Financial Statements
June 30, 2019

Independent School District No. 22
Detroit Lakes Public Schools

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School Board

Name	Position	Term Expires
Amy Erickson	Chairperson	2020
John Steffl	Vice Chairperson	2020
Kylie Johnson	Clerk	2022
Jane Foltz	Treasurer	2020
Jennifer Pedersen	Director	2022
April Thomas	Director	2022

Administration

Doug Froke	Superintendent	
Ryan Tangen	Business Manager	

Independent Auditor's Report

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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. 22, Detroit Lakes Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 25, 2019 on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
November 25, 2019

This section of Detroit Lakes 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.

Financial Highlights

Key financial highlights for the 2018-2019 fiscal year include the following:

General Fund 01 – The overall revenues were $38,330,472, overall expenditures were $40,873,633, and other financing sources were $10,191, decreasing the fund balance by $2,532,970.

Food Service Fund 02 – The revenues were $1,689,480, and the expenditures were $1,673,288, increasing the fund balance by $16,192.

Community Service Fund 04 – The revenues were $1,097,624, and the expenditures were $1,071,886, increasing the fund balance by $25,738.

Capital Projects Fund 06 – The revenues were $585,372, expenditures were $5,496,744, and other financing sources were $49,997,642, increasing fund balance by $45,513,753.

Debt Service Fund 07 – The revenues were $6,963, expenditures were $109,425, and other financing sources were $4,564, decreasing fund balance by $97,898.

Overview of the Financial Statements

District-Wide Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The District has two kinds of funds:

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

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

Financial Analysis of the District as a Whole

Net Position

The District's combined net deficit was $2,510,475 as of June 30, 2019.

Statement of Net Deficit
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 73,708,605	$ 26,025,228
Capital assets	24,302,955	18,280,938
Total assets	98,011,560	44,306,166
Deferred Outflows of Resources	29,574,789	37,887,359
Liabilities		
Other liabilities	4,315,968	2,945,243
Long-term liabilities	80,953,074	72,233,532
Total liabilities	85,269,042	75,178,775
Deferred Inflows of Resources	44,827,782	15,264,231
Net Position (Deficit)		
Net investment in capital assets	(27,867,045)	17,375,588
Restricted for specific purposes	53,284,818	5,177,253
Unrestricted	(27,928,248)	(30,802,322)
Total net deficit	$ (2,510,475)	$ (8,249,481)

Statement of Revenues, Expenses and Changes in Net Deficit
June 30, 2019 and 2018

	2019	2018
Revenues		
Program revenues		
Charges for service	$ 1,389,404	$ 1,473,523
Operating grants and contributions	1,524,877	12,201,263
Capital grants and contributions	-	895,503
General		
Property taxes	4,695,584	4,608,156
Aids and payments from state and other	32,820,162	19,861,489
Miscellaneous revenues	1,290,962	952,352
Total revenues	41,720,989	39,992,286
Expenses		
Administration	2,111,182	2,415,688
District support services	1,191,108	1,290,897
Regular instruction	8,480,970	20,673,398
Vocational instruction	724,470	763,857
Special education instruction	8,624,944	9,613,377
Community education and services	1,076,836	1,105,017
Instructional support services	1,795,644	2,545,885
Pupil support services	6,279,345	5,835,603
Sites and buildings	4,664,751	3,602,970
Fiscal and other fixed-cost programs	1,032,733	192,065
Total expenses	35,981,983	48,038,757
Change in Net Deficit	5,739,006	(8,046,471)
Net Deficit - Beginning	(8,249,481)	(203,010)
Net Deficit - Ending	$ (2,510,475)	$ (8,249,481)

Changes in Net Deficit – The District's total revenues were $41,720,989 for the year ended June 30, 2019. Property taxes and state formula aid accounted for 90% of total revenue for the year. Another 10% came from other program revenues and miscellaneous revenues.

The total cost of all programs and services was $35,981,983. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 6% of total costs.

The total revenues exceeded expenses, reducing the net deficit by $5,739,006 for fiscal year 2019.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2019	2018	(Decrease)	(Decrease)
Local property taxes	$ 4,484,659	$ 4,410,061	$ 74,598	1.7%
Other local sources	1,081,031	1,088,926	(7,895)	-0.7%
State sources	31,433,992	30,123,997	1,309,995	4.3%
Federal sources	1,329,443	1,330,704	(1,261)	-0.1%
Miscellaneous	11,538	88,441	(76,903)	-87.0%
Total General Fund revenues	$ 38,340,663	$ 37,042,129	$ 1,298,534	3.5%

Total General Fund revenue increased by $1,298,534 or 3.5% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase	Percent Increase
	2019	2018	(Decrease)	(Decrease)
Salaries and benefits	$ 29,376,699	$ 28,034,613	$ 1,342,086	4.8%
Purchased services	5,119,555	4,861,634	257,921	5.3%
Supplies and materials	1,250,741	1,083,733	167,008	15.4%
Capital expenditures	3,811,150	1,799,923	2,011,227	111.7%
Other expenditures	1,315,488	151,781	1,163,707	766.7%
Total General Fund expenditures	$ 40,873,633	$ 35,931,684	$ 4,941,949	13.8%

Total General Fund expenditures increased by $4,941,949 or 13.8% from the previous year. The overall increase in the current fiscal year resulted to salary and benefit increases, additional capital expenses related to the Roosevelt, Rossman, Middle School, and High School renovations, and other expense increases related to the TRA/PERA Special Funding expense related to GASB 68.

General Fund Budgetary Highlights

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

- Actual revenues were $1,149,710 *more than* budget. This included the Revenue/Expenditure neutral budget difference for the pension amount of $1,308,995 in the State source line. After backing this out, the actual revenue was less than budgeted revenue by $243,457, which primarily relates to budgeting for more Medical Assistance revenue based on the prior year rate adjustment.

- Actual expenditures were $2,278,759 *more than* budget. This included the Revenue/Expenditure neutral budget difference for the pension amount of $1,308,995 in the regular instruction line. After backing this out, the actual expenses were more than budgeted expenses by $969,764, which primarily relates to amounts paid out to qualifying individuals for the Health Care Savings Plan (HCSP) that was not budgeted for.

Capital Projects Fund

The Capital Projects Fund revenues were $585,372 and expenditures were $5,496,744. Other financing sources totaled $50,425,125. Fund balance increased by approximately $45,513,753 as revenues and other financing sources exceeded expenditures. The increase is a result of issuing the 2019A General Obligation School Building Bond to finance various school construction projects.

Debt Service Fund

The Debt Service Fund revenues were $6,963, and expenditures were $109,425. Other financing sources totaled $4,564. Fund balance decreased by $97,898 as expenditures exceeded revenues and other financing sources. The decrease is a result of payments towards bond interest made before the debt service levy revenue is recognized.

Other Non-Major Funds

The Food Service Fund incurred an increase in the fund balance of $16,192. The increase is a result of more student meals served. The Community Service Fund incurred an increase in the fund balance of $25,738. The increase is due an increase in enrollment and tuition for School Readiness.

Capital Assets and Debt Administration

Capital Assets

By the end of 2019, the District had invested approximately $44.9 million in a broad range of capital assets, including school buildings, athletic facilities, school vehicles, and computer and audio-visual equipment. Total depreciation expense for the year was $1,010,208. Note 4 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2019 and 2018

	2019	2018
Land	$ 557,909	$ 557,909
Construction in progress	3,609,842	1,257,525
Buildings	30,767,315	28,418,299
Improvements	5,273,403	3,000,852
Vehicles	966,512	957,027
Equipment	3,771,233	4,340,729
Accumulated Depreciation	(20,643,259)	(20,251,403)
Total capital assets	$ 24,302,955	$ 18,280,938

Long-Term Debt

At year end the District had $55,375,861 of long term debt consisting of bonded indebtedness of $55,181,477, and vacation payable of $194,384. Note 6 presents the detail of the District's long-term debt.

The District has $23,779,913 in net pension liability at June 30, 2019. See Note 8 for further information.

The District has $1,797,300 in net OPEB liability at June 30, 2019. See Note 5 for further information.

Factors Bearing on the District's Future

Minnesota school districts are paid based on pupil units served. The District has experienced consistent moderate increased enrollment. The District was diligent in predicting, monitoring, and controlling expenditures. The District has implemented Local Optional Revenue and in turn does not have a voter approved referendum in place. The District has adequately funded its financial obligation to pay postemployment benefits. In addition, the District continues to secure new sources of revenue through grants and other revenue opportunities as well as enhance current revenue streams.

With the exception of building bond issues, the District is primarily dependent on the State of Minnesota and federal sources for its revenue authority.

Factors Bearing on the District's Future (continued)

Even though there was a slight decrease in enrollment from 2016-17 to 2017-18 and from 2017-18 to 2018-19, the enrollment projection stabilizes in 2019-20 and we project enrollment to continue to increase moderately for the District for the foreseeable future. Due to increasing enrollment over the past several years, the District is suffering significant space issues in its elementary and high schools. A voter approved building project was started in 2019 and will continue into 2021 to address space needs, student safety, and accommodate changing education philosophy.

While the District's current financial position remains strong, the District will be required to continue to monitor revenue and expenditure budgets. Due to the unpredictable nature of the State of Minnesota's financial position, the financial woes of the Federal Government, inflationary increases in materials and equipment along with rising labor and benefit costs, sustaining the solid financial position of the District will be a challenge. Accordingly, the District continues to utilize a decentralized program based budgeting process. This process has been successful in the past and will efficiently allocate resources according to District priorities. The District will strive to maintain its long standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the Business Manager at: District Office, Independent School District No. 22, 702 Lake Avenue, Detroit Lakes, Minnesota 56501.

Statement of Net Deficit
June 30, 2019

Assets		
Cash and investments	$	64,732,068
Receivables		
Current property taxes		4,169,462
Delinquent property taxes		48,294
Accounts		64,187
Due from other governmental units		4,087,124
Interest		468,444
Prepaid items		48,233
Inventory		90,793
		73,708,605
Capital assets		
Non-depreciable		
Land		557,909
Construction in progress		3,609,842
Depreciable		
Buildings		30,767,315
Improvements		5,273,403
Vehicles		966,512
Equipment		3,771,233
Less accumulated depreciation		(20,643,259)
Total capital assets, net of depreciation		24,302,955
Total assets		98,011,560
Deferred Outflows of Resources		
Other postemployments benefits		147,071
Pension plans		29,427,718
Total deferred outflows of resources		29,574,789
Liabilities		
Due to other governmental units		50,801
Accounts payable		2,697,623
Salaries payable		668,691
Accrued interest payable		851,055
Unearned revenue		47,798
Long-term liabilities		
Due within one year - bonds, premiums, capital leases, and vacation pay		2,108,631
Due in more than one year - bonds, premiums, capital leases, severance, and vacation pay		53,267,230
Due in more than one year - other postemployment benefits		1,797,300
Due in more than one year - net pension liability		23,779,913
Total liabilities		85,269,042
Deferred Inflows of Resources		
Unavailable revenue-property taxes		8,453,251
Pension plans		36,374,531
Total deferred inflows of resources		44,827,782
Net Position (Deficit)		
Net investment in capital assets		(27,867,045)
Restricted for specific purposes		53,284,818
Unrestricted		(27,928,248)
Total net deficit	$	(2,510,475)

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Administration	$ 2,111,182	$ 60,995	$ 6,661	$ (2,043,526)
District support services	1,191,108	7,100	-	(1,184,008)
Regular instruction	8,480,970	293,055	-	(8,187,915)
Vocational instruction	724,470	-	1,009	(723,461)
Special education instruction	8,624,944	-	-	(8,624,944)
Community education and services	1,076,836	432,260	409,191	(235,385)
Instructional support services	1,795,644	25,485	999	(1,769,160)
Pupil support services	6,279,345	570,509	1,107,017	(4,601,819)
Sites and buildings	4,664,751	-	-	(4,664,751)
Fiscal and other fixed-cost programs	1,032,733	-	-	(1,032,733)
Total governmental activities	$ 35,981,983	$ 1,389,404	$ 1,524,877	(33,067,702)
General Revenues				
Property taxes, levied for general purposes				4,485,427
Property taxes, levied for community education and services				209,694
Property taxes, levied for debt service				463
Aids and payments from the federal government				1,329,443
Aids and payments from the state				31,425,733
County apportionment				64,986
Unrestricted investment earnings				834,150
Loss on disposal of property and equipment				10,310
Miscellaneous revenues				446,502
Total general revenues				38,806,708
Changes in Net Deficit				5,739,006
Net Deficit - Beginning				(8,249,481)
Net Deficit - Ending				$ (2,510,475)

Governmental Funds
Balance Sheet
June 30, 2019

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 10,346,597	$ 2,183,288	$ 51,046,344	$ 1,155,839	$ 64,732,068
Receivables					
Current property taxes	2,136,264	1,930,696	-	102,502	4,169,462
Delinquent property taxes	44,850	1,133	-	2,311	48,294
Accounts	22,610	-	-	41,577	64,187
Due from other governmental units	4,043,757	-	-	43,367	4,087,124
Interest	5,361	-	463,083	-	468,444
Prepaid items	48,233	-	-	-	48,233
Inventories	48,635	-	-	42,158	90,793
Total assets	$ 16,696,307	$ 4,115,117	$ 51,509,427	$ 1,387,754	$ 73,708,605
Liabilities					
Due to other governmental units	$ 48,102	$ -	$ -	$ 2,699	$ 50,801
Accounts payable	562,894	476	2,085,095	49,158	2,697,623
Salaries payable	642,774	-	-	25,917	668,691
Unearned revenue	92,649	-	-	-	92,649
Total liabilities	1,346,419	476	2,085,095	77,774	3,509,764
Deferred Inflows of Resources					
Unavailable revenue-property taxes	4,231,321	4,004,622	-	220,751	8,456,694
Fund Balance					
Nonspendable	96,868	-	-	42,158	139,026
Restricted	3,556,141	110,019	49,424,332	1,047,692	54,138,184
Committed	2,674,249	-	-	-	2,674,249
Assigned	2,333,837	-	-	-	2,333,837
Unassigned	2,457,472	-	-	(621)	2,456,851
Total fund balance	11,118,567	110,019	49,424,332	1,089,229	61,742,147
Total liabilities, deferred inflows of resources, and fund balance	$ 16,696,307	$ 4,115,117	$ 51,509,427	$ 1,387,754	$ 73,708,605

Total Fund Balances - Governmental Funds	$ 61,742,147
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	24,302,955
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(851,055)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	48,294
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(194,384)
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(6,799,742)
Long-term liabilities, including bonds payable, net pension liability, and capital lease payable, pension-related retirement benefits, other post-employement benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(80,758,690)
Total Net Deficit - Governmental Activities	$ (2,510,475)

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	General	Debt Service	Capital Projects	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 4,484,659	$ 463	$ -	$ 209,694	$ 4,694,816
Other local and county sources	1,081,031	6,500	585,372	489,068	2,161,971
State sources	31,433,992	-	-	509,692	31,943,684
Federal sources	1,329,443	-	-	816,070	2,145,513
Sales and other conversion of assets	-	-	-	762,580	762,580
Miscellaneous	1,347	-	-	-	1,347
Total revenues	38,330,472	6,963	585,372	2,787,104	41,709,911
Expenditures					
Administration	2,123,153	-	-	-	2,123,153
District support services	1,187,733	-	-	-	1,187,733
Regular instruction	16,440,242	-	-	-	16,440,242
Vocational instruction	662,478	-	-	-	662,478
Special education instruction	8,553,876	-	-	-	8,553,876
Community education and service	-	-	-	1,071,886	1,071,886
Instructional support services	1,862,139	-	-	-	1,862,139
Pupil support services	4,198,233	-	-	1,673,288	5,871,521
Sites and buildings	5,746,176	-	5,496,744	-	11,242,920
Fiscal and other fixed cost programs	99,603	109,425	-	-	209,028
Total expenditures	40,873,633	109,425	5,496,744	2,745,174	49,224,976
Excess (Deficiency) of Revenues over (under) Expenditures	(2,543,161)	(102,462)	(4,911,372)	41,930	(7,515,065)
Other Financing Sources					
Sale of property and equipment	10,191	-	-	119	10,310
Bond proceeds	-	4,564	47,440,436	-	47,445,000
Premium on bond issuance	-	-	2,984,689	-	2,984,689
Total other financing sources	10,191	4,564	50,425,125	119	50,439,999
Net Change in Fund Balance	(2,532,970)	(97,898)	45,513,753	42,049	42,924,934
Fund Balance, Beginning of Year	13,651,537	207,917	3,910,579	1,047,180	18,817,213
Fund Balance, End of Year	$ 11,118,567	$ 110,019	$ 49,424,332	$ 1,089,229	$ 61,742,147

Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Year Ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	$ 42,924,934
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and net disposals in the current period.	6,022,017
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	768
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	20,632
In the statement of activities OPEB liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(31,568)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	7,995,376
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(51,193,153)
Change in Net Deficit of Governmental Activities	$ 5,739,006

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 4,506,427	$ 4,506,427	$ 4,484,659	$ (21,768)
Other local and county sources	1,769,462	1,374,237	1,081,031	(293,206)
State sources	30,695,191	29,918,385	31,433,992	1,515,607
Federal sources	1,246,018	1,380,213	1,329,443	(50,770)
Miscellaneous	10,426	1,500	1,347	(153)
Total revenues	38,227,524	37,180,762	38,330,472	1,149,710
Expenditures				
Administration	2,132,139	2,071,982	2,123,153	(51,171)
District support services	1,254,835	1,131,834	1,187,733	(55,899)
Regular instruction	15,133,390	14,851,549	16,440,242	(1,588,693)
Vocational instruction	639,980	604,181	662,478	(58,297)
Special education instruction	8,632,585	8,271,491	8,553,876	(282,385)
Instructional support services	1,971,862	1,825,164	1,862,139	(36,975)
Pupil support services	4,027,752	4,110,988	4,198,233	(87,245)
Sites and buildings	2,975,950	5,636,836	5,746,176	(109,340)
Fiscal and other fixed cost programs	102,940	90,849	99,603	(8,754)
Total expenditures	36,871,433	38,594,874	40,873,633	(2,278,759)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,356,091	(1,414,112)	(2,543,161)	(1,129,049)
Other Financing Sources				
Sale of property and equipment	-	-	10,191	10,191
Net Change in Fund Balance	$ 1,356,091	$ (1,414,112)	(2,532,970)	$ (1,118,858)
Fund Balance, Beginning of Year			13,651,537	
Fund Balance, End of Year			$ 11,118,567	

Fiduciary Fund
Statement of Net Position
June 30, 2019

	Agency Funds	
	Student Activity	Flex Plans
Assets		
Cash and investments	$ 237,967	$ 116,403
Liabilities and Net Position		
Liabilities		
Due to other organizations	$ 237,967	$ 116,403

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

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 22, Detroit Lakes Public Schools, Detroit Lakes, Minnesota, (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

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

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

C. District-Wide Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

D. Fund Financial Statement Presentation

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

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

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

<u>Revenue Recognition</u> – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Description of Funds

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

Major Governmental Funds

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

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

Capital Projects Fund – The building construction fund is used to account for construction projects within the District.

Nonmajor Governmental Funds

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

Community Service Fund – The community service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, extended day programs, or other similar services.

Fiduciary Funds

Agency Funds – The District maintains two agency funds. The Student Activities agency fund is used to account for the extracurricular student activities, not under board control. The Flex Plan agency fund is used to account for resources received and held by the District in a trustee capacity to be used by the District employees for their flex account. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

E. Other Significant Accounting Policies

Budgeting

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

Cash and Investments

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

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

Restricted Cash and Cash Equivalents

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

Receivables

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

Prepaid Items

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

Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2019 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of $10,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the district-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

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

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

Long-Term Obligations

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

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

Compensated Absences

The District compensates substantially all full-time employees upon termination of employment for unused vacation up to a maximum.

Substantially all employees are entitled to sick leave. Noncertified employees are not compensated for unused sick leave upon a qualified termination of employment. Certified employees are compensated for unused sick leave upon termination of employment, in conjunction with severance pay. Sick leave pay is shown as an expenditure in the year paid in the governmental funds.

Post-Employment Severance and Health Benefits

Full-time teachers are eligible for either a lump sum stipend or participation in an employer matching 403(b) plan. Teachers hired before July 1, 1987, who have 20 or more years of experience in the District as of July 1, 2000, and those hired before July 1, 1987, with less than 20 years' experience who have opted for the first choice, will receive a lump sum stipend based upon unused sick leave. Teachers hired after July 1, 1987, and those hired before July 1, 1987, with less than 20 years' experience who opted for the second retirement plan, will participate in an employer matching 403(b) plan.

Administrators hired before July 1, 1998, who are at least 55 years of age, have 15 years of continuous service in Minnesota and have rendered a minimum of 10 years of service to the District are eligible for severance pay based upon unused sick leave and years of service or an employer matching 403(b) plan.

Administrators hired on or after July 1, 1998, have the option to participate in an employer matching 403(b) program after one year of service in the District.

Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 8.

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.

Unearned Revenue

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the contributions made to pension plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the district-wide statement of net position.

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

Net Position

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

Fund Balance

The following classifications describe the relative strength of spending constraints:

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

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

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

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

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

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

The School Board will endeavor to maintain a minimum unassigned General Fund balance of 30% of the annual budget.

Risk Management

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

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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Deposits

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

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

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

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

At June 30, 2019, all deposits were insured or collateralized by securities held by the Districts' agent in the District's name.

Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District had no such investments during the year or at year end.

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

Interest Rate Risk is the risk that market value of securities will fall due to the changes in market interest rates. The District's investment policy states the District should manage their interest rates in a manner to attain a market rate of return through various economic and budget cycles and taking into account constraints on risk and cash flow requirements.

Credit Risk 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 to those in the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires their investments be rated as required by *Minnesota Statutes* 118A.04.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities.

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 does not address custodial credit risk for investments.

The following table presents the District's deposit and investment balances at June 30, 2019:

		Investment Maturities (in Years)		
Type	Fair Value	N/A	< 1	1 - 5
Cash and investments				
Minnesota School District Liquid Asset Fund	$ 57,031,409	$ 57,031,409	$ -	$ -
Deposits	1,367,925	1,367,925	-	-
Money market	5,202,614	5,202,614	-	-
Certificates of deposit	1,484,490	-	994,490	490,000
	$ 65,086,438	$ 63,601,948	$ 994,490	$ 490,000

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

Cash and Investments - Statement of Net Deficit	$ 64,732,068
Cash and Investments - Statement of Fiduciary Net Position	354,370
	$ 65,086,438

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2019, include:

Fund	Federal	State	Other	Total
Major funds				
General	1,015,214	3,007,782	20,761	$ 4,043,757
Non-major funds	9,119	34,228	20	43,367
	$ 1,024,333	$ 3,042,010	$ 20,781	$ 4,087,124

Note 4 - Capital Assets

Capital asset activity for the year ended June 30, 2019 is a follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	$ 557,909	$ -	$ -	$ 557,909
Construction in progress	1,257,525	3,609,842	1,257,525	3,609,842
Total capital assets, not being depreciated	1,815,434	3,609,842	1,257,525	4,167,751
Capital assets being depreciated:				
Buildings	28,418,299	2,422,266	73,250	30,767,315
Improvements	3,000,852	2,423,877	151,326	5,273,403
Vehicles	957,027	78,900	69,415	966,512
Equipment	4,340,729	23,156	592,652	3,771,233
Total capital assets being depreciated	36,716,907	4,948,199	886,643	40,778,463
Less accumulated depreciation for:				
Buildings	16,283,551	550,427	29,220	16,804,758
Improvements	1,329,527	203,814	108,248	1,425,093
Vehicles	631,006	42,040	69,415	603,631
Equipment	2,007,319	213,927	411,469	1,809,777
Total accumulated depreciation	20,251,403	1,010,208	618,352	20,643,259
Net capital assets, depreciated	16,465,504	3,937,991	268,291	20,135,204
Total capital assets, net	$ 18,280,938	$ 7,547,833	$ 1,525,816	$ 24,302,955

Depreciation expense for the year ended June 30, 2019 was charged to the following functions/programs:

District support services	$ 2,598
Regular instruction	13,717
Vocational instruction	2,187
Special education instruction	12,524
Instructional support services	2,294
Pupil support services	46,562
Sites and buildings	930,326
Total depreciation expense	$ 1,010,208

Construction in progress is for multiple District projects, including: the Roosevelt renovation and addition, Rossman addition, Middle School renovation, and High School renovation and additions. These projects are anticipated to be completed over the course of fiscal year 2020.

Note 5 - Other Postemployment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This is a single-employer defined benefit plan and covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $516 and $588 for single and $1,377 and $1,484 for family coverage, for Teachers and Non-Teachers, respectively. The implicit rate subsidy is only until Medicare eligibility. There are subsidized medical benefits for administrator, principals who are age 55 and have 10 years of service. These benefits cover eligible individuals hired by July 1, 2008. $11,500 is paid to the Health Care Savings Plan (HCSP) for three principals and one administrator. There are no subsidized post-employment dental or life insurance benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	320
	339

D. Net OPEB Liability

The District's net OPEB liability of $1,797,300 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017.

E. Actuarial Assumptions and Other Inputs

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

Inflation	2.50 percent	
Salary increases	3.00 percent	
Healthcare cost trend rates	6.25 percent for 2018 grading to 5.00% over 5 years	
Retiree plan participation	Future retirees electing coverage:	
	-Pre-65 subsidy available	100%
	-Pre-65 subsidy not available	50%
Percent of married retirees electing spouse coverage	15%	

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

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

F. Changes in the Net OPEB Liability

Balance at June 30, 2018	$ 1,783,627
Changes from the Prior Year:	
Service Cost	116,805
Interest Cost	61,834
Benefit Payments	(164,966)
Net Change	13,673
Balance at June 30, 2019	$ 1,797,300

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.40%	3.40%	4.40%
Net OPEB Liability	$ 1,906,635	$ 1,797,300	$ 1,692,558

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.25% decreasing to 4% over 5 years	6.25% decreasing to 5% over 5 years	7.25% decreasing to 6% over 5 years
Net OPEB Liability	$ 2,796,123	$ 1,797,300	$ 4,219,164

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

For the year ended June 30, 2019, the District recognized OPEB expense of $178,639. At June 30, 2019, 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
Employer contributions made after the measurement date	$ 147,071	$ -

$147,071 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020.

Note 6 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds payable	$ 4,725,000	$ 47,445,000	$ -	$ 52,170,000	$ 1,775,000
Unamortized premium on bond issuance	90,929	2,984,689	64,141	3,011,477	153,938
Compensated absences and severance benefits payable	215,016	89,894	110,526	194,384	179,693
	$ 5,030,945	$ 50,519,583	$ 174,667	$ 55,375,861	$ 2,108,631

Following is a summary of bonds payable as of June 30, 2019:

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation Abatement Bonds Series 2018A	2/33	3.00%	$ 4,725,000	$ 4,725,000
General Obligation School Building Bonds, Series 2019A	2/39	3.00% - 5.00%	47,445,000	47,445,000
				$ 52,170,000

During 2019, the District issued $47,445,000 in General Obligation School Building Bonds, Series 2019A to finance various building improvement construction projects. The bonds call for semiannual interest payments with rates of 3.00 – 5.00% commencing in 2019 and annual principal payments commencing in 2021, with final maturity in 2039. Bond principal and interest payments are made by the debt service fund.

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

Years Ending June 30,	Bonds Payable Principal	Bonds Payable Interest
2020	$ 1,775,000	$ 2,037,282
2021	1,650,000	1,948,781
2022	1,730,000	1,871,981
2023	1,955,000	1,791,381
2024	2,045,000	1,699,731
2025-2029	11,755,000	6,963,156
2030-2034	14,335,000	4,364,656
2035-2039	16,925,000	1,786,731
	$ 52,170,000	$ 22,463,699

Note 7 - Fund Balance

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

The following is a summary of fund balances as of June 30, 2019:

	General	Debt Service	Capital Projects	Other Government Funds	Totals
Nonspendable					
Prepaid items	$ 48,233	$ -	$ -	$ -	$ 48,233
Inventories	48,635	-	-	42,158	90,793
Total nonspendable	96,868	-	-	42,158	139,026
Restricted					
Staff development	744,595	-	-	-	744,595
Operating capital	1,053,827	-	-	-	1,053,827
Gifted & talented	27,003	-	-	-	27,003
Safe school - crime levy	72,360	-	-	-	72,360
Medical assistance	1,658,356	-	-	-	1,658,356
Building construction	-		49,424,332	-	49,424,332
Debt service	-	110,019	-	-	110,019
Food service	-	-	-	639,407	639,407
Community education	-	-	-	165,981	165,981
Early childhood and family education	-	-	-	28,377	28,377
School readiness	-	-	-	213,927	213,927
Total restricted	3,556,141	110,019	49,424,332	1,047,692	54,138,184
Committed					
Separation/retirement benefit	2,674,249	-	-	-	2,674,249
Assigned					
Construction	2,333,837	-	-	-	2,333,837
Total assigned	2,333,837	-	-	-	2,333,837
Unassigned	2,457,472	-	-	(621)	2,456,851
Total fund balance	$ 11,118,567	$ 110,019	$ 49,424,332	$ 1,089,229	$ 61,742,147

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

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	$ 48,233	$ -	$ 48,233
Inventories	90,793	-	90,793
Total nonspendable	139,026	-	139,026
Restricted			
Staff development	744,595	-	744,595
Operating capital	1,053,827	-	1,053,827
Gifted & talented	27,003	-	27,003
Safe school - crime levy	72,360	-	72,360
LT facilities maintenance	-	(2,936,032)	(2,936,032)
Medical assistance	1,658,356	-	1,658,356
Building construction	49,424,332	-	49,424,332
Debt service	110,019	-	110,019
Food service	639,407	-	639,407
Community education	165,981	-	165,981
Early childhood and family education	28,377	-	28,377
School readiness	213,927	-	213,927
Total restricted	54,138,184	(2,936,032)	51,202,152
Committed			
Separation/retirement benefits	2,674,249	-	2,674,249
Assigned			
Health insurance and affordable care act	2,333,837	-	2,333,837
Total assigned	2,333,837	-	2,333,837
Unassigned	2,456,851	2,936,032	5,392,883
Total fund balance	$ 61,742,147	$ -	$ 61,742,147

Note 8 - Defined Benefit Pension Plans

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

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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

All full-time and certain part-time employees of the District, other than teachers, are covered by General Employees 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. Benefits 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.

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 accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan benefit recipients receive a future annual 1.0 percent increase. If the General Employees Plan is at least 90 percent funded for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contribution Rate

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $-. The District's contributions were equal to the required contributions for the year as set by state statute.

D. Pension Costs

At June 30, 2019, the District reported a liability of $4,321,573 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 $141,834. 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 proportionate share 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. The District's proportionate share was 0.0779% at the end of the measurement period and 0.0806% for the beginning of the period.

District's proportionate share of net pension liability	$ 4,321,573
State of Minnesota's proportionate share of the net pension liability associated with the District	141,834
Total	$ 4,463,407

For the year ended June 30, 2019, the District recognized pension expense of $207,532 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $33,075 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.

At June 30, 2019, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 118,172	$ 126,203
Changes in actuarial assumptions	413,350	497,095
Net collective difference between projected and actual investment earnings	-	460,016
Changes in proportion	105,553	159,075
Contributions paid to PERA subsequent to the measurement date	418,684	-
Total	$ 1,055,759	$ 1,242,389

The $418,684 reported as deferred outflows of resources related to pensions resulting from the District's 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 120,894
2021	(234,942)
2022	(401,067)
2023	(90,199)

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% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans 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 percent per year for the General Employees Plan.

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 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, 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 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, 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.

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	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
	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 of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	$ 7,023,109
Current Discount Rate	7.50%	$ 4,321,573
1% Higher	8.50%	$ 2,091,532

H. Pension Plan Fiduciary Net Position

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

Teachers Retirement Association (TRA)

A. Plan Descriptions

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

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers employed by St. Paul 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 I Benefits

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

With these provisions:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. 3 percent per year early retirement reduction factor for all years under normal retirement age.
3. Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

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

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 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	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	$ 378,728
Add 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.

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 10 years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	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 projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2017 valuation

- The 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% in 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 June 30, 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 is 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 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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).

F. Net Pension Liability

At June 30, 2019, the District reported a liability of $19,458,340 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 0.3098% at the end of the measurement period and 0.3029% 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	$ 19,458,340
State's proportionate share of the net pension liability associated with the district	$ 1,828,135

For the year ended June 30, 2019, the District recognized pension revenue of $13,079,639. It also recognized $1,275,920 as a decrease to pension expense for the support provided by direct aid.

At June 30, 2019, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 6,119	$ 384,602
Changes in actuarial assumptions	23,255,746	33,022,384
Difference between projected and actual investment earnings	-	1,640,581
Change in proportion and differences between contributions made and District's proportionate share of contributions	3,766,727	84,577
District's contributions to TRA subsequent to the measurement date	1,343,367	-
Total	$ 28,371,959	$ 35,132,144

$1,343,367 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 1,858,788
2021	1,356,805
2022	251,468
2023	(6,541,898)
2024	(5,028,715)

G. Net Pension Liability

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as the liability measured using one percent lower and one percent higher:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 30,880,306	$ 19,458,340	$ 10,035,293

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

H. Pension Plan Fiduciary Net Position

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

Note 9 - Flexible Benefit Plan

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

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

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

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

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

Note 10 - Employee Benefit Plan 403(b)

All teachers are eligible to participate in the matching 403(b) program. The maximum amount of the Elective Deferral under the Plan for any calendar year shall not exceed the lesser of (a) $18,500 or (b) the Participant's Includible Compensation. Includible Compensation means an Employee's actual wages in box 1 of Form W-2 for a year for services to the employer, but subject to a maximum of $230,000 (or such higher maximum as may apply under Section 401(a)(17) of the Code and increased (up to the dollar maximum) by an compensation reduction election under Section 125, 132(f), 401(k), 403(b) or 457(b) of the Code. The amount of Includible Compensation is determined without regard to any community property laws. Employer contributions for the years ending June 30, 2019 and June 30, 2018 totaled $113,288 and $107,202, respectively.

Note 11 - Commitments and Contingencies

Federal Revenue

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

Contingencies

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

Commitment

The District had commitments during the year ended June 30, 2019 for the following projects: Roosevelt renovation and addition; Rossman addition, Middle School renovation, and High School renovation and additions. The total amount of these contracts committed as of June 30, 2019 is $22,168,005 with the work completed on these projects as of year ended June 30, 2019 totaling $3,609,842, leaving construction commitments at year end totaling $18,558,163.

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was $278,379.

The following is a summary of future operating lease payments:

Years Ending June 30,	Payment
2020	$ 193,261
2021	40,826
2022	41,496
2023	42,170
2024	39,810
Therafter	7,493
	$ 365,056

Note 12 - Stewardship, Compliance, and Accountability

Budget control for the general fund is established by its total appropriations. The General Fund has expenditures exceeding appropriations in the amount of $2,278,759 for the year ended June 30, 2019. These over expenditures were funded by existing fund balance.

Note 13 - Issued But Non-Effective Accounting Pronouncements

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

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

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

As a result of implementing GASB Statement No. 84, management expects assets of $237,967 currently reported within the Student Activities Agency Fund will be reported within the General Fund beginning July 1, 2019. Management has not yet determined the effect GASB Statements No. 87 and 89 will have on the District's financial statement.

Required Supplementary Information
June 30, 2019

Independent School District No. 22
Detroit Lakes Public Schools

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

	2019	2018
Service cost	$ 116,805	$ 113,403
Interest	61,834	61,615
Benefit payments	(164,966)	(178,919)
Net change in total OPEB liability	13,673	(3,901)
Total OPEB liability - beginning	1,783,627	1,787,528
Total OPEB liability - ending	$ 1,797,300	$ 1,783,627
Covered-employee payroll	$18,238,706	$17,707,482
District's net OPEB liability as a percentage of covered-employee payroll	9.85%	10.07%

*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph .101 of GASB Statement No. 75.

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

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered-Employee Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2018	0.0779%	$ 4,321,573	$ 141,834	$ 4,463,407	$ 5,372,293	80.4%	79.5%
PERA	6/30/2017	0.0806%	$ 5,145,451	$ 64,700	$ 5,210,151	$ 5,192,453	99.1%	75.9%
PERA	6/30/2016	0.0780%	$ 6,333,213	$ 82,695	$ 6,415,908	$ 4,837,587	130.9%	68.9%
PERA	6/30/2015	0.0803%	$ 4,161,563	N/A	$ 4,161,563	$ 4,638,933	89.7%	78.2%
PERA	6/30/2014	0.0841%	$ 3,950,597	N/A	$ 3,950,597	$ 4,416,303	89.5%	78.8%
TRA	6/30/2018	0.3098%	$ 19,458,340	$ 1,828,135	$ 21,286,475	$ 17,178,227	113.3%	78.1%
TRA	6/30/2017	0.3029%	$ 68,464,335	$ 5,845,239	$ 74,309,574	$ 16,308,080	419.8%	51.6%
TRA	6/30/2016	0.2868%	$ 68,408,643	$ 6,866,720	$ 75,275,363	$ 14,917,907	458.6%	44.9%
TRA	6/30/2015	0.2849%	$ 17,623,883	$ 2,161,428	$ 19,785,311	$ 14,457,520	121.9%	76.8%
TRA	6/30/2014	0.3018%	$ 13,906,727	$ 978,225	$ 14,884,952	$ 13,775,757	101.0%	81.5%

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

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	6/30/2019	$ 418,684	$ 418,684	$ -	$ 5,582,441	7.5%
PERA	6/30/2018	$ 402,922	$ 402,922	$ -	$ 5,372,293	7.5%
PERA	6/30/2017	$ 389,434	$ 389,434	$ -	$ 5,192,453	7.5%
PERA	6/30/2016	$ 362,819	$ 362,819	$ -	$ 4,837,587	7.5%
PERA	6/30/2015	$ 347,920	$ 347,920	$ -	$ 4,638,933	7.5%
PERA	6/30/2014	$ 320,182	$ 320,182	$ -	$ 4,416,303	7.3%
TRA	6/30/2019	$ 1,343,367	$ 1,343,367	$ -	$ 17,434,915	7.7%
TRA	6/30/2018	$ 1,288,367	$ 1,288,367	$ -	$ 17,178,227	7.5%
TRA	6/30/2017	$ 1,223,106	$ 1,223,106	$ -	$ 16,308,080	7.5%
TRA	6/30/2016	$ 1,118,843	$ 1,118,843	$ -	$ 14,917,907	7.5%
TRA	6/30/2015	$ 1,084,314	$ 1,084,314	$ -	$ 14,457,520	7.5%
TRA	6/30/2014	$ 964,303	$ 964,303	$ -	$ 13,775,757	7.0%

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

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

PERA Changes in Actuarial Assumptions:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PERA 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 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, 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 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, 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.

TRA Changes in Actuarial Assumptions

- The 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% in 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 June 30, 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 is 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.

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

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

Combining and Individual Fund Schedules
June 30, 2019

Independent School District No. 22
Detroit Lakes Public Schools

	Fund Balance (Deficit) Beginning of Year	Net Change in Fund Balance	Fund Balance (Deficit) End of Year
Nonspendable	$ 48,830	$ 48,039	96,869
Restricted for staff development	658,659	85,936	744,595
Restricted for health and safety	(28,928)	28,928	-
Restricted for operating capital	1,423,135	(369,308)	1,053,827
Restricted for gifted and talented	22,911	4,092	27,003
Restricted for safe schools	30,438	41,922	72,360
Restricted for long-term facilities maintenance	(1,618,930)	(1,317,102)	(2,936,032)
Restricted for medical assistance	1,809,202	(150,846)	1,658,356
Committed for separation/retirement benefits	3,547,151	(872,902)	2,674,249
Assigned for construction	2,333,837	-	2,333,837
Unassigned	5,425,232	(31,729)	5,393,503
	$ 13,651,537	$ (2,532,970)	$ 11,118,567

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Food Service	Community Service	Totals
Assets			
Cash and investments	$ 654,311	$ 501,528	$ 1,155,839
Receivables			
Current property taxes	-	102,502	102,502
Delinquent property taxes	-	2,311	2,311
Accounts	21,073	20,504	41,577
Due from other governmental units	2,759	40,608	43,367
Inventories	42,158	-	42,158
Total assets	$ 720,301	$ 667,453	$ 1,387,754
Liabilities			
Accounts payable	$ 30,170	$ 18,988	$ 49,158
Due to other governmental units	364	2,335	2,699
Salaries payable	8,202	17,715	25,917
Total liabilities	38,736	39,038	77,774
Deferred Inflows of Resources			
Unavailable revenue-property taxes	-	220,751	220,751
Fund Balance			
Nonspendable	42,158	-	42,158
Restricted	639,407	408,285	1,047,692
Unassigned	-	(621)	(621)
Total fund balance	681,565	407,664	1,089,229
Total liabilities, deferred inflows of resources, and fund balance	$ 720,301	$ 667,453	$ 1,387,754

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 209,694	$ 209,694
Other local and county sources	11,954	477,114	489,068
State sources	105,483	404,209	509,692
Federal sources	809,463	6,607	816,070
Sales and other conversion of assets	762,580	-	762,580
Total revenues	1,689,480	1,097,624	2,787,104
Expenditures			
Community education and service	-	1,071,886	1,071,886
Pupil support services	1,673,288	-	1,673,288
Total expenditures	1,673,288	1,071,886	2,745,174
Net Change in Fund Balance	16,192	25,738	41,930
Other Financing Sources			
Sale of property and equipment	119	-	119
Net Change in Fund Balance	16,311	25,738	42,049
Fund Balance, Beginning of Year	665,254	381,926	1,047,180
Fund Balance, End of Year	$ 681,565	$ 407,664	$ 1,089,229

Other Supplementary Information
June 30, 2019

Independent School District No. 22
Detroit Lakes Public Schools

Activity	Balance 7/1/18	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/19
MS - Energize with Exercise	$ 3,664	$ -	$ 165	$ 3,499
MS - Imagination	403	2,002	2,392	13
MS - Library Media Center	2,449	203	21	2,631
MS - Quest	1,848	-	340	1,508
MS - Spirit	341	947	1,007	281
MS - Student Council	2,242	2,197	2,357	2,082
MS - 5th Graders	291	-	91	200
MS - Red Team	786	495	829	452
MS - Blue Team	79	2,025	1,525	579
MS - White Team	621	520	950	191
MS - Team Awesome	5,227	5,490	5,336	5,381
HS - Athletic Department	22,952	87,724	86,315	24,361
HS - Interact	1,827	520	948	1,399
HS - BPA	1,985	5,431	4,658	2,758
HS - Band	12,518	12,699	16,966	8,251
HS - Baseball	1,228	979	2,188	19
HS - Boys Basketball	6,537	15,262	14,701	7,098
HS - Girls Basketball	5,293	12,790	6,826	11,257
HS - Cheerleaders	755	3,570	3,414	911
HS - Choir	37,906	10,140	15,235	32,811
HS - Cross Country	6,821	9,267	6,771	9,317
HS - Cross Country Skiing	1,411	-	-	1,411
HS - Dance	4,285	8,384	8,893	3,776
HS - FFA	14,156	27,881	34,300	7,737
HS - Football	2,475	16,245	16,831	1,889
HS - Boys Golf	2,989	7,291	4,766	5,514
HS - Girls Golf	6,146	6,390	3,620	8,916
HS - Gymnastics	6	293	-	299
HS - Boys Hockey	1,975	32,719	22,487	12,207
HS - Girls Hockey	2,194	10,928	10,799	2,323
HS - National Honor Society	1,042	1,467	2,020	489
HS - National American Club	11,634	1,643	1,074	12,203
HS - Robotics	-	11,015	3,547	7,468
HS - Prom	19,438	6,846	12,882	13,402
HS - Boys Soccer	1,657	1,695	2,055	1,297
HS - Girls Soccer	4,583	8,150	7,104	5,629
HS - Softball	549	26,089	24,688	1,950
HS - Spanish	-	286	-	286
HS - Speech	4,707	108	735	4,080
HS - Student Council	1,072	9,296	6,952	3,416

Activity	Balance 7/1/18	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/19
HS - Link Crew	1,102	1,813	2,182	733
HS - Boys Swimming	1,205	1,381	938	1,648
HS - Girls Swimming	1,884	677	1,677	884
HS - Target	1,845	503	546	1,802
HS - ALC	6,582	390	630	6,342
HS - Girls Tennis	97	-	-	97
HS - Boys Tennis	168	-	-	168
HS - Track	4,527	5,329	3,981	5,875
HS - Trapshooting	682	15,150	12,548	3,284
HS - Volleyball	4,436	17,781	16,200	6,017
HS - Wrestling	454	4,770	3,398	1,826
	$ 219,074	$ 396,781	$ 377,888	$ 237,967

Fiscal Compliance Report - 6/30/2019
District: DETROIT LAKES (22-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$38,330,472	$38,330,475	($3)
Total Expenditures	$40,873,633	$40,873,634	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$96,869	$96,869	$0
Restricted / Reserved:			
4.03 Staff Development	$744,595	$744,595	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$1,053,827	$1,053,827	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$27,003	$27,003	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$72,360	$72,360	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	($2,936,032)	($2,936,032)	$0
4.72 Medical Assistance	$1,658,356	$1,658,356	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$2,674,249	$2,674,249	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$2,333,837	$2,333,837	$0
Unassigned:			
4.22 Unassigned Fund Balance	$5,393,503	$5,393,503	$0
02 FOOD SERVICES			
Total Revenue	$1,689,480	$1,689,478	$2
Total Expenditures	$1,673,288	$1,673,285	$3
Non Spendable:			
4.60 Non Spendable Fund Balance	$42,158	$42,159	($1)
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$639,407	$639,407	$0

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$585,372	$585,372	$0
Total Expenditures	$5,496,744	$5,496,742	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$49,424,332	$49,424,333	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$6,963	$6,962	$1
Total Expenditures	$109,425	$109,425	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$110,019	$110,019	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
47 OPEB DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0

Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$1,097,624	$1,097,624	$0
Total Expenditures	$1,071,886	$1,071,889	($3)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$165,981	$165,981	$0
4.32 E.C.F.E	$28,377	$28,377	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$213,927	$213,927	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	($621)	($623)	$2

Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Child Nutrition Cluster					
Non-Cash Assistance (Commodities):					
National School Lunch Program (Commodities)	10.555	0022-01-000 FIN 701	$ 112,865		
Cash Assistance:					
School Breakfast Program	10.553	0022-01-000 FIN 705	155,666		
National School Lunch Program	10.555	0022-01-000 FIN 701	540,346		
Total Child Nutrition Cluster				$ 808,877	
Total Department of Agriculture					$ 808,877
Department of Education					
Direct					
Indian Education Grants to Local Educational Agencies	84.060	N/A		122,355	
Passed through Minnesota Department of Education					
Adult Education - Basic Grants to States	84.002	0022-01-000 FIN 438		6,608	
Title I Grants to Local Educational Agencies	84.010	0022-01-000 FIN 401		574,432	
Special Education Cluster (IDEA)					
Special Education Grants to States	84.027	0022-01-000 FIN 419	400,592		
Special Education - Coordinated Early Learning Intervening Services (CEIS)	84.027A	0022-01-000 FIN 425	84,156		
Special Education Preschool Grants	84.173	0022-01-000 FIN 420	33,818		
Total Special Education Cluster (IDEA)				518,566	
Special Education - Grants for Infants and Families	84.181	0022-01-000 FIN 412		33,737	
Supporting Effective Instruction State Grants	84.367	0022-01-000 FIN 414		87,518	
Total Department of Education					1,343,216
Total expenditures of federal awards					$ 2,152,093

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2019. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position or fund balance of the District.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

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

Note 4 - Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2019, the district had food commodities totaling $42,158 in inventory.

Additional Reports
June 30, 2019

Independent School District No. 22
Detroit Lakes Public Schools

CPAs & BUSINESS ADVISORS

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

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, 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. 22, Detroit Lakes Public Schools (The District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 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 entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 findings and questioned costs as items 2019-001, that we consider to be a significant deficiency.

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

Response to Finding
The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
November 25, 2019

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

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

Report on Compliance for Each Major Federal Program
We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance
Management of Detroit Lakes Public Schools 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 Detroit Lakes Public Schools' 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 Detroit Lakes Public Schools' internal control over compliance.

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

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

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

Eide Bailly LLP

Fargo, North Dakota
November 25, 2019

EideBailly

CPAs & BUSINESS ADVISORS

Report on Compliance over Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 22, Detroit Lakes Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2019.

Compliance

As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Findings 2019-002 and 2019-003 in the attached Schedule of Findings and Questioned Costs were noted to be in noncompliance through testing of these requirements.

Response to Findings

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

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

Eide Bailly LLP

Fargo, North Dakota
November 25, 2019

Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 22
Detroit Lakes Public Schools
Detroit Lakes, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of as of Independent School District No. 22 Detroit Lakes Public Schools as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 25, 2019.

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

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

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

Eide Bailly LLP

Fargo, North Dakota
November 25, 2019

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Child Nutrition Cluster	10.553, 10.555

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

2019-001 Segregation of Duties
Significant Deficiency

Condition – The District had a lack of segregation of duties due to a limited number of office employees.

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

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

Cause – There are a limited number of office employees.

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

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

Section III – Federal Award Findings and Questioned Costs

None Reported

Section IV – Student Activity Findings

2019-002 Improper Use of Student Activity Funds

Condition – During the course of our engagement, we noted a payment for a donation to Young Life, a religious organization for youth.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of the proper use of student funds to benefit all students. Page 17 of the MAFA guideline describes donations for religious activities as an inappropriate expenditure.

Effect – The finding could result in the misuse of student activity funds.

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

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

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

2019-003 Inactive Student Activity Accounts with Remaining Cash Balances

Condition – During the course of our engagement, we noted three student activities accounts that had no activity during fiscal year 2019.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines requiring that student activity accounts that have been inactive for one fiscal year must be disposed of as outlined in the activity purpose form unless the advisor has submitted a plan indicating the reason for the inactivity and why it should not be terminated. The building principal must approve the plan.

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

Cause – The District did not follow procedures to dispose of inactive activity accounts.

Recommendation – A thorough policy requiring the review of individual activity accounts to ensure that student activity accounts without activity for one fiscal year are disposed in accordance with the student activity purpose form unless the advisor has submitted a plan indicating the reason for the inactivity and why it should not be terminated approved by the building principal.

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

Section V – Minnesota Legal Compliance Findings

None Reported