,124,090	1,157,660
Total revenues	53,141,307	4,939,023	3,879,082	61,959,412
Expenditures				
Current				
Administration	1,803,278	-	-	1,803,278
District support services	2,290,143	-	-	2,290,143
Elementary and secondary regular instruction	19,930,639	-	-	19,930,639
Vocational education instruction	758,206	-	-	758,206
Special education instruction	10,949,714	-	-	10,949,714
Instructional support services	3,115,896	-	-	3,115,896
Pupil support services	4,990,001	-	7,094	4,997,095
Sites and buildings	4,770,383	-	-	4,770,383
Fiscal and other fixed cost programs	149,835	-	-	149,835
Food service	-	-	2,298,007	2,298,007
Community education and services	-	-	1,258,045	1,258,045
Capital outlay				
District support services	17,091	-	-	17,091
Elementary and secondary regular instruction	113,513	-	-	113,513
Special education instruction	60,950	-	-	60,950
Instructional support services	84,956	-	-	84,956
Pupil support services	13,876	-	-	13,876
Sites and buildings	2,592,788	-	-	2,592,788
Food service	-	-	370,250	370,250
Community education and services	-	-	4,488	4,488
Debt service				
Principal	580,798	3,385,000	-	3,965,798
Interest and fiscal charges	7,852	1,572,275	-	1,580,127
Total expenditures	52,229,919	4,957,275	3,937,884	61,125,078
Excess of revenues over (under) expenditures	911,388	(18,252)	(58,802)	834,334
Other Financing Sources (Uses)				
Proceeds from sale of assets	414,306	-	-	414,306
Insurance Recoveries	725,973	-	-	725,973
Total other financing sources (uses)	1,140,279	-	-	1,140,279
Net change in fund balances	2,051,667	(18,252)	(58,802)	1,974,613
Fund Balances				
Beginning of year	34,836,126	1,268,596	1,493,941	37,598,663
End of year	$ 36,887,793	$ 1,250,344	$ 1,435,139	$ 39,573,276

See notes to financial statements.

Independent School District No. 47
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2019

Net change in fund balances - total governmental funds	$ 1,974,613
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	2,366,104
Depreciation expense	(2,197,206)
Disposal of capital assets	(101,384)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(46,966)
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(43,938)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	4,184,038
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	66,026
Bond premiums and deferred charges on refunding's are amortized on the Statement of Activities, whereas governmental funds record the entire amount at the time of issuance.	715,008
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	9,979,326
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds.	35,301
Change in net position - governmental activities	$ 16,930,922

See notes to financial statements.

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 4,175,881	$ 4,171,149	$ 4,190,178	$ 19,029
Other local and county revenues	2,337,252	3,144,733	3,481,665	336,932
Revenue from state sources	42,229,778	43,525,191	44,203,671	678,480
Revenue from federal sources	1,031,344	971,322	1,232,223	260,901
Sales and other conversion of assets	-	-	33,570	33,570
Total revenues	49,774,255	51,812,395	53,141,307	1,328,912
Expenditures				
Current				
Administration	1,844,686	1,864,686	1,803,278	(61,408)
District support services	2,913,397	2,535,859	2,290,143	(245,716)
Elementary and secondary regular instruction	18,184,464	20,607,341	19,930,639	(676,702)
Vocational education instruction	758,076	754,141	758,206	4,065
Special education instruction	11,249,529	11,427,864	10,949,714	(478,150)
Instructional support services	3,025,639	3,750,740	3,115,896	(634,844)
Pupil support services	5,115,198	5,176,398	4,990,001	(186,397)
Sites and buildings	4,161,478	4,161,478	4,770,383	608,905
Fiscal and other fixed cost programs	520,000	445,000	149,835	(295,165)
Capital outlay				
District support services	170,000	181,500	17,091	(164,409)
Elementary and secondary regular instruction	15,500	20,500	113,513	93,013
Special education instruction	79,366	76,436	60,950	(15,486)
Instructional support services	234,000	234,000	84,956	(149,044)
Pupil support services	58,722	58,722	13,876	(44,846)
Sites and buildings	2,286,231	6,636,580	2,592,788	(4,043,792)
Debt service				
Principal	580,798	580,798	580,798	-
Interest and fiscal charges	7,852	7,852	7,852	-
Total expenditures	51,204,936	58,519,895	52,229,919	(6,289,976)
Excess of revenues over (under) expenditures	(1,430,681)	(6,707,500)	911,388	7,618,888
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	400,000	414,306	14,306
Insurance Recoveries	-	520,000	725,973	205,973
Transfers out	(19,000)	(19,000)	-	19,000
Total other financing sources (uses)	(19,000)	901,000	1,140,279	239,279
Net change in fund balances	$ (1,449,681)	$ (5,806,500)	2,051,667	$ 7,858,167
Fund Balances				
Beginning of year			34,836,126	
End of year			$ 36,887,793	

See notes to financial statements.

Independent School District No. 47
Statement of Fiduciary Net Position
June 30, 2019

	Agency Fund	Private Purpose Trust Fund
Assets		
Current		
Cash and cash equivalents	$ 238,712	$ 51,238
Liabilities		
Accounts payable	$ 238,712	$ -
Net position		
Held in trust for scholarships		$ 51,238

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

	Private Purpose Trust Fund
Additions	
Contributions	$ 5,476
Investment income	243
Total additions	5,719
Deductions	
Program Expense	1,218
Scholarships	1,775
Total deductions	2,993
Change in net position	2,726
Net Position	
Beginning of year	48,512
End of year	$ 51,238

See notes to financial statements.

(THIS PAGE LEFT BLANK INTENTIONALLY)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are not under the School Board's control for certain activities; for these activities, separate audited financial statements have been issued. Other activity accounts are under the School Board's control and are included with the General Fund activity. As of July 1, 2019, all student activity accounts have been taken under board control and will no longer be reported separately.

1. Joint Powers Agreement

The District has entered into a joint powers agreement to form the Central Minnesota Area Learning Center (ALC). Other member school districts include Independent School District No. 51, Foley; Independent School District No. 738, Holdingford; Independent School District No. 739, Kimball; Independent School District No. 742, St. Cloud and Independent School District No. 748, Sartell. The agreement establishes an area learning center to provide, by cooperative effort, increased educational opportunities for member students.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

1. Joint Powers Agreement (Continued)

The agreement establishes a Joint Powers ALC Board, which consists of one representative appointed by each member district school board. Each district is entitled to one vote. Independent School District No. 742, St. Cloud, has been identified as the fiscal host district which, on behalf of the member districts, applies, receives, and administers educational funding that is appropriate to an area learning center. The care, management, and control of the Central Minnesota ALC are vested in the Joint Powers ALC Board. Any funding received by the Central Minnesota ALC is passed through to the member districts except for a 4% administrative fee and an additional joint powers fee allocation.

A copy of the financial statements of the Central Minnesota ALC may be obtained by writing in care of Independent School District No. 47, 1833 NE Osauka Road, Sauk Rapids, Minnesota 56379.

B. Basic Financial Statement Information

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

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Private Purpose Trust and Agency Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District; these funds are not incorporated into the government-wide statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. 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 fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Nonmajor Funds (Continued):

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Fiduciary Funds:

Agency Fund – This fund is used to account for resources received and held by the District as the agent for others to be used in making scholarships and for the Recreation Program.

Trust Fund – This fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Cash and investments at June 30, 2019, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and MNTrust Investment Shares. MSDLAF and MNTrust Investment Shares are valued at amortized cost, which approximates fair value.

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust Investment Shares. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2018, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2019. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton County is the collecting agency for the levy and remit(s) the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

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 purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over the future years.

L. Long-Term Obligations

In the government-wide financial statements long-term debt and other long term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. 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.

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

M. Compensated Absences

The District compensates various full-time classified employees upon termination of employment for unused vacation time. The accumulated liability for unpaid vacation benefits was $328,776 as of June 30, 2019. Vacation benefits expected to be paid within one year are recorded as a current obligation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences (Continued)

District classified employees are entitled to sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N.

Certain classified employees who have 15 years of continuous service of at least 1,000 work hours a year with the District and have attained the age of 55 years receive severance pay based on 50% of unused sick leave of the maximum of 120 days.

Certain clerical employees who have at least 15 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

Certain custodians who have at least 20 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

The accumulated liability for compensated absences based on sick leave was $94,861 as of June 30, 2019.

N. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have nine years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

During the year ended June 30, 2019, the District paid out a total of $19,310 in severance benefits to the three participants eligible to receive benefits.

O. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the additions to/deductions have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

P. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions (Continued)

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

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2019.

R. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include but are not limited to, prepaids and inventory.

- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.

- Committed Fund Balances – The government's highest level of decision making authority is the School Board. The formal action to establish or modify a commitment must be made by the School Board.

- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments are made by the Business Manager.

- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 7% of the annual budget.

- Stabilization Arrangement – Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide 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 government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

T. Use of Estimates

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

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

As of June 30, 2019, the District had the following deposits:

Certificates of deposit	$ 280,000

B. Investments

As of June 30, 2019, the District had the following investments:

Investment Type	Fair Value	S&P Ratings
MSDLAF	$ 1,528,532	AAAm
MSDLAF Max	41,810,532	AAAm
MNTrust Investment Shares	793	AAAm
Total investments	$ 43,339,857	

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes. As of June 30, 2019, the District's investments were rated as noted in the table above.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk for investments, stating all investment securities shall be held in third party safekeeping by an institution designated as custodial agent.

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	$ 280,000
Investments (Note 3.B.)	43,339,857
Petty cash	655
Total deposits and investments	$ 43,620,512

Deposits and investments are presented in the June 30, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 43,330,562
Statement of Fiduciary Net Position	
Cash and cash equivalents	
Agency fund	238,712
Private purpose trust fund	51,238
Total deposits and investments	$ 43,620,512

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 1,164,189	$ -	$ -	$ 1,164,189
Construction in progress	81,500	589,329	81,500	589,329
Total capital assets not being depreciated	1,245,689	589,329	81,500	1,753,518
Capital assets being depreciated				
Buildings	83,012,060	791,209	-	83,803,269
Land improvements	5,786,491	210,864	-	5,997,355
Equipment	7,658,889	774,702	203,047	8,230,544
Total capital assets being depreciated	96,457,440	1,776,775	203,047	98,031,168
Less accumulated depreciation for				
Buildings	29,109,325	1,677,012	-	30,786,337
Land improvements	4,250,721	251,525	-	4,502,246
Equipment	5,761,144	268,669	183,163	5,846,650
Total accumulated Depreciation	39,121,190	2,197,206	183,163	41,135,233
Total capital assets being depreciated, net	57,336,250	(420,431)	19,884	56,895,935
Governmental activities capital assets, net	$ 58,581,939	$ 168,898	$ 101,384	$ 58,649,453

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $2,197,206 for the year ended June 30, 2019, was charged to the following governmental functions:

Administration	$ 10,939
Elementary and secondary regular instruction	119,741
Special education	26,269
Pupil support	66,756
Food service	40,375
Community service	4,589
Unallocated	1,928,537
Total depreciation expense	$ 2,197,206

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds, including						
Refunding bonds						
2015A School Building Refunding Bonds	11/03/15	4.00%-5.00%	$ 38,340,000	02/01/26	$ 29,010,000	$ 3,555,000
Capital leases					830,628	272,799
Special assessments					1,620	1,620
Unamortized Premium					3,980,610	-
Compensated absences Payable					423,637	351,764
Total all long-term liabilities					$ 34,246,495	$ 4,181,183

The long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Capital Leases, Special Assessments, and Compensated Absences are normally liquidated through the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2020	$ 3,555,000	$ 1,402,550	$ 4,957,550
2021	3,735,000	1,224,800	4,959,800
2022	3,920,000	1,038,050	4,958,050
2023	4,115,000	842,050	4,957,050
2024	4,335,000	636,300	4,971,300
2025-2026	9,350,000	611,350	9,961,350
Total	$ 29,010,000	$ 5,755,100	$ 34,765,100

C. Capital Lease Obligations

The District is obligated under certain leases accounted for as capital leases. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset.

On April 15, 2018, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease obligation and corresponding equipment totaled $1,111,600. Because the individual equipment items were under the District's capitalization threshold none of the item were capitalized. The capital lease agreement includes annual principal and interest payments of $285,151.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2020	$ 285,151
2021	285,151
2022	285,150
Total minimum lease payments	855,452
Less amount representing interest	(24,824)
Present value of minimum lease payments	$ 830,628

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Special Assessments

The District is obligated to pay special assessment and abatement fees for various City of Sauk Rapids' and county projects. The minimum annual principal and interest payments required to retire long-term liabilities are as follows:

Year Ending June 30,	Special Assessments Principal	Special Assessments Interest	Special Assessments Total
2020	$ 1,620	$ 73	$ 1,693

E. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	$ 32,610,000	$ -	$ 3,600,000	$ 29,010,000
Capital lease obligations	1,411,426	-	580,798	830,628
Special assessments and abatements	4,860	-	3,240	1,620
Premium	4,549,268	-	568,658	3,980,610
Compensated absences Payable	376,671	373,996	327,030	423,637
Total long-term liabilities	$ 38,952,225	$ 373,996	$ 5,079,726	$ 34,246,495

NOTE 5 – FUND BALANCES/NET POSITION

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.

A. Fund Balance

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Other Nonmajor Funds	Total
Nonspendable for				
Inventory	$ -	$ -	$ 84,142	$ 84,142
Prepaid items	192,236	-	-	192,236
Total nonspendable	192,236	-	84,142	276,378
Restricted/reserved for				
Safe Schools - Crime Levy	368,395	-	-	368,395
Teacher Development and Evaluation	27,309	-	-	27,309
Operating Capital	5,373,543	-	-	5,373,543
Gifted and Talented	217,905	-	-	217,905
Achievement and Integration	28,816	-	-	28,816
Long-Term Facilities Maintenance	771,523	-	-	771,523
Community Education	-	-	150,655	150,655
Early Childhood and Family Education	-	-	138,277	138,277
School Readiness	-	-	368,015	368,015
Adult Basic Education	-	-	45,850	45,850
Restricted for				
Food Service	-	-	647,500	647,500
Community Service	-	-	700	700
Debt Service	-	1,250,344	-	1,250,344
Total restricted/reserved	6,787,491	1,250,344	1,350,997	9,388,832
Committed for				
Separation benefits	2,395,710	-	-	2,395,710
Assigned for				
Budget carryover	6,500,010	-	-	6,500,010
Third party billing	1,569,224	-	-	1,569,224
Student activities	354,219	-	-	354,219
Total assigned	8,423,453	-	-	8,423,453
Unassigned	19,088,903	-	-	19,088,903
Total fund balance	$ 36,887,793	$ 1,250,344	$ 1,435,139	$ 39,573,276

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

Restricted/Reserved for Safe Schools – Crime Levy – The unspent resources available from the levy must be reserved in this account for future use.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Restricted for Community Service – This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47, and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Assigned for Budget Carryover – This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Third Party Billing – This balance represents amounts segregated from unrestricted funds to be spent on costs related to third party billings. This amount represents dollars set aside prior to the 2017 legislation change.

Assigned for Student Activities – This balance represents the aggregate activity for student accounts under School Board control.

B. Net Position

Net position restricted for other purposes is comprised of the General Fund positive restricted balances and Special Revenue Funds balances adjusted to net position.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2019, was ($9,103,947). The components of pension expense are noted in the following plan summaries.

The General Fund, Community Service Fund, and Food Service Fund typically liquidate the Liability related to the pensions.

Teachers' Retirement Association

A. Plan Description

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

A. Plan Description (Continued)

Educators employed in Minnesota's public elementary and secondary schools, charter schools and certain educational institutions maintained by the state are required to be TRA members (except those teachers employed by the cities of Duluth and St. Paul Public Schools or Minnesota State Colleges and Universities. Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

B. Benefits Provided

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

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

Tier 1 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:

- Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

- 3% per year early retirement reduction factor for all years under normal retirement age.

- Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

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 is applied. 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.

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2017, June 30, 2018, and June 30, 2019, were:

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%	11.0%	11.71%
Coordinated	7.5%	7.5%	7.5%	7.5%	7.5%	7.71%

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

C. Contribution Rate

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

Employer contributions reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	$ 378,728
Deduct Employer contributions not related to future contribution efforts	522
Deduct TRA's contributions not included in allocation	(471)
Total employer contributions	378,779
Total non-employer contributions	35,588
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 414,367

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Allocations as of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33 %	36 %	5.10 %
International stocks	16	17	5.30
Private markets	25	25	5.90
Fixed income	16	20	0.75
Treasuries	8	0	0.50
Unallocated cash	2	2	0.00
Total	100 %	100 %	

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

Changes in actuarial assumptions since the 2017 valuation:

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. This is an increase from the discount rate at the prior measurement date of 5.12%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

E. Net Pension Liability

On June 30, 2019, the District reported a liability of $24,357,470 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 0.3878% at the end of the measurement period and 0.3734% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 24,357,470
State's proportionate share of the net pension liability associated with the District	2,288,270

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

For the year ended June 30, 2019, the District recognized pension expense of ($9,573,176). It recognized ($1,597,065) as an increase to this pension expense for the support provided by direct aid.

On June 30, 2019, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 234,616	$ 474,966
Net difference between projected and actual earnings on plan investments	-	2,094,552
Changes of assumptions	28,356,181	41,210,370
Changes in proportion	6,533,154	-
Contributions to TRA subsequent to the measurement date	1,787,730	-
Total	$ 36,911,681	$ 43,779,888

$1,787,730 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2020	$ 2,808,725
2021	1,927,567
2022	542,375
2023	(7,830,971)
2024	(6,103,633)
Total	$ (8,655,937)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
$ 38,655,206	$ 24,357,470	$ 12,561,932

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

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

Public Employees' Retirement Association

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

General Employees Retirement Plan

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

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for all years 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.

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

C. Contributions

Minnesota Statutes Chapter 353 set the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $635,943. The District's contributions were equal to the required contributions as set by state statute.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of $6,379,729 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $209,139. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportionate share was 0.1150% at the end of the measurement period and 0.1188% for the beginning of the period.

School's proportionate share of net pension liability	$ 6,379,729
State of Minnesota's proportionate share of the net pension liability associated with the School	209,139
Total	$ 6,588,868

For the year ended June 30, 2019, the District recognized pension expense of $469,229 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $48,771 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)
At June 30, 2019, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 174,190	$ 172,316
Changes in actuarial assumptions	564,378	733,044
Difference between projected and actual investments earnings	-	742,106
Change in proportion	499,350	192,306
Contributions paid to PERA subsequent to the measurement date	635,943	-
Total	$ 1,873,861	$ 1,839,772

$635,943 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2020	$ 316,606
2021	(196,697)
2022	(588,607)
2023	(133,156)
Total	$ (601,854)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 %	Per year
Active member payroll growth	3.25 %	Per year
Investment rate of return	7.50 %	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

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

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00
Total	100 %	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.5%. 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 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 10,367,876	$ 6,379,729	$ 3,087,627

H. Pension Plan Fiduciary Net Position
Detailed information about the General Employees Fund's fiduciary net position is available in a separately-issued PERA financial report that includes the financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description
The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid
Teachers who apply for early retirement shall remain eligible to participate in a blended rate medical premium until the end of the school year in which the teacher becomes Medicare eligible. The first access eligible age is 55 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

C. Contributions
Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2019, the District contributed $127,090 to the plan.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

D. Members

As of June 30, 2018, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	21
Active employees	566
Total	587

E. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Salary increases	3.00%
Inflation	2.50%
Healthcare cost trend increases	6.50% initially, decreasing to 5.00% over six years
Mortality assumption	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2017 – July 1, 2018.

Changes in Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

The discount rate used to measure the total OPEB liability was 3.5% based on the estimated yield of 20-year AA-rated municipal bonds.

F. Total OPEB Liability

The District's total OPEB liability of $1,972,073 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability (Continued)

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2018	$ 2,336,792
Changes for the year	
Service cost	164,965
Interest	82,468
Assumption changes	6,505
Differences between expected and actual economic experience	(464,939)
Benefit payments	(153,718)
Net changes	(364,719)
Balances at June 30, 2019	$ 1,972,073

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 3.5% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability/(Asset)		
1% decrease (2.5%)	Current (3.5%)	1% increase (4.5%)
$ 2,092,401	$ 1,972,073	$ 1,855,518

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

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

Total OPEB Liability/(Asset)		
1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
$ 1,788,996	$ 1,972,073	$ 2,185,154

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

For the year ended June 30, 2019, the District recognized OPEB expense of $171,028. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ 5,420	$ -
Liability gains	-	387,449
Contributions made subsequent to the measurement date	127,090	-
Total	$ 132,510	$ 387,449

$127,090 reported as deferred outflows of resources related to OPEB resulting from District contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other Amounts reported as deferred outflows of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year Ending June 30,	Total
2020	$ (76,405)
2021	$ (76,405)
2022	$ (76,405)
2023	$ (76,405)
2024	$ (76,405)
	$ (76,409)
Total	($382,029)

NOTE 8 – COMMITTMENTS

Project	Contractor	Contract Amount	Expensed to Date	Commitment
Security Upgrades and Additions	Various	$ 3,652,885	$ 481,760	$ 3,171,125
Pleasantview Security Updates	Various	409,073	56,708	352,365
Total commitments		$ 4,061,958	$ 538,468	$ 3,523,490

NOTE 9 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending June 30, 2020.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2021.

(THIS PAGE LEFT BLANK INTENTIONALLY)

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 47
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019
Total OPEB Liability		
Service cost	$ 169,713	$ 164,965
Interest	79,222	82,468
Differenced between expected and actual experience	-	(464,939)
Changes of assumptions	-	6,505
Benefit payments	(143,798)	(153,718)
Net change in total OPEB liability	105,137	(364,719)
Beginning of year	2,231,655	2,336,792
End of year	$ 2,336,792	$ 1,972,073
Covered payroll	$ 24,683,536	$ 27,747,444
Total OPEB liability as a percentage of covered-employee payroll	9.5%	7.1%

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

Independent School District No. 47
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1105%	$ 5,190,736	$ -	$ 5,190,736	$ 5,802,469	89.46%	78.75%
2015	0.1073%	5,560,843	-	5,560,843	6,200,133	89.69%	78.19%
2016	0.1065%	8,647,272	112,946	8,760,218	6,610,693	130.81%	68.91%
2017	0.1188%	7,584,114	95,394	7,679,508	7,655,773	99.06%	75.90%
2018	0.1150%	6,379,729	209,139	6,588,868	7,727,947	82.55%	79.53%

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

Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3506%	$ 16,155,396	$ 1,136,619	$ 17,292,015	$ 16,002,214	100.96%	81.50%
2015	0.3383%	20,927,201	2,566,950	23,494,151	17,170,227	121.88%	76.77%
2016	0.3499%	83,459,499	8,376,703	91,836,202	18,202,280	458.51%	44.88%
2017	0.3734%	74,537,413	7,205,374	81,742,787	20,099,040	370.85%	51.57%
2018	0.3878%	24,357,470	2,288,270	26,645,740	21,424,627	113.69%	78.07%

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

Independent School District No. 47
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 420,679	$ 420,679	$ -	$ 5,802,469	7.25%
2015	465,010	465,010	-	6,200,133	7.50%
2016	495,802	495,802	-	6,610,693	7.50%
2017	574,183	574,183	-	7,655,773	7.50%
2018	579,596	579,596	-	7,727,947	7.50%
2019	635,943	635,943	-	8,479,240	7.50%

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

Schedule of District Contributions
TRA Retirement Funds
Last Ten Year

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,120,155	$ 1,120,155	$ -	$ 16,002,214	7.00%
2015	1,287,767	1,287,767	-	17,170,227	7.50%
2016	1,365,171	1,365,171	-	18,202,280	7.50%
2017	1,507,428	1,507,428	-	20,099,040	7.50%
2018	1,606,847	1,606,847	-	21,424,627	7.50%
2019	1,787,730	1,787,730	-	23,187,160	7.71%

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

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

TRA Retirement Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement 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, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

General Employees Fund (Continued)

2015 Changes
Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Other Post Employment Benefit

2019 Changes
Changes in Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

SUPPLEMENTARY INFORMATION

Independent School District No. 47
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2019

	Special Revenue Funds		Total
	Food Service	Community Service	Total Nonmajor Funds
Assets			
Cash and investments	$ 892,793	$ 736,952	$ 1,629,745
Current property taxes receivable	-	129,198	129,198
Delinquent property taxes receivable	-	9,829	9,829
Accounts receivable	3,755	-	3,755
Due from Department of Education	-	52,285	52,285
Due from other Minnesota school districts	-	150,000	150,000
Inventory	84,142	-	84,142
Total assets	$ 980,690	$ 1,078,264	$ 2,058,954
Liabilities			
Accounts payable	$ 130,800	$ 12,417	$ 143,217
Salaries and benefits payable	65,232	72,278	137,510
Unearned revenue	53,016	13,512	66,528
Total liabilities	249,048	98,207	347,255
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	6,821	6,821
Property taxes levied for subsequent year's expenditures	-	269,739	269,739
Total deferred inflows of resources	-	276,560	276,560
Fund Balances			
Nonspendable	84,142	-	84,142
Restricted	647,500	703,497	1,350,997
Total fund balances	731,642	703,497	1,435,139
Total liabilities, deferred inflows of resources, and fund balances	$ 980,690	$ 1,078,264	$ 2,058,954

Independent School District No. 47
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2019

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 267,076	$ 267,076
Other local and county revenues	13,451	644,562	658,013
Revenue from state sources	203,447	468,438	671,885
Revenue from federal sources	1,158,018	-	1,158,018
Sales and other conversion of assets	1,124,090	-	1,124,090
Total revenues	2,499,006	1,380,076	3,879,082
Expenditures			
Current			
Pupil support services	-	7,094	7,094
Food service	2,298,007	-	2,298,007
Community education and services	-	1,258,045	1,258,045
Capital outlay			
Food service	370,250	-	370,250
Community education and services	-	4,488	4,488
Total expenditures	2,668,257	1,269,627	3,937,884
Net change in fund balances	(169,251)	110,449	(58,802)
Fund Balances			
Beginning of year	900,893	593,048	1,493,941
End of year	$ 731,642	$ 703,497	$ 1,435,139

Independent School District No. 47
Statement of Changes in Agency Funds
Assets and Liabilities
Year Ended June 30, 2019

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Assets				
Cash	$ 199,027	$ 240,678	$ (200,993)	$ 238,712
Liabilities				
Accounts payable	$ 199,027	$ 240,678	$ (200,993)	$ 238,712

Independent School District No. 47
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2019

		Audit	UFARS	Audit-UFARS
01 General Fund				
Total revenue		$ 54,281,586	$ 54,281,581	$ 5
Total expenditures		52,229,919	52,229,914	5
Nonspendable:				
460	Nonspendable fund balance	192,236	192,236	-
Restricted/reserved:				
403	Staff Development	-	-	-
406	Health and Safety	-	-	-
407	Capital Projects Levy	-	-	-
408	Cooperative Programs	-	-	-
413	Project Funded by COP	-	-	-
414	Operating Debt	-	-	-
416	Levy Reduction	-	-	-
417	Taconite Building Maintenance	-	-	-
423	Certain Teacher Programs	-	-	-
424	Operating Capital	5,373,543	5,373,543	-
426	$25 Taconite	-	-	-
427	Disabled Accessibility	-	-	-
428	Learning and Development	-	-	-
434	Area Learning Center	-	-	-
435	Contracted Alternative Programs	-	-	-
436	State Approved Alternative Program	-	-	-
438	Gifted and Talented	217,905	217,905	-
440	Teacher Development and Evaluation	27,309	27,309	-
441	Basic Skills Programs	-	-	-
445	Career Technical Programs	-	-	-
448	Achievement and Integration Revenue	28,816	28,816	-
449	Safe School Crime	368,395	368,395	-
450	Transition to Pre-Kindergarten	-	-	-
451	QZAB payments	-	-	-
452	OPEB liabilities not held in trust	-	-	-
453	Unfunded Severance and Retirement Levy	-	-	-
459	Basic Skills Extended Time	-	-	-
467	Long-term Facilities Maintenance	771,523	771,523	-
472	Medical Assistance	-	-	-
475	Title VII - Impact Aid	-	-	-
476	Payments in Lieu of Taxes	-	-	-
Restricted:				
464	Restricted fund balance	-	-	-
Committed:				
418	Separation benefits	2,395,710	2,395,710	-
461	Committed	-	-	-
Assigned:				
462	Assigned fund balance	8,423,453	8,423,453	-
Unassigned				
422	Unassigned fund balance (net position)	19,088,903	19,088,902	1
02 Food Services Fund				
Total revenue		$ 2,499,006	$ 2,499,006	$ -
Total expenditures		2,668,257	2,668,258	(1)
Nonspendable:				
460	Nonspendable fund balance	84,142	84,141	1
Restricted/reserved:				
452	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
464	Restricted fund balance	647,500	647,499	1
Unassigned:				
463	Unassigned fund balance	-	-	-
04 Community Service Fund				
Total revenue		$ 1,380,076	$ 1,380,076	$ -
Total expenditures		1,269,627	1,269,627	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
426	$25 Taconite	-	-	-
431	Community Education	150,655	150,655	-
432	ECFE	138,277	138,277	-
440	Teacher Development and Evaluation	-	-	-
444	School Readiness	368,015	368,015	-
447	Adult Basic Education	45,850	45,850	-
452	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
464	Restricted fund balance	700	702	(2)
Unassigned:				
463	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit-UFARS
06 Building Construction Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
407	Capital Projects Levy	-	-	-
409	Alternative Facility Program	-	-	-
413	Building Projects Funded by COP/LP	-	-	-
Restricted:				
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	-	-	-
07 Debt Service Fund				
Total revenue		$ 4,939,023	$ 4,939,023	$ -
Total expenditures		4,957,275	4,957,275	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
425	Bond refunding	-	-	-
433	Maximum effort loan aid	-	-	-
451	QZAB payments	-	-	-
Restricted:				
464	Restricted fund balance	1,250,344	1,250,345	(1)
Unassigned:				
463	Unassigned fund balance	-	-	-
08 Trust Fund				
Total revenue		$ 5,719	$ 5,718	$ 1
Total expenditures		2,993	2,993	-
Restricted/reserved:				
419	Encumbrances	-	-	-
Unrestricted/reserved:				
422	Net Position	51,238	51,237	1
20 Internal Service Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Net Position	-	-	-
25 OPEB Revocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Net Position	-	-	-
45 OPEB Irrevocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Net Position	-	-	-
47 OPEB Debt Service				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted:				
425	Bond refundings	-	-	-
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	-	-	-

Independent School District No. 47
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Grant Name	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	$ 203,056
School Breakfast	10.553	204,843
Special Milk	10.556	617
National School Lunch	10.555	749,502
Total Child Nutrition Cluster and U.S. Department of Agriculture		1,158,018
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	420,909
Title IV, Part A - Safe Drug Free Schools	84.186	4,856
Title II, Part A - Improving Teacher Quality	84.367	76,643
Through Benton-Stearns Education District		
Special Education Cluster		
Special Education	84.027	543,749
Early Childhood Special Education	84.173	24,152
Total Special Education Cluster		567,901
Through Wright Technical Center		
Carl Perkins	84.048a	31,562
Total U.S. Department of Education		1,101,871
Corporation for National and Community Service		
Through Initiative Foundation		
Social Innovation Fund	94.019	132,324
Total Federal Expenditures		$ 2,392,213

See notes to Schedule of Expenditures of Federal Awards.

Independent School District No. 47
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate.

(THIS PAGE LEFT BLANK INTENTIONALLY)

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*

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ending June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 10, 2019.

Internal Control over Financial Reporting

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

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 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 were not identified . Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance that we consider to be a significant deficiency, Audit Finding 2019-001.

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

District's Response to the Findings
The District's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2019

Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on Compliance for Each Major Federal Program
We have audited Independent School District No. 47's, Sauk Rapids, Minnesota, 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, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs, in Accordance with the Uniform Guidance.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on 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 of 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the compliance of Independent School District No. 47.

Opinion on Each Major Federal Program
In our opinion, Independent School District No. 47 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, 2019.

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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. However, material weaknesses may exist that were not identified.

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2019

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes, Audit Finding 2019-001
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No.:	10.553, 10.555, and 10.556
Name of Federal Program or Cluster:	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDING:

Audit Finding 2019-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. <u>Explanation of Disagreement with Audit Finding</u>
   There is no disagreement with the audit finding.

2. <u>Actions Planned in Response to Finding</u>
   Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop practices that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named as well as information on how the control added will potentially reduce risk of possible misstatement in the financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.

SECTION II – FINANCIAL STATEMENT FINDING (CONTINUED):

Audit Finding 2019-001 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (Continued)

3. Official Responsible for Ensuring CAP
   Aaron Sinclair, Superintendent, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is ongoing.

5. Plan to Monitor Completion of CAP
   The School Board will be responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

There were no findings or questioned costs.

(THIS PAGE LEFT BLANK INTENTIONALLY)

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2019, and the related notes to financial statements, and have issued our report thereon dated October 9, 2019.

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

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

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

BerganKDV, Ltd.

St. Cloud, Minnesota
October 10, 2019