

# Annual Financial Report

Independent School District No. 2144

Lindstrom, Minnesota

For the Year Ended

June 30, 2019

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Lindstrom, Minnesota  
Annual Financial Report  
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INTRODUCTORY SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

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Independent School District No. 2144  
Lindstrom, Minnesota  
Board of Education and Administration  
For the Year Ended June 30, 2019

**BOARD OF EDUCATION**

Name	Title
Mark Leigh	Chairperson
Lori Berg	Vice-Chairperson
Danielle Strenke	Clerk
Melissa Donovan	Director
Brenda Carlson	Director
Jerry Vitalis	Director

**ADMINISTRATION**

Dean Jennissen	Superintendent
Douglas Hasler	Director of Business Services

**OTHER SCHOOL DATA**

	Pupil Unit Number	Average Daily Membership
Handicapped - pre-kindergarten	76.13	60.90
Kindergarten	125.59	205.21
Elementary	1,458.03	1,552.44
Secondary	2,064.48	1,588.06
Totals as of October 30th, 2019	<u>3,724.23</u>	<u>3,406.61</u>

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FINANCIAL SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Independent School District No. 2144  
Lindstrom, 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 the Independent School District No. 2144 (the District), Lindstrom, Minnesota, 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 of material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to 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 June 30, 2019, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## Other Matters

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions for Defined Benefit Plans, and the Schedules of Changes in the District's Net OPEB Liability and Related Ratios and Contributions for Other Post-Employment Benefit Plans starting on page 68 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***

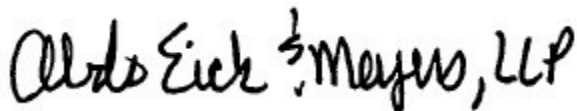
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and combining and individual fund financial statements, schedules and table are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the 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 financial statements, schedules and table and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, schedules and table and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section 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 13, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the 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.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
November 13, 2019

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## **Management's Discussion and Analysis**

As management of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

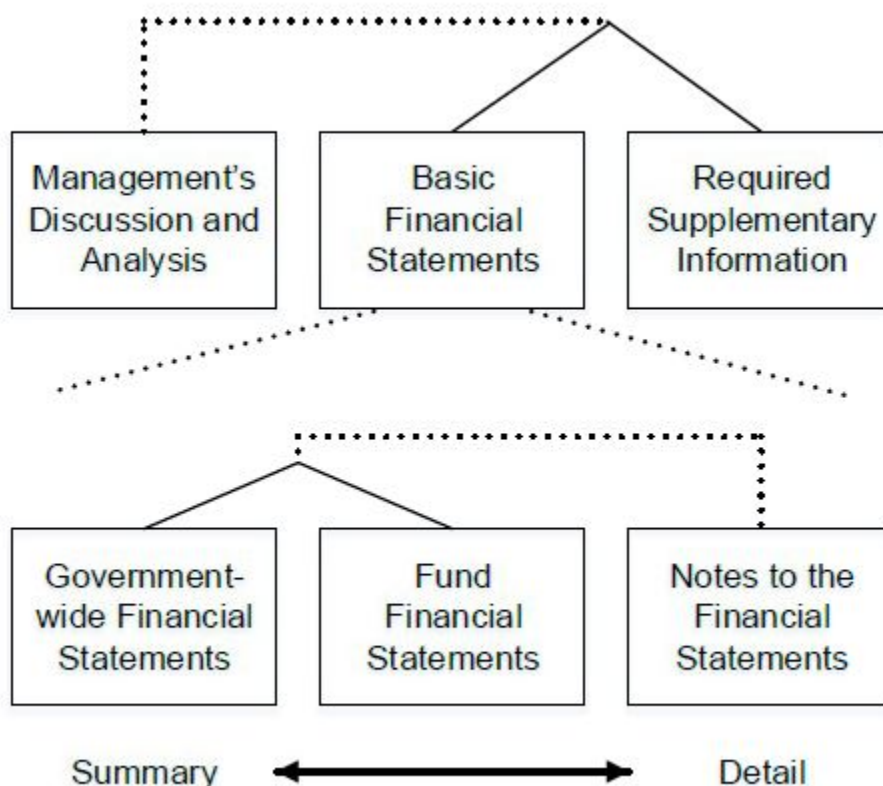
### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,185,374.
- The District's total net position increased by \$10,518,804. This increase can be attributed to a large decrease in the pension liability.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$21,617,535, a decrease of \$41,111,766 in comparison with the prior year. This decrease is primarily the result of project expenditures in the building construction fund.
- The District's total noncurrent liabilities decreased \$44,039,350 during the current fiscal year. This decrease was primarily the result of a decrease in the TRA pension liability.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

### Organization of Independent School District No. 2144 Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

### Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-wide Financial Statements.** The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

*Governmental Activities:* The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The district-wide financial statements start on page 28 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and the Building Construction funds, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 37 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 39 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 68 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 76 of this report.

## District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,185,374 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings, machinery and equipment); reflects its net book value less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Independent School District No. 2144's Net Position

	Governmental Activities		
	2019	2018	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 43,376,865	\$ 81,409,724	\$ (38,032,859)
Capital assets (net of depreciation)	91,594,202	50,457,759	41,136,443
Total Assets	<u>134,971,067</u>	<u>131,867,483</u>	<u>3,103,584</u>
 Deferred Outflows of Resources	 <u>28,439,676</u>	 <u>36,677,930</u>	 <u>(8,238,254)</u>
 <b>Liabilities</b>			
Noncurrent liabilities outstanding	100,508,534	144,547,884	(44,039,350)
Other liabilities	12,734,986	9,899,915	2,835,071
Total Liabilities	<u>113,243,520</u>	<u>154,447,799</u>	<u>(41,204,279)</u>
 Deferred Inflows of Resources	 <u>45,981,849</u>	 <u>20,431,044</u>	 <u>25,550,805</u>
 <b>Net Position</b>			
Net investment in capital assets	36,205,403	34,562,955	1,642,448
Restricted	1,689,211	1,374,202	315,009
Unrestricted	<u>(33,709,240)</u>	<u>(42,270,587)</u>	<u>8,561,347</u>
 Total Net Position	<u>\$ 4,185,374</u>	<u>\$ (6,333,430)</u>	<u>\$ 10,518,804</u>

A portion of the District's net position (\$1,689,211) represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

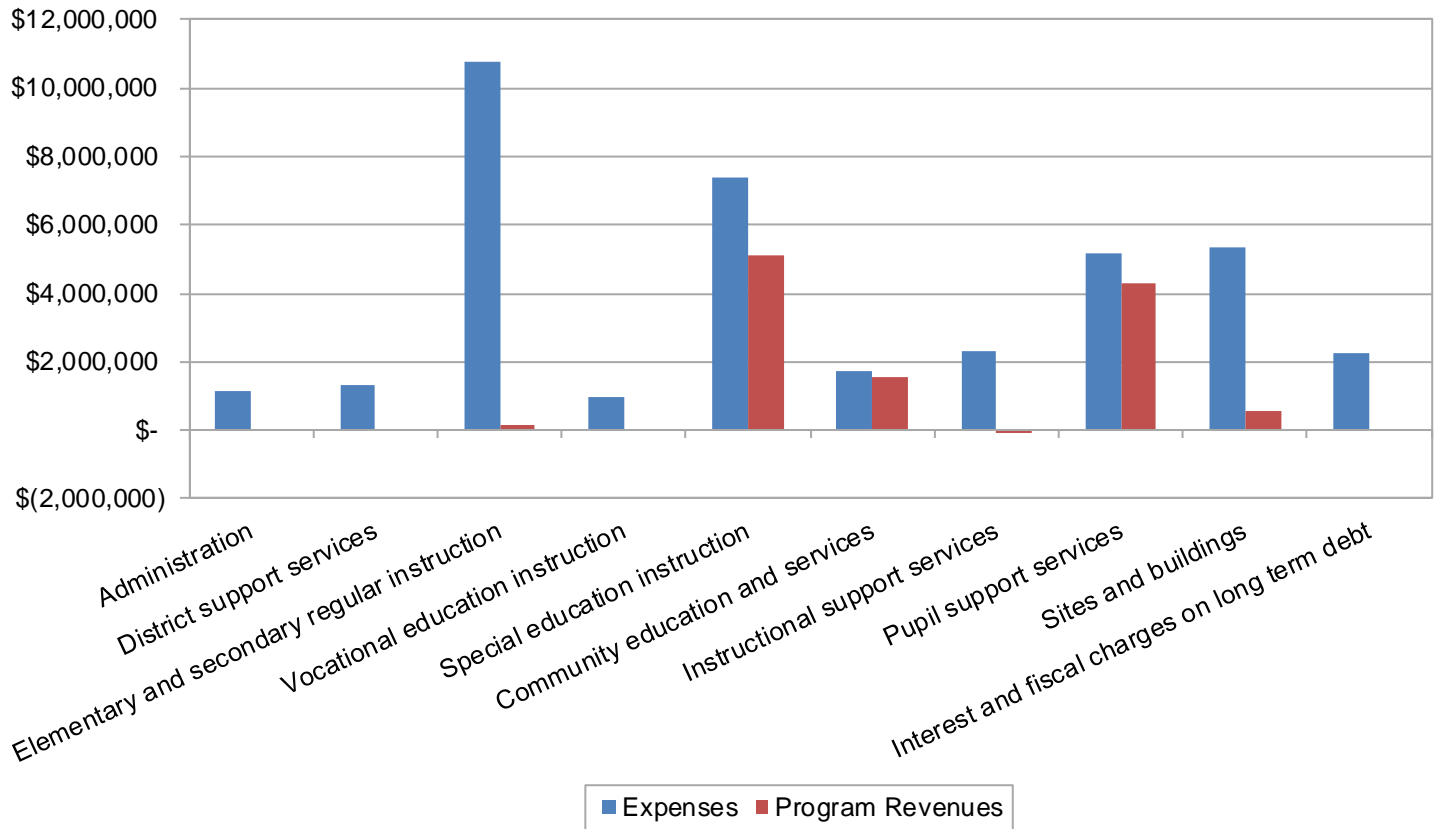
At the end of the current fiscal year, the District is able to report positive balances in two out of three categories of net position with the unrestricted balance reporting a deficit of \$33,709,240.

The District's net position increased \$10,518,804 during the current fiscal year. The following table summarizes the changes in net position.

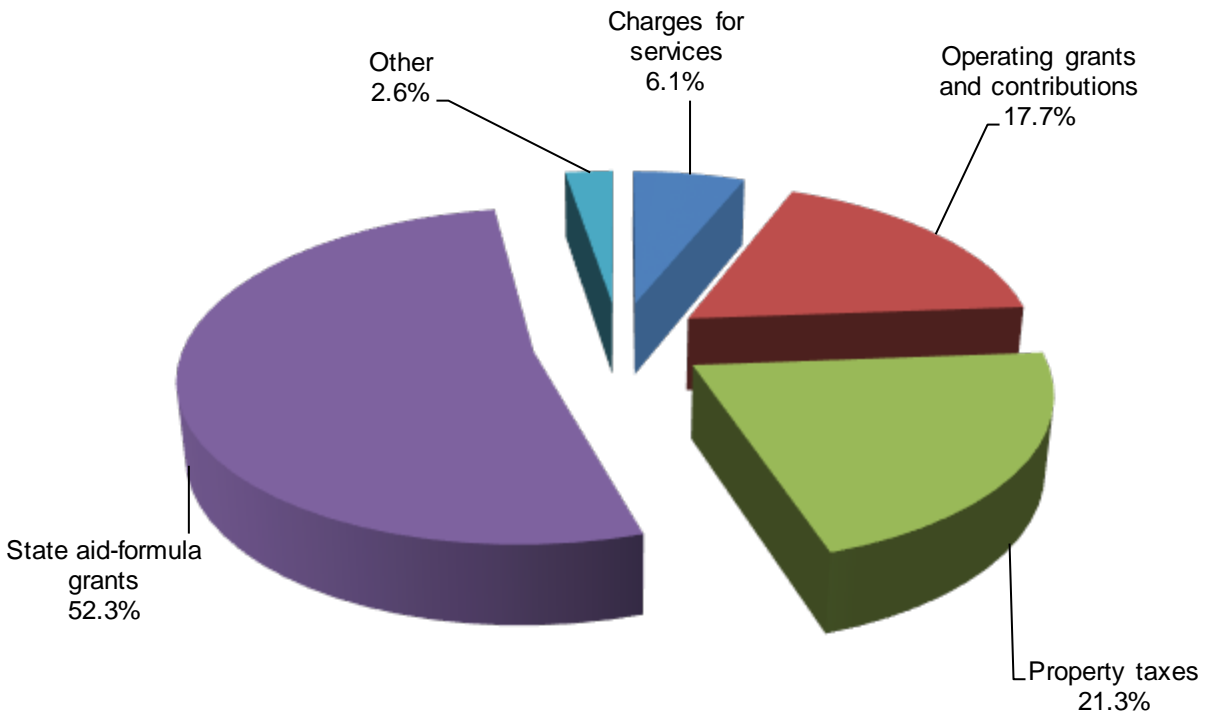
### Independent School District No. 2144's Changes in Net Position

	Governmental activities		
	2019	2018	Increase (Decrease)
Revenue			
Program revenue			
Charges for services	\$ 2,970,141	\$ 3,131,182	\$ (161,041)
Operating grants and contributions	8,663,250	8,645,151	18,099
General revenue			
Property taxes	10,376,462	8,598,062	1,778,400
State aid-formula grants	25,541,755	25,357,327	184,428
Other general revenues and investment earnings	1,271,616	1,212,745	58,871
Total Revenue	<u>48,823,224</u>	<u>46,944,467</u>	<u>1,878,757</u>
Expenses			
Administration	1,153,651	2,396,260	(1,242,609)
District support services	1,294,052	1,782,231	(488,179)
Elementary and secondary regular instruction	10,745,977	22,195,340	(11,449,363)
Vocational education instruction	943,288	1,774,842	(831,554)
Special education instruction	7,378,340	10,911,970	(3,533,630)
Community education and services	1,711,477	2,042,793	(331,316)
Instructional support services	2,306,222	3,449,601	(1,143,379)
Pupil support services	5,154,593	5,346,681	(192,088)
Sites and buildings	5,366,670	5,274,148	92,522
Interest and fiscal charges on long term debt	2,250,150	2,527,197	(277,047)
Total Expenses	<u>38,304,420</u>	<u>57,701,063</u>	<u>(19,396,643)</u>
Change in Net Position	10,518,804	(10,756,596)	21,275,400
Net Position, July 1	<u>(6,333,430)</u>	<u>4,423,166</u>	<u>(10,756,596)</u>
Net Position, June 30	<u>\$ 4,185,374</u>	<u>\$ (6,333,430)</u>	<u>\$ 10,518,804</u>

## Expenses and Program Revenues - Governmental Activities



## Revenues by Source - Governmental Activities



## Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$21,617,535, a decrease of \$41,111,766 in comparison with the prior year. The District's fund balance is not available for new spending because it is either 1) nonspendable (\$804,395), 2) restricted (\$19,647,669), or 3) assigned (\$1,165,471). Additional information on the purposes of the District's fund balances can be found in Note 3F starting on page 52 of this report.

The General fund is the chief operating fund of the District. The fund balance of the District's General fund increased \$407,197 during the current fiscal year. The budget variances are further explained below. At the end of the current year, the General fund balance ended at \$2,781,743. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance is 6.9 percent of total General fund expenditures.

The Debt Service fund has a total fund balance of \$868,394. The net increase in fund balance during the current year was \$188,037. This was due property taxes and state aid in excess of scheduled debt payments.

The Building Construction fund has a total fund balance net decrease in fund balance during the current year of \$41,627,222. The decrease is due to expenditures related to ongoing building construction projects.

## General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operation budget once during the school year.

- The District received \$346,276 additional in its General fund revenues than was budgeted. The greatest share of this increased revenue came in General Education Aid. The District's property tax valuations for taxes collected in 2019 increased by 8.6%. Tax valuations for taxes to be collected in 2020 are anticipated to increase by 9.4%. District enrollment continues to increase. 2018 - 19 pupil units is up 31 from the prior year. Special education program expenditures have been increasing in recent years. In FY 19, these costs actually declined by approximately \$467,000.
- The District approved a revised budget in January 2019. FY 19 General fund expenditures were \$1,652,521 less than the revised budget (while representing an increase of \$356,341 over the prior year). Expenditures fell below the revised budget in staff salary/wages, purchased services, and capital outlay. Transportation costs grew by \$202,000 in FY 19. While the District has operated a shared program for severely autistic students with neighboring school districts that are members of SCRED (St. Croix River Education District) in the past, this program came under the direction of SCRED effective July 1, 2019. Under this arrangement, the District continues to employ all staff assigned to this program. The District receives reimbursement for program costs from SCRED, and also charges a rental for SCRED's use of district space. This shift in program direction has been undertaken in large part due to funding limitations that the District is subject to under the current State Special Education Comprehensive Aid funding calculation. As an independent education district, SCRED is not subject to the same funding limitations that the District is. Accordingly, SCRED will be able to receive a greater level of reimbursement through the Special Education Comprehensive Aid funding formula than the District.
- The district spent \$9,107,353 in special education instruction - salaries, fringe benefits, purchased services, supplies, and materials in the General fund in 2018-19. Unlike in prior years, this was a decrease of \$252,048 or 2.7% less what was spent in special education in 2017-18. The District also spent \$935,449 in special needs transportation. For the 2018-19 school year, all special education expenditures total 23.5% of the District's General fund budget, a decrease of 4.5% from the 2017-18 school year. Total Special Education aid from the State represented \$5.3 million. Typically, state Special Education reimbursement represents approximately 49% of District special education expenditures. However, the State Special Education funding formula uses prior year special education expenditures of the District.

- The District was projecting a \$432,000 increase in the General fund balance through its initial adopted budget. The revised budget anticipated a fund balance decline of \$1.6 million. With expenditure reductions implemented over the course of the year, and revenues increasing above budgeted levels, the fund balance increased \$407,197. Given a trend of declining fund balances prior to FY 19, this fund balance increase is a welcome development. However, it should be noted that the bulk of this fund balance increase is within the restricted Long Term Facility Maintenance account (\$370,000). In addition, the District's unreserved, unrestricted General fund balance is (\$1,165,471), a decline of \$401,462. Of this balance, the District has assigned \$1,712,833 to separation benefits, leaving a deficit unassigned balances of \$547,362. The Food Service fund balance increased by \$14,677. The Community Service fund balance decreased by \$94,455.

## Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$91,594,202 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total increase in the District's investment in capital assets for the current fiscal year was 87.9 percent. This large increase is due to several projects that are mostly still ongoing at year end. The total depreciation expense for the year was \$2,055,238. The following is a schedule of capital assets as of June 30, 2019.

### Independent School District No. 2144's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		
	2019	2018	Increase (Decrease)
Land	\$ 2,573,403	\$ 2,573,403	\$ -
Construction in Progress	47,395,774	9,399,431	37,996,343
Land Improvements	1,022,018	1,065,630	(43,612)
Buildings	39,481,211	36,316,268	3,164,943
Equipment	1,121,796	1,103,027	18,769
Total	<u>\$ 91,594,202</u>	<u>\$ 50,457,759</u>	<u>\$ 41,136,443</u>

Additional information on the District's capital assets can be found in Note 3C on page 49 of this report.

**Noncurrent Liabilities.** At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

### Independent School District No. 2144's Noncurrent Liabilities

	Governmental Activities		
	2019	2018	Increase (Decrease)
Bonds Payable	<u>\$ 72,526,541</u>	<u>\$ 74,659,768</u>	<u>\$ (2,133,227)</u>

The District's total noncurrent liabilities decreased \$2,133,227 (2.9 percent).

Additional information on the District's noncurrent liabilities can be found in Note 3D on page 50 of this report.

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future.

- The basic general education aid amount per pupil was increased to \$6,438 (a 2% increase) for the 2019-20 fiscal year. In FY 21, this amount will increase by 2% to \$6,567. The preliminary budget for FY 21 will need to be approved by June 30, 2020. The pupil unit weightings are as follows: PK=1.00; HK=1.00; Grades K-6=1.00; and Grades 7-12=1.20. The Teacher's Retirement Association (TRA) increased the employer share from 7.71% to 7.92% effective July 1, 2019. TRA will be increasing the employer share incrementally through July 1, 2023 when the employer share will be 8.75%. While the General Education Aid funding formula includes a provision to increase funding for schools to offset the TRA employer share increases, this funding is lagged by one year. Accordingly, the employer share increases reduce cash flow for school districts.
- The 2019 Legislature modified state statutes relating to operating levy referendums. Prior law authorized school districts to establish Board approved referendum levies of up to \$300 per pupil unit, and a Local Optional Revenue (LOR) levy of up to \$424 per pupil unit. These statutes were revised to shift the Board approved referendum authority into the LOR levy, resulting in a single LOR levy limit of up to \$724 per pupil unit. This shift (which is revenue neutral) is effective for taxes collected in calendar year 2020. The District has a voter approved operating levy of \$225 per pupil unit that expires in 2024. After budget reductions implemented in the FY 19 and FY 20 budgets, the school board will need to give consideration to further budget reductions, and/or requesting that voters approve additional operating levy authority as early as November 2020.
- Chisago Lakes participates in the Q Comp or Alternative Teacher Professional Pay System program (ATPPS) through the Minnesota State Department of Education. The District received \$875,985 in revenue for 2018-2019 for the purpose of teacher professional growth and will receive approximately \$887,500 in revenue for 2019-2020. This is based on \$169 per pupil unit in state aid and \$91 per pupil unit in local levy. The MARSS student count for the previous October is used to calculate the Q Comp aid. Q comp is a project with an emphasis on compensating teachers for best practices and professional growth. This is the eleventh year that Chisago Lakes teachers have participated in Q Comp. Teachers received up to an additional \$2,921 for the 2018-19 school year as part of the Q Comp program. In order to receive this full additional compensation amount, teachers need to actively participate in a Professional Learning Committee (PLC) (measures of student achievement), participate in Peer Coaching (individual teacher evaluation), and their building must have School Wide Achievement Gains (achieving the established site goal).
- The District's enrollment has been trending up in recent years. District enrollment grew in FY 16 (76.11 pupil units), FY 18 (46.22 pupil units), and FY 19 (31.83 pupil units). District enrollment fell by 3.54 pupil units in FY 17. The District's total ADM (Average Daily Membership) for 2017-18 was 3,397.48 and the total ADM for 2018-19 was 3,432.34. The District's total PUN (Pupil Units) for 2017-18 was 3,722.13, and the total PUN for 2018-19 3,753.96, an increase of 31.83. At the present time, the District's current year (2019-20) enrollment is holding steady at prior year levels. October 2019 enrollment is 35 students more than the June 2019 enrollment.
- The pupil unit weighting factors are 1.0 for students in Grades K-6 and 1.2 for students in Grades 7-12. The District reviews enrollment each month with the School Board. The District has entered into a contract for a demographic study. The projected enrollments that are developed through this study will be used by the District to make decisions concerning future staffing levels, and building space needs.

These factors were considered in preparing the District's budget for the 2020 fiscal year and are already being considered when preparing the budget for the 2021 fiscal year.

## Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2144, 13750 Lake Boulevard, Lindstrom, Minnesota 55045.

DISTRICT-WIDE FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

# Independent School District No. 2144

Lindstrom, Minnesota  
Statement of Net Position  
June 30, 2019

	Governmental Activities
Assets	
Cash and temporary investments	\$ 30,861,301
Receivables	
Taxes	6,470,588
Accounts and interest	208,120
Due from other school districts	775,809
Due from Minnesota Department of Education	3,675,907
Due from Federal government	162,450
Due from other governments	418,295
Inventories	30,918
Prepaid items	773,477
Capital assets	
Land and construction in process	49,969,177
Depreciable assets, net of accumulated depreciation	41,625,025
Total Assets	<u>134,971,067</u>
Deferred Outflows of Resources	
Deferred pension resources	28,169,684
Deferred other post employment benefit resources	269,992
Total Deferred Outflows of Resources	<u>28,439,676</u>
Liabilities	
Accrued salaries payable	3,831,929
Accounts and other payables	7,497,077
Due to other governments	54,358
Accrued interest payable	1,042,421
Unearned revenue	309,201
Noncurrent liabilities	
Due within one year	2,259,090
Due in more than one year	98,249,444
Total Liabilities	<u>113,243,520</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	9,992,392
Deferred pension resources	35,766,535
Deferred other post employment benefit resources	222,922
Total Deferred Inflows of Resources	<u>45,981,849</u>
Net Position	
Net investment in capital assets	36,205,403
Restricted for	
Educational purposes	1,566,642
Food service	122,569
Unrestricted	<u>(33,709,240)</u>
Total Net Position	<u>\$ 4,185,374</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144

Lindstrom, Minnesota

Statement of Activities

For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
<b>Governmental Activities</b>					<b>Governmental Activities</b>
Administration	\$ 1,153,651	\$ 10,590	\$ 15,000	\$ -	\$ (1,128,061)
District support services	1,294,052	-	-	-	(1,294,052)
Elementary and secondary regular instruction	10,745,977	614,273	(476,853)	-	(10,608,557)
Vocational education instruction	943,288	-	41,824	-	(901,464)
Special education instruction	7,378,340	-	5,135,201	-	(2,243,139)
Community education and services	1,711,477	1,175,949	355,554	-	(179,974)
Instructional support services	2,306,222	-	(92,491)	-	(2,398,713)
Pupil support services	5,154,593	1,168,374	3,141,156	-	(845,063)
Sites and buildings	5,366,670	955	543,859	-	(4,821,856)
Interest and fiscal charges on long term debt	2,250,150	-	-	-	(2,250,150)
<b>Total Governmental Activities</b>	<b>\$ 38,304,420</b>	<b>\$ 2,970,141</b>	<b>\$ 8,663,250</b>	<b>\$ -</b>	<b>(26,671,029)</b>
<b>General Revenues</b>					
Taxes					
Property taxes, levied for general purposes					5,698,625
Property taxes, levied for community service					280,382
Property taxes, levied for debt service					4,397,455
State aid-formula grants					25,541,755
Other general revenues					124,096
Unrestricted investment earnings					1,147,520
<b>Total General Revenues</b>					<b>37,189,833</b>
Change in Net Position					10,518,804
Net Position, July 1					(6,333,430)
Net Position, June 30					<b>\$ 4,185,374</b>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

Independent School District No. 2144  
Lindstrom, Minnesota  
Balance Sheet  
Governmental Funds  
June 30, 2019

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 3,184,816	\$ 2,689,217	\$ 23,802,700	\$ 1,184,568	\$ 30,861,301
Receivables					
Taxes	3,364,903	2,893,643	-	212,042	6,470,588
Accounts and interest	108,731	1,051	87,130	11,208	208,120
Due from other school districts	774,744	-	-	1,065	775,809
Due from Minnesota Department of Education	3,635,660	16,086	-	24,161	3,675,907
Due from the Federal government	155,458	-	-	6,992	162,450
Due from other governments	-	-	418,295	-	418,295
Inventories	1,596	-	-	29,322	30,918
Prepaid items	757,465	-	-	16,012	773,477
<b>Total Assets</b>	<b>\$ 11,983,373</b>	<b>\$ 5,599,997</b>	<b>\$ 24,308,125</b>	<b>\$ 1,485,370</b>	<b>\$ 43,376,865</b>
<b>Liabilities</b>					
Accrued salaries payable	\$ 3,743,720	\$ -	\$ -	\$ 88,209	\$ 3,831,929
Accounts and other payables	299,059	-	7,170,383	27,635	7,497,077
Due to other governments	53,632	-	-	726	54,358
Unearned revenue	116,462	-	-	192,739	309,201
<b>Total Liabilities</b>	<b>4,212,873</b>	<b>-</b>	<b>7,170,383</b>	<b>309,309</b>	<b>11,692,565</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - delinquent property taxes	40,962	31,067	-	2,344	74,373
Property taxes levied for subsequent year	4,947,795	4,700,536	-	344,061	9,992,392
<b>Total Deferred Inflows of Resources</b>	<b>4,988,757</b>	<b>4,731,603</b>	<b>-</b>	<b>346,405</b>	<b>10,066,765</b>
<b>Fund Balances</b>					
Nonspendable	759,061	-	-	45,334	804,395
Restricted	857,211	868,394	17,137,742	784,322	19,647,669
Assigned	1,165,471	-	-	-	1,165,471
<b>Total Fund Balances</b>	<b>2,781,743</b>	<b>868,394</b>	<b>17,137,742</b>	<b>829,656</b>	<b>21,617,535</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 11,983,373</b>	<b>\$ 5,599,997</b>	<b>\$ 24,308,125</b>	<b>\$ 1,485,370</b>	<b>\$ 43,376,865</b>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144

Lindstrom, Minnesota

Reconciliation of the Balance Sheet  
to the Statement of Net Position

Governmental Funds

June 30, 2019

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

Total Fund Balances - Governmental Funds	\$ 21,617,535
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	152,209,650
Less: accumulated depreciation	(60,615,448)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(2,119,036)
Other postemployment benefits payable	(1,328,871)
Bond payable, net of premium	(72,526,541)
Net pension liability	(24,534,086)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	74,373
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	28,169,684
Deferred inflows of pension resources	(35,766,535)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefits	269,992
Deferred inflows of other post employment benefits	(222,922)
Governmental funds do not report a liability for accrued interest until due and payable.	(1,042,421)
Total Net Position - Governmental Activities	<u>\$ 4,185,374</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Lindstrom, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2019

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local property tax levies	\$ 5,719,473	\$ 4,397,455	\$ -	\$ 280,382	\$ 10,397,310
Other local and county revenue					
Interest earned on investments	69,017	45,325	1,004,246	28,932	1,147,520
Other	1,841,601	-	-	1,341,825	3,183,426
Revenue from state sources	32,755,646	160,866	-	344,101	33,260,613
Revenue from federal sources	481,761	-	-	576,685	1,058,446
Sales and other conversion of assets	8,805	-	-	1,126,354	1,135,159
<b>Total Revenues</b>	<b>40,876,303</b>	<b>4,603,646</b>	<b>1,004,246</b>	<b>3,698,279</b>	<b>50,182,474</b>
<b>Expenditures</b>					
<b>Current</b>					
Administration	1,661,340	-	-	-	1,661,340
District support services	1,230,673	-	-	-	1,230,673
Elementary and secondary					
regular instruction	16,366,489	-	-	50,689	16,417,178
Vocational education instruction	1,399,444	-	-	-	1,399,444
Special education instruction	9,107,353	-	-	-	9,107,353
Community education and services	-	-	-	1,885,187	1,885,187
Instructional support services	2,837,918	-	-	-	2,837,918
Pupil support services	3,581,468	-	-	1,770,501	5,351,969
Sites and buildings	3,233,953	-	-	-	3,233,953
<b>Capital outlay</b>					
District support services	82,204	-	-	-	82,204
Elementary and secondary					
regular instruction	115,265	-	-	-	115,265
Vocational education instruction	11,770	-	-	-	11,770
Special education instruction	970	-	-	-	970
Community education and services	-	-	-	53,676	53,676
Instructional support services	147,170	-	-	-	147,170
Pupil support services	-	-	-	18,004	18,004
Sites and buildings	691,029	-	42,631,468	-	43,322,497
<b>Debt service</b>					
Principal	-	1,845,000	-	-	1,845,000
Interest and other charges	2,060	2,570,609	-	-	2,572,669
<b>Total Expenditures</b>	<b>40,469,106</b>	<b>4,415,609</b>	<b>42,631,468</b>	<b>3,778,057</b>	<b>91,294,240</b>
<b>Net Change in Fund Balances</b>	<b>407,197</b>	<b>188,037</b>	<b>(41,627,222)</b>	<b>(79,778)</b>	<b>(41,111,766)</b>
<b>Fund Balances, July 1</b>	<b>2,374,546</b>	<b>680,357</b>	<b>58,764,964</b>	<b>909,434</b>	<b>62,729,301</b>
<b>Fund Balances, June 30</b>	<b>\$ 2,781,743</b>	<b>\$ 868,394</b>	<b>\$ 17,137,742</b>	<b>\$ 829,656</b>	<b>\$ 21,617,535</b>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Lindstrom, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
Governmental Funds  
For the Year Ended June 30, 2019

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

Total Net Change in Fund Balances - Governmental Funds	\$ (41,111,766)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	43,191,681
Depreciation expense	(2,055,238)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	
Bonds	1,845,000
Amortization of premiums on bonds	288,227
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	34,292
Long-term pension activity is not reported in governmental funds.	
Pension expense	9,295,091
Direct aid contributions	(1,338,402)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	(20,848)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	389,170
Other postemployment benefits	1,597
Change in Net Position - Governmental Activities	<u><u>\$ 10,518,804</u></u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Lindstrom, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 5,171,194	\$ 5,813,057	\$ 5,719,473	\$ (93,584)
Other local and county revenue				
Interest earned on investments	32,800	36,546	69,017	32,471
Other	1,471,988	1,616,773	1,841,601	224,828
Revenue from state sources	32,774,863	32,607,165	32,755,646	148,481
Revenue from federal sources	513,404	443,032	481,761	38,729
Sales and other conversion of assets	5,000	13,454	8,805	(4,649)
Total Revenues	<u>39,969,249</u>	<u>40,530,027</u>	<u>40,876,303</u>	<u>346,276</u>
Expenditures				
Current				
Administration	1,698,814	1,732,028	1,661,340	70,688
District support services	1,195,033	1,302,472	1,230,673	71,799
Elementary and secondary				
regular instruction	16,591,794	17,107,058	16,366,489	740,569
Vocational education instruction	1,206,041	1,317,315	1,399,444	(82,129)
Special education instruction	8,755,713	9,511,132	9,107,353	403,779
Instructional support services	2,514,675	2,796,209	2,837,918	(41,709)
Pupil support services	3,268,509	3,700,697	3,581,468	119,229
Sites and buildings	3,095,345	3,425,965	3,233,953	192,012
Capital outlay				
District support services	28,200	28,200	82,204	(54,004)
Elementary and secondary				
regular instruction	203,150	203,150	115,265	87,885
Vocational education instruction	-	17,600	11,770	5,830
Special education instruction	4,000	4,000	970	3,030
Instructional support services	319,200	319,200	147,170	172,030
Sites and buildings	656,601	656,601	691,029	(34,428)
Debt service				
Interest and other charges	-	-	2,060	(2,060)
Total Expenditures	<u>39,537,075</u>	<u>42,121,627</u>	<u>40,469,106</u>	<u>1,652,521</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	432,174	(1,591,600)	407,197	1,998,797
Fund Balances, July 1	<u>2,374,546</u>	<u>2,374,546</u>	<u>2,374,546</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 2,806,720</u>	<u>\$ 782,946</u>	<u>\$ 2,781,743</u>	<u>\$ 1,998,797</u>

The notes to the financial statements are an integral part of this statement.

Independent School District No. 2144  
Lindstrom, Minnesota  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2019

	<u>Agency</u>
Assets	
Cash and temporary investments	<u>\$        354,075</u>
Liabilities	
Accounts payable	<u>\$        354,075</u>

The notes to the financial statements are an integral part of this statement.

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# Independent School District No. 2144

Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

Independent School District No. 2144 (the District), Lindstrom, Minnesota was incorporated under the laws of the State of Minnesota. The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of six members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

### B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, taxes, state aid formula grants, and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective fund financial statements.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Description of Funds***

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

***Major Governmental Funds***

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction capital project fund* is used to account for all operations of building construction programs that are funded by the sale of bonds.

***Non-major Governmental Funds***

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

The *Community Service special revenue fund* accounts for services provided to and fees collected from residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs or other similar services.

***Fiduciary Funds***

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in agency capacity, specifically student activity accounts.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the District are reported at cost. The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under the SEC under rule 2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

# Independent School District No. 2144

Lindstrom, Minnesota

Notes to the Financial Statements

June 30, 2019

## Note 1: Summary of Significant Accounting Policies (Continued)

### **Property Taxes**

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the general and special revenue funds. This revenue is divided between property taxes and state aids by the legislature based on education funding priorities.

Current property taxes receivable is the uncollected portion of the taxes levied in 2018 and collectible in 2019. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2018 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

### **Receivables**

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is current property taxes receivable.

### **Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

### **Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at fair market value at the date of donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	20 - 40
Improvements other than Buildings	15 - 20
Equipment and Machinery	5 - 20

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Other Postemployment Benefits (OPEB) Obligation***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at July 1, 2017.

***Pensions***

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by 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 merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERF and TRA is as follows:

	<u>GERF</u>	<u>PEDCP</u>	<u>TRA</u>	<u>Total Pension Expense</u>
Pension Expense	\$ 346,186	\$ 112	\$ (7,696,154)	\$ (7,349,856)

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

***Compensated Absences Payable***

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Teachers are not eligible for vacation pay.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance Pay - The District maintains severance pay plans for eligible employees. The benefit plan formulas are based on years of service (10 years) and minimum age requirements (age 55). The potential benefits payable are computed as follows:

*Option A* - Eligible teachers, upon retirement, shall receive as severance pay an amount representing five days of pay for each full year of full-time service, but not to exceed a total of 100 days of pay.

*Option B* - Eligible teachers, upon retirement, shall receive a severance pay based on the teacher's accrued unused disability leave up to a maximum of 100 days at the teacher's daily rate of pay.

***Long-term Obligations***

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items or inventories.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the Board of Education delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Director of Business Services and/or Superintendent.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum unassigned fund balance of three months of operating expenditures.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Budgets are prepared for District funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds for the General, Special Revenue and the Debt Service funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the Board of Education.
2. Budgets for all General, special revenue, and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2019, expenditures exceeded appropriations in the following funds:

Fund	Budget Amounts	Actual Amounts	Excess of Expenditures Over Appropriations
Nonmajor			
Food Service	\$ 1,649,611	\$ 1,788,505	\$ 138,894
Community Service	1,897,471	1,989,552	92,081

The excess of expenditures over appropriations were funded with actual revenues in excess of budget or available fund balance.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

### **Note 3: Detailed Notes on All Funds**

#### **A. Deposits and Investments**

##### ***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a 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. The selection should be approved by the Board of Education.

At year end, the District's carrying amount of deposits was \$98,681 and the bank balance was \$97,112. The bank balance was covered by federal depository insurance and by national credit union share insurance.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**Investments**

The District's investment balances were as follows for June 30, 2019:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance June 30, 2019
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Assets Funds	N/A	Less than 6 months	\$ 31,091,336
Edward Jones Money Market Mutual Fund	N/A	Less than 6 months	25,359
Total Investments			<u>\$ 31,116,695</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicated not applicable or available.

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 41 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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. The District does not currently have an investment policy that addresses the risks described above.

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

	Amount
As Reported in the Basic Financial Statements	
Statement of net position	\$ 30,861,301
Statement of fiduciary net position	354,075
Total	<u>\$ 31,215,376</u>
Cash and Temporary Investments	
Deposits	\$ 98,681
Investments	31,116,695
Total	<u>\$ 31,215,376</u>

# Independent School District No. 2144

Lindstrom, Minnesota

Notes to the Financial Statements

June 30, 2019

## Note 3: Detailed Notes on All Funds (Continued)

### B. Property Taxes Receivable

Current property taxes receivable are recorded for uncollected taxes levied in 2018 and payable in 2019. The total levy is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other Governmental Funds	Total
	General	Debt Service		
Current Taxes	\$ 3,282,172	\$ 2,830,897	\$ 207,308	\$ 6,320,377
Delinquent Taxes	82,731	62,746	4,734	150,211
Total Reported Taxes Receivable	<u>\$ 3,364,903</u>	<u>\$ 2,893,643</u>	<u>\$ 212,042</u>	<u>\$ 6,470,588</u>

### C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,573,403	\$ -	\$ -	\$ 2,573,403
Construction in progress	9,399,431	41,227,665	(3,231,322)	47,395,774
Total Capital Assets not Being Depreciated	<u>11,972,834</u>	<u>41,227,665</u>	<u>(3,231,322)</u>	<u>49,969,177</u>
Capital Assets Being Depreciated				
Land improvements	3,839,381	97,521	-	3,936,902
Buildings	71,002,637	4,906,954	-	75,909,591
Equipment	22,203,117	190,863	-	22,393,980
Total Capital Assets Being Depreciated	<u>97,045,135</u>	<u>5,195,338</u>	<u>-</u>	<u>102,240,473</u>
Less Accumulated Depreciation for				
Land improvements	(2,773,751)	(141,133)	-	(2,914,884)
Buildings	(34,686,369)	(1,742,011)	-	(36,428,380)
Equipment	(21,100,090)	(172,094)	-	(21,272,184)
Total Accumulated Depreciation	<u>(58,560,210)</u>	<u>(2,055,238)</u>	<u>-</u>	<u>(60,615,448)</u>
Total Capital Assets Being Depreciated, Net	<u>38,484,925</u>	<u>3,140,100</u>	<u>-</u>	<u>41,625,025</u>
Governmental Activities Capital Assets, Net	<u>\$ 50,457,759</u>	<u>\$ 44,367,765</u>	<u>\$ (3,231,322)</u>	<u>\$ 91,594,202</u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

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

Administration	\$ 1,040
District Support Services	340
Elementary and Secondary Regular Instruction	16,383
Vocational Education Instruction	667
Special Education Instruction	2,341
Community Education and Services	2,901
Instructional Support Services	26,161
Pupil Support Services	34,388
Sites and Buildings	<u>1,971,017</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 2,055,238</u></u>

**D. Long-term Debt**

General Obligation (G.O.) Bonds

The District issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. In addition, refunding G.O. bonds have been issued. G.O. bonds are direct obligations and pledge the full faith and credit of the District. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Building Refunding Bonds, 2013A	\$ 8,905,000	4.00 %	11/06/13	02/01/23	\$ 4,400,000	\$ 1,035,000
G.O. School Building Bonds, 2017A	61,680,000	3.00 - 5.00	08/03/17	02/01/38	60,830,000	925,000
G.O. School Building Bonds, 2018A	3,730,000	3.00 - 3.10	03/29/18	02/01/33	<u>3,730,000</u>	<u>220,000</u>
 Total G.O. Bonds					<u><u>\$ 68,960,000</u></u>	<u><u>\$ 2,180,000</u></u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 2,180,000	\$ 2,501,814	\$ 4,681,814
2021	2,520,000	2,407,564	4,927,564
2022	2,785,000	2,296,814	5,081,814
2023	2,910,000	2,173,364	5,083,364
2024	2,990,000	2,044,364	5,034,364
2025 - 2029	17,475,000	7,947,169	25,422,169
2030 - 2034	20,475,000	4,599,949	25,074,949
2035 - 2038	<u>17,625,000</u>	<u>1,381,542</u>	<u>19,006,542</u>
 Total	<u><u>\$ 68,960,000</u></u>	<u><u>\$ 25,352,580</u></u>	<u><u>\$ 94,312,580</u></u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Bonds Payable					
G.O. bonds	\$ 70,805,000	\$ -	\$ (1,845,000)	\$ 68,960,000	\$ 2,180,000
Unamortized premium	3,854,768	-	(288,227)	3,566,541	-
Net Bonds Payable	<u>74,659,768</u>	<u>-</u>	<u>(2,133,227)</u>	<u>72,526,541</u>	<u>2,180,000</u>
Compensated Absences Payable	<u>2,508,206</u>	<u>14,453</u>	<u>(403,623)</u>	<u>2,119,036</u>	<u>79,090</u>
Governmental Activities Long-term Liabilities	<u>\$ 77,167,974</u>	<u>\$ 14,453</u>	<u>\$ (2,536,850)</u>	<u>\$ 74,645,577</u>	<u>\$ 2,259,090</u>

The Debt Service fund has typically been used to liquidate the general obligation bonds. The General fund has typically been used to liquidate the capital lease payable and compensated absences payable obligations.

**E. Operating Leases**

The District leases temporary classroom buildings and space for the family center, Pathways to Change program, and the Community Education program under several lease agreements. The District also pays a lease amount for space used by the TIES and St. Croix River Education District (SCRED) education cooperatives for services rendered in conjunction with District activities. Lease expense was \$204,222 for the year ended June 30, 2019. Future minimum lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 24,000

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At June 30, 2019, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds	Adjustments	UFARS Balance
<b>Nonspendable for</b>							
Inventories	\$ 1,596	\$ -	\$ -	\$ 29,322	\$ 30,918	\$ -	\$ 30,918
Prepaid items	757,465	-	-	16,012	773,477	-	773,477
Total Nonspendable	759,061	-	-	45,334	804,395	-	804,395
<b>Restricted for</b>							
Staff development	30,245	-	-	-	30,245	-	30,245
Long-term facilities maintenance	816,170	-	3,306,780	-	4,122,950	-	4,122,950
Gifted and talented	10,796	-	-	-	10,796	-	10,796
Debt service	-	868,394	-	-	868,394	-	868,394
Building construction	-	-	13,830,962	-	13,830,962	-	13,830,962
Community education	-	-	-	92,012	92,012	-	92,012
Early childhood and family education	-	-	-	154,432	154,432	-	154,432
School readiness	-	-	-	119,033	119,033	-	119,033
Community service	-	-	-	330,880	330,880	-	330,880
Food service	-	-	-	87,965	87,965	-	87,965
Total Restricted	857,211	868,394	17,137,742	784,322	19,647,669	-	19,647,669
<b>Assigned to</b>							
Separation/retirement benefits	1,165,471	-	-	-	1,165,471	547,362	1,712,833
<b>Unassigned</b>	-	-	-	-	-	(547,362)	(547,362)
<b>Total Fund Balance</b>	<b>\$ 2,781,743</b>	<b>\$ 868,394</b>	<b>\$17,137,742</b>	<b>\$ 829,656</b>	<b>\$21,617,535</b>	<b>\$ -</b>	<b>\$21,617,535</b>

Restricted for staff development - This amount represents unspent staff development revenues set aside from General Education revenues that were restricted for staff development.

Restricted for long term facilities maintenance - This amount represents unspent long term facilities maintenance revenues from tax levies and State aids that were restricted for long term facilities maintenance.

Restricted for gifted and talented - This amount represents unspent gifted and talented revenues set aside from General Education revenues that were restricted for gifted and talented.

Restricted for debt service - This amount represents available resources restricted exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest, and paying agent fees.

Restricted for building construction - This amount represents restricted bond proceeds to be used for building construction.

Restricted for community education - This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

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**Note 3: Detailed Notes on All Funds (Continued)**

Restricted for early childhood and family education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for school readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program.

Restricted for community service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for food service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

**Note 4: Defined Benefit Pension Plans**

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

**A. Teachers Retirement Association (TRA)**

**1. Plan Description**

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

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**Note 4: Defined Benefit Pension Plans (Continued)**

**2. 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 as described:

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent 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. Three percent per year early retirement reduction factors 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:** 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. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent per year for Basic members applies. Beginning July 1, 2018, 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 also eligible for a refund of their employee contributions plus interest.

Independent School District No. 2144  
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**Note 4: Defined Benefit Pension Plans (Continued)**

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 provisions in effect at the time they last terminated their public service.

**3. Contribution Rate**

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

Plan	Ending June 30, 2017		Ending June 30, 2018		Ending 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 District's contributions for the years ending June 30 2019, 2018 and 2017 were \$1,319,331, \$1,258,073 and \$1,214,665, respectively, equal to the contractually required contributions for each year as set by Minnesota statute.

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	\$ 378,728,000
Add Employer Contributions not Related to Future Contribution Efforts	522,000
Deduct TRA's Contributions not included in Allocation	<u>(471,000)</u>
Total Employer Contributions	378,779,000
Total Non-employer Contributions	<u>35,588,000</u>
 Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	 <u><u>\$ 414,367,000</u></u>

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.

Independent School District No. 2144  
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June 30, 2019

**Note 4: Defined Benefit Pension Plans (Continued)**

**4. 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
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% for ten years and 3.25% thereafter
Projected Salary Increase	2.85% to 8.85% for ten years and 3.5% to 9.25% thereafter
Cost of Living Adjustment	1% for January 2019 through January 2023 then increasing by 0.1% each year up to 1.5% annually

Mortality Assumption

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 adjustments.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
Unallocated Cash	2.00	-
Total	<u>100.00 %</u>	

## Independent School District No. 2144

Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

### Note 4: Defined Benefit Pension Plans (Continued)

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 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.

#### 5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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).

#### 6. Net Pension Liability

At June 30, 2019, the District reported a liability of \$19,069,710 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 0.3036 percent at the end of the measurement period and 0.2998 percent for the beginning of the year.

# Independent School District No. 2144

Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

## Note 4: Defined Benefit Pension Plans (Continued)

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	\$ 19,069,710
State's Proportionate Share of Net Pension Liability Associated with the District	1,791,448

For the year ended June 30, 2019, the District recognized negative pension expense of \$6,445,839. It also recognized \$1,250,315 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 215,637	\$ 384,538
Changes in Actuarial Assumptions	24,641,452	32,515,941
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,504,468
Changes in Proportion	728,449	-
Contributions to TRA Subsequent to the Measurement Date	1,319,331	-
Total	<u>\$ 26,904,869</u>	<u>\$ 34,404,947</u>

Deferred outflows of resources totaling \$1,319,331 related to pensions resulting from the District's 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 deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2020	\$ 2,068,312
2021	1,309,897
2022	84,406
2023	(7,128,343)
2024	(5,153,681)

### 7. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate.

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 30,263,553	\$ 19,069,710	\$ 9,834,864

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.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 4: Defined Benefit Pension Plans (Continued)**

**8. Pension Plan Fiduciary Net Position**

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

**B. Public Employees Retirement Association (PERA)**

**1. Plan Description**

The District participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (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.

General Employees Retirement Plan (GERF)

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

**2. Benefits Provided**

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

GERF Benefits

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 of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. 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.

Independent School District No. 2144  
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**Note 4: Defined Benefit Pension Plans (Continued)**

**3. Contributions**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF Contributions

Plan members were required to contribute 6.50 percent of their annual covered salary and the District was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2019. The District's contributions to the GERF for the year ending December 31, 2019, 2018 and 2017 were \$495,917, \$496,517 and \$468,860, respectively. The District's contributions were equal to the required contributions for each year as set by Minnesota statute.

**4. Pension Costs**

At June 30, 2019, the District reported a liability of \$5,464,376 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. 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 \$179,187. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportionate share was 0.0985 percent which was an increase of 0.0015 percent from its proportion measured as of June 30, 2017.

District's Proportionate Share of Net Pension Liability	\$ 5,464,376
State's Proportionate Share of Net Pension Liability Associated with the District	179,187

For the year ended June 30, 2019, the District recognized pension expense of \$304,400 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$41,786 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 144,569	\$ 160,586
Changes in Actuarial Assumptions	524,204	613,981
Net Difference Between Projected and Actual Earnings on Plan Investments	-	562,633
Changes in Proportion	100,125	24,388
Contributions to GERF Subsequent to the Measurement Date	495,917	-
Total	<u>\$ 1,264,815</u>	<u>\$ 1,361,588</u>

# Independent School District No. 2144

Lindstrom, Minnesota  
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## Note 4: Defined Benefit Pension Plans (Continued)

Deferred outflows of resources totaling \$495,917 related to pensions resulting from the District's contributions to GERP 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 GERP pensions will be recognized in pension expense as follows:

2020	\$	218,747
2021		(281,179)
2022		(416,205)
2023		(114,053)

### 5. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERP for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year the GERP through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2016.

The following changes in actuarial assumptions occurred in 2018:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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 Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	36.00 %	5.10 %
International Stocks	17.00	5.30
Bonds (Fixed Income)	20.00	0.75
Alternative Assets (Private Markets)	25.00	5.90
Cash	2.00	-
Total	100.00 %	

# Independent School District No. 2144

Lindstrom, Minnesota  
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## Note 4: Defined Benefit Pension Plans (Continued)

### 6. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. 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 GERS 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.

### 7. 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:

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 8,880,311	\$ 5,464,376	\$ 2,644,620

### 8. Pension Plan Fiduciary Net Position

Detailed information about each 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](http://www.mnpera.org).

## Note 5: Defined Contribution Plan

The Health Care Savings Plan (HCSP) is a public employer-sponsored program administered by the Minnesota State Retirement System (MSRS) that allows employees to save pre-tax money to pay postemployment medical expenses and/or health insurance premiums. The program has been in effect since July of 2001. The legislature signed into law Chapter 352.98 authorizing MSRS to provide a health care savings reimbursement plan.

Participation by state and other public employees is determined during negotiations between the bargaining units, or group of employees if there are no bargaining units, and the employer with final language approved by MSRS. Beginning with the 2008-09 fiscal year, all twelve (12)-month employees who have at least ten years of service based on the seniority list in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. All full-time teachers who have completed at least ten years of actual teaching service in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. This contribution will be made on or before June 30 each year according to the following schedule:

Years of Service	Contribution for 12-month Employees	Contribution for Teachers
Ten to fifteen	\$500	\$250
Sixteen to twenty	\$750	\$500
Twenty-one to twenty-four	\$1,000	\$750
Twenty-five or more	\$1,000	\$1,000

The District's contributions to the MSRS HCSP for 12-month employees and teachers for the year ended June 30, 2019 were \$5,750 and \$74,750, respectively.

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**Note 5: Defined Contribution Plan (Continued)**

Amounts will not be made available for distribution to participants or beneficiaries earlier than (i) retirement, (ii) when the participant has a severance from employment with the employer, (iii) when the participant is collecting a disability benefit from one of the public pension plans, (iv) when the participant is on medical leave (six months or longer), or (v) when the participant is on a leave of absence (one year or longer).

The District has Board members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the District during the fiscal year 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 112	\$ 112	5.00%	5.00%	5.00%

The District and board member's contributions to the PEDCP plan for the years ending June 30, 2019, 2018 and 2017 were \$112, \$142 and \$142, respectively.

**Note 6: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance and dental insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. The full cost of the benefits is covered by the plan. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	17
Active Plan Members	<u>304</u>
Total Plan Members	<u><u>321</u></u>

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**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**B. Funding Policy**

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The District's employment agreement for certain administrative officials provides for the District to contribute the following amounts into an MSRS account for premium costs for health and dental coverage. For the year ended June 30, 2019, the District's average contribution rate was 7.20 percent of covered-employee payroll. For fiscal year 2018, the District contributed \$260,702 to the Plan.

Employee Groups	Contribution	Term
Community Education Director	\$ 9,000/year	Until Medicare eligible
Principals	9,000/year	Until Medicare eligible
Activities Director	9,000/year	Until Medicare eligible

Eligibility is as follows:

Employee Groups	Eligibility
District Superintendent	No Criteria
Director of Business Services	No Criteria
Community Education Director	Employed more than 15 years and age 55
Principals	Employed more than 5 years and age 55
Activities Director	Employed more than 5 years and age 55
Director Curriculum	Employed more than 5 years and age 55

**C. Actuarial Methods and Assumptions**

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

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

Discount Rate	3.62%
Expected Long-term Investment Return	N/A
Inflation Rate	2.50%
Medical Trend Rate	6.90% for 2019 grading to 4.00% in 2076 and later

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

In addition, the medical trend rates above were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high cost health insurance plans. The additional trend rate adjustments vary by year, but average 0.40% beginning calendar year 2037 for plans other than Medicare plans.

The discount rate used to measure the total OPEB liability was 3.62 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**D. Sensitivity of the Net OPEB Liability**

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 that is 1-percentage point lower (2.62 percent) or 1-percentage-point higher (4.62 percent) than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

1 Percent Decrease (2.62%)	Current (3.62%)	1 Percent Increase (4.62%)
\$ 1,393,943	\$ 1,328,871	\$ 1,264,823

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 Rates that is 1-percentage point lower (6.90 percent decreasing to 5.90 percent) or 1-percentage-point higher (6.90 percent increasing to 7.90 percent) than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in Trend Rates

1 Percent Decrease (5.90%)	Current (6.90%)	1 Percent Increase (7.90%)
\$ 1,230,521	\$ 1,328,871	\$ 1,443,053

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

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2018	\$ 1,341,977	\$ -	\$ 1,341,977
Changes for the Year:			
Employer contributions	-	260,702	(260,702)
Service cost	112,390	-	112,390
Interest	47,135	-	47,135
Changes of assumptions	(184,212)	-	(184,212)
Changes of benefit terms	25,090	-	25,090
Differences between expected and actual experience	247,193	-	247,193
Benefit payments	(260,702)	(260,702)	-
Net Changes	(13,106)	-	(13,106)
Balances at June 30, 2019	\$ 1,328,871	\$ -	\$ 1,328,871

Plan fiduciary net position as a percentage of the  
total OPEB liability

0.0%

Net OPEB Liability as a % of

eligible payroll for measurement period

7.2%

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Financial Statements  
June 30, 2019

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized negative OPEB expense of \$1,597. 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
Changes in Actuarial Assumptions	\$ -	\$ 222,922
Liability Losses (Gains)	191,457	-
Contributions to OPEB Subsequent to the Measurement Date	78,535	-
Total	<u>\$ 269,992</u>	<u>\$ 222,922</u>

Deferred outflows of resources totaling \$78,535 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2020	\$ (1,586)
2021	(1,586)
2021	(1,586)
2022	(1,586)
2023	(1,586)
Thereafter	(23,535)

**Note 7: Other Information**

**A. 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; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

**B. Federal and State Programs**

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 fund. 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.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

# Independent School District No. 2144

Lindstrom, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2019

## Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/18	0.3036 %	\$19,069,710	\$ 1,791,448	\$ 20,861,158	\$ 16,774,307	113.7 %	78.1 %
6/30/17	0.2998	59,845,518	5,785,414	65,630,932	16,195,533	369.5	51.6
6/30/16	0.2952	70,412,243	7,066,891	77,479,134	15,354,253	458.6	44.9
6/30/15	0.2922	18,075,460	2,216,850	20,292,310	14,828,065	121.9	76.8
6/30/14	0.3000	13,823,784	972,471	14,796,255	13,693,886	100.9	81.1

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

## Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/19	\$ 1,319,331	\$ 1,319,331	\$ -	\$ 17,111,946	7.7 %
6/30/18	1,258,073	1,258,073	-	16,774,307	7.5
6/30/17	1,214,665	1,214,665	-	16,195,533	7.5
6/30/16	1,151,569	1,151,569	-	15,354,253	7.5
6/30/15	1,112,105	1,112,105	-	14,828,065	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Independent School District No. 2144  
Lindstrom, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2019

**Notes to the Required Supplementary Information - TRA**

Changes in Actuarial Assumptions

2018 - The investment return assumption was changed from 8.50% to 7.50%. The price inflation assumption was lowered from 3.00% to 2.50%. The payroll growth assumption was lowered from 3.50% to 3.00%. The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. The total salary increase assumption was adjusted by the wage inflation change. The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045. Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- 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, 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.

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA. This also resulted in a state-provided contribution stream of \$14.377 million until the System becomes fully funded.

Independent School District No. 2144  
Lindstrom, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2019

**Schedule of Employer's Share of PERA Net Pension Liability**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/18	0.0985 %	\$ 5,464,376	\$ 179,187	\$ 5,643,563	\$ 6,620,227	82.5 %	79.5 %
6/30/17	0.0970	6,192,416	77,886	6,270,302	6,251,467	99.1	75.9
6/30/16	0.0978	7,940,875	103,630	8,044,505	6,066,644	130.9	68.9
6/30/15	0.0958	4,964,853	-	4,964,853	5,539,200	89.6	78.2
6/30/14	0.0973	4,570,667	-	4,570,667	4,940,133	92.5	78.7

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of Employer's PERA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/19	\$ 495,917	\$ 495,917	\$ -	\$ 6,612,227	7.5 %
6/30/18	496,517	496,517	-	6,620,227	7.5
6/30/17	468,860	468,860	-	6,251,467	7.5
6/30/16	454,998	454,998	-	6,066,644	7.5
6/30/15	415,440	415,440	-	5,539,200	7.5

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

Independent School District No. 2144  
Lindstrom, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2019

**Notes to the Required Supplementary Information - PERA**

Changes in Actuarial Assumptions

2018 - The mortality 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.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

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

Independent School District No. 2144  
Lindstrom, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2019

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

	2019	2018
Total OPEB Liability		
Service cost	\$ 112,390	\$ 115,684
Interest	47,135	43,969
Differences between expected and actual experience	247,193	-
Changes of assumptions	(184,212)	(44,224)
Change of benefit terms	25,090	-
Benefit payments	(260,702)	(327,082)
Net change in total OPEB liability	(13,106)	(211,653)
Total OPEB liability - beginning	1,341,977	1,553,630
	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Total OPEB Liability - ending (a)		
	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Plan Fiduciary Net Position		
Employer contributions	\$ 260,702	\$ 327,082
Benefit payments	(260,702)	(327,082)
	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
District's net OPEB liability (asset) - ending (a) - (b)		
	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Covered - Employee Payroll	\$ 18,466,428	\$ 25,195,762
District's net OPEB liability (asset) as a percentage of covered employee payroll	7.2%	5.3%

*Note: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.*

**Schedule of District's Contributions**

	2018
Contractually Required Employer Contribution	\$ 260,702
Contributions in Relation to the Contractually Required Employer Contribution	<u>260,702</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered - Employee Payroll	\$ 18,466,428
Contributions as a Percentage of Covered Employee Payroll	1.41%

*Note: This schedule is intended to show a 10-year trend. Additional years will be reported as they become available.*

Independent School District No. 2144  
Lindstrom, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2019

**Notes to the Required Supplementary Information - OPEB**

Changes in Assumptions

- The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations.
- The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	6/30/2016 Valuation	6/30/2018 Valuation
\$200 CMM	50%	30
\$500 CMM	20%	20
\$3375 CDHP 860	30%	40
\$1850 CDHP 831	N/A	10

- The inflation assumption was changed from 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

Changes in Benefits

In 2019, there were no changes in benefits.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

# Independent School District No. 2144

Lindstrom, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2019

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
<b>Assets</b>			
Cash and temporary investments	\$ 151,371	\$ 1,033,197	\$ 1,184,568
Receivables			
Taxes	-	212,042	212,042
Accounts and interest	642	10,566	11,208
Due from other school districts	-	1,065	1,065
Due from Minnesota Department of Education	1,484	22,677	24,161
Due from the Federal government	6,992	-	6,992
Inventories	29,322	-	29,322
Prepaid items	5,282	10,730	16,012
<b>Total Assets</b>	<b>\$ 195,093</b>	<b>\$ 1,290,277</b>	<b>\$ 1,485,370</b>
<b>Liabilities</b>			
Accrued salaries payable	\$ 11,216	\$ 76,993	\$ 88,209
Accounts and other payables	3,964	23,671	27,635
Due to other governments	-	726	726
Unearned revenue	57,344	135,395	192,739
<b>Total Liabilities</b>	<b>72,524</b>	<b>236,785</b>	<b>309,309</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - delinquent property taxes	-	2,344	2,344
Property taxes levied for subsequent year	-	344,061	344,061
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>346,405</b>	<b>346,405</b>
<b>Fund Balances</b>			
Nonspendable	34,604	10,730	45,334
Restricted	87,965	696,357	784,322
<b>Total Fund Balances</b>	<b>122,569</b>	<b>707,087</b>	<b>829,656</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 195,093</b>	<b>\$ 1,290,277</b>	<b>\$ 1,485,370</b>

Independent School District No. 2144  
Lindstrom, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2019

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 280,382	\$ 280,382
Other local and county revenue			
Interest earned on investments	4,039	24,893	28,932
Other	2,534	1,339,291	1,341,825
Revenue from state sources	93,570	250,531	344,101
Revenue from federal sources	576,685	-	576,685
Sales and other conversion of assets	1,126,354	-	1,126,354
Total Revenues	<u>1,803,182</u>	<u>1,895,097</u>	<u>3,698,279</u>
Expenditures			
Current			
Elementary and secondary regular instruction	-	50,689	50,689
Community education and services	-	1,885,187	1,885,187
Pupil support services	1,770,501	-	1,770,501
Capital outlay			
Community education and services	-	53,676	53,676
Pupil support services	18,004	-	18,004
Total Expenditures	<u>1,788,505</u>	<u>1,989,552</u>	<u>3,778,057</u>
Net Change in Fund Balances	14,677	(94,455)	(79,778)
Fund Balances, July 1	<u>107,892</u>	<u>801,542</u>	<u>909,434</u>
Fund Balances, June 30	<u>\$ 122,569</u>	<u>\$ 707,087</u>	<u>\$ 829,656</u>

# Independent School District No. 2144

Lindstrom, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2019 and 2018

	2019	2018
<b>Assets</b>		
Cash and temporary investments	\$ 3,184,816	\$ 4,005,951
Receivables		
Taxes		
Current	3,282,172	3,307,413
Delinquent	82,731	87,344
Accounts and interest	108,731	153,887
Due from other school districts	774,744	282,355
Due from Minnesota Department of Education	3,635,660	3,387,103
Due from the Federal government	155,458	181,633
Inventories	1,596	2,765
Prepaid items	757,465	343,475
<b>Total Assets</b>	<b>\$ 11,983,373</b>	<b>\$ 11,751,926</b>
<b>Liabilities</b>		
Accrued salaries payable	\$ 3,743,720	\$ 3,753,475
Accounts and other payables	299,059	355,637
Due to other governments	53,632	62,961
Unearned revenue	116,462	116,660
<b>Total Liabilities</b>	<b>4,212,873</b>	<b>4,288,733</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - delinquent property taxes	40,962	55,387
Property taxes levied for subsequent year	4,947,795	5,033,260
<b>Total Deferred Inflows of Resources</b>	<b>4,988,757</b>	<b>5,088,647</b>
<b>Fund Balances</b>		
Nonspendable		
Inventories	1,596	2,765
Prepaid items	757,465	343,475
Restricted for		
Staff development	30,245	14,793
Long-term facilities maintenance	816,170	446,094
Gifted and talented	10,796	486
Assigned for		
Separation/retirement benefits	1,712,833	1,950,000
Unassigned	(547,362)	(383,067)
<b>Total Fund Balances</b>	<b>2,781,743</b>	<b>2,374,546</b>
<b>Total Liabilities, Deferred Inflows     of Resources and Fund Balances</b>	<b>\$ 11,983,373</b>	<b>\$ 11,751,926</b>

Independent School District No. 2144

Lindstrom, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Page)

For the Year Ended June 30, 2019

(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 5,171,194	\$ 5,813,057	\$ 5,719,473	\$ (93,584)	\$ 5,300,344
Other local and county revenue					
Interest earned on investments	32,800	36,546	69,017	32,471	57,377
Other	1,471,988	1,616,773	1,841,601	224,828	775,306
Revenue from state sources	32,774,863	32,607,165	32,755,646	148,481	32,489,903
Revenue from federal sources	513,404	443,032	481,761	38,729	567,793
Sales and other conversion of assets	5,000	13,454	8,805	(4,649)	12,222
Total Revenues	39,969,249	40,530,027	40,876,303	346,276	39,202,945
Expenditures					
Current					
Administration					
Salaries	1,145,915	1,173,339	1,153,352	19,987	1,379,355
Fringe benefits	452,152	459,168	429,252	29,916	438,488
Purchased services	41,750	37,190	20,610	16,580	28,961
Supplies and materials	29,555	26,818	23,041	3,777	30,614
Other	29,442	35,513	35,085	428	33,547
Total administration	1,698,814	1,732,028	1,661,340	70,688	1,910,965
District support services					
Salaries	501,837	564,680	513,249	51,431	900,775
Fringe benefits	207,891	225,781	235,574	(9,793)	193,130
Purchased services	475,805	502,511	469,950	32,561	410,773
Supplies and materials	9,000	9,000	10,542	(1,542)	7,988
Other	500	500	1,358	(858)	1,428
Total district support services	1,195,033	1,302,472	1,230,673	71,799	1,514,094
Elementary and secondary regular instruction					
Salaries	11,832,203	12,182,534	11,541,133	641,401	11,238,089
Fringe benefits	3,678,070	3,764,875	3,688,251	76,624	3,526,189
Purchased services	466,731	537,617	588,921	(51,304)	551,263
Supplies and materials	614,790	615,032	541,144	73,888	590,265
Other	-	7,000	7,040	(40)	6,930
Total elementary and secondary regular instruction	16,591,794	17,107,058	16,366,489	740,569	15,912,736

Independent School District No. 2144  
Lindstrom, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 865,038	\$ 917,846	\$ 976,532	\$ (58,686)	\$ 917,177
Fringe benefits	311,192	306,726	320,887	(14,161)	288,941
Purchased services	10,870	45,526	26,345	19,181	56,211
Supplies and materials	18,941	47,217	75,680	(28,463)	54,684
Total vocational education instruction	1,206,041	1,317,315	1,399,444	(82,129)	1,317,013
Special education instruction					
Salaries	5,087,532	5,428,477	5,395,476	33,001	5,415,567
Fringe benefits	1,999,579	2,034,682	2,066,724	(32,042)	2,033,430
Purchased services	1,596,654	1,980,436	1,575,990	404,446	1,848,509
Supplies and materials	71,948	67,537	69,163	(1,626)	61,895
Total special education instruction	8,755,713	9,511,132	9,107,353	403,779	9,359,401
Instructional support services					
Salaries	1,585,384	1,706,144	1,726,006	(19,862)	1,696,283
Fringe benefits	517,567	532,073	565,469	(33,396)	543,600
Purchased services	100,070	230,888	245,867	(14,979)	294,922
Supplies and materials	311,054	326,504	299,196	27,308	216,240
Other	600	600	1,380	(780)	375
Total instructional support services	2,514,675	2,796,209	2,837,918	(41,709)	2,751,420
Pupil support services					
Salaries	711,057	721,550	641,642	79,908	633,919
Fringe benefits	247,104	250,850	228,016	22,834	230,829
Purchased services	2,207,595	2,609,788	2,590,592	19,196	2,396,648
Supplies and materials	102,753	118,509	121,218	(2,709)	120,663
Total pupil support services	3,268,509	3,700,697	3,581,468	119,229	3,382,059
Sites and buildings					
Salaries	1,123,157	1,151,447	1,159,063	(7,616)	1,138,763
Fringe benefits	415,539	421,992	420,030	1,962	408,142
Purchased services	1,253,249	1,517,126	1,277,652	239,474	1,290,463
Supplies and materials	303,400	335,400	364,806	(29,406)	393,665
Other	-	-	12,402	(12,402)	12,078
Total sites and buildings	3,095,345	3,425,965	3,233,953	192,012	3,243,111
Total current	38,325,924	40,892,876	39,418,638	1,474,238	39,390,799

Independent School District No. 2144  
Lindstrom, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Capital outlay					
District support services	\$ 28,200	\$ 28,200	\$ 82,204	\$ (54,004)	\$ 10,288
Elementary and secondary					
regular instruction	203,150	203,150	115,265	87,885	199,238
Vocational education instruction	-	17,600	11,770	5,830	10,181
Special education instruction	4,000	4,000	970	3,030	5,286
Instructional support services	319,200	319,200	147,170	172,030	159,987
Sites and buildings	656,601	656,601	691,029	(34,428)	330,577
Total capital outlay	<u>1,211,151</u>	<u>1,228,751</u>	<u>1,048,408</u>	<u>180,343</u>	<u>715,557</u>
Debt service					
Interest and other charges	-	-	2,060	(2,060)	6,409
Total Expenditures	<u>39,537,075</u>	<u>42,121,627</u>	<u>40,469,106</u>	<u>1,652,521</u>	<u>40,112,765</u>
Net Change in Fund Balances	432,174	(1,591,600)	407,197	1,998,797	(909,820)
Fund Balances, July 1	<u>2,374,546</u>	<u>2,374,546</u>	<u>2,374,546</u>	-	<u>3,284,366</u>
Fund Balances, June 30	<u>\$ 2,806,720</u>	<u>\$ 782,946</u>	<u>\$ 2,781,743</u>	<u>\$ 1,998,797</u>	<u>\$ 2,374,546</u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Food Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local and county revenue					
Interest earned on investments	\$ -	\$ -	\$ 4,039	\$ 4,039	\$ 2,028
Other	-	-	2,534	2,534	5,501
Revenue from state sources	90,250	90,250	93,570	3,320	97,231
Revenue from federal sources	471,975	471,975	576,685	104,710	584,710
Sales and other conversion of assets	1,152,825	1,152,825	1,126,354	(26,471)	1,130,143
Total Revenues	<u>1,715,050</u>	<u>1,715,050</u>	<u>1,803,182</u>	<u>88,132</u>	<u>1,819,613</u>
Expenditures					
Current					
Pupil support services					
Salaries	601,056	601,056	613,516	(12,460)	593,231
Employee benefits	209,319	209,319	214,521	(5,202)	209,095
Purchased services	80,962	80,962	86,390	(5,428)	81,813
Supplies and materials	751,633	751,633	853,926	(102,293)	859,349
Other	3,041	3,041	2,148	893	2,169
Total current	<u>1,646,011</u>	<u>1,646,011</u>	<u>1,770,501</u>	<u>(124,490)</u>	<u>1,745,657</u>
Capital outlay					
Pupil support services	3,600	3,600	18,004	(14,404)	7,088
Total Expenditures	<u>1,649,611</u>	<u>1,649,611</u>	<u>1,788,505</u>	<u>(138,894)</u>	<u>1,752,745</u>
Net Change in Fund Balances	65,439	65,439	14,677	(50,762)	66,868
Fund Balances, July 1	<u>107,892</u>	<u>107,892</u>	<u>107,892</u>	-	<u>41,024</u>
Fund Balances, June 30	<u>\$ 173,331</u>	<u>\$ 173,331</u>	<u>\$ 122,569</u>	<u>\$ (50,762)</u>	<u>\$ 107,892</u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Community Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 288,677	\$ 288,677	\$ 280,382	\$ (8,295)	\$ 276,380
Other local and county revenue					
Interest earned on investments	-	-	24,893	24,893	15,156
Other	1,445,386	1,445,386	1,339,291	(106,095)	1,414,793
Revenue from state sources	225,179	225,179	250,531	25,352	247,950
Sale and other conversion of assets	-	-	-	-	500
Total Revenues	<u>1,959,242</u>	<u>1,959,242</u>	<u>1,895,097</u>	<u>(64,145)</u>	<u>1,954,779</u>
Expenditures					
Current					
Elementary and secondary regular instruction					
Salaries	37,847	37,847	36,279	1,568	35,479
Employee benefits	10,293	10,293	8,676	1,617	8,881
Purchased services	1,950	1,950	2,650	(700)	1,505
Supplies and materials	3,000	3,000	3,084	(84)	4,312
Community education and services					
Salaries	1,181,608	1,181,608	1,286,737	(105,129)	1,271,478
Employee benefits	342,362	342,362	338,852	3,510	327,550
Purchased services	154,386	154,386	135,840	18,546	132,603
Supplies and materials	90,625	90,625	122,250	(31,625)	128,138
Other	1,900	1,900	1,508	392	1,088
Total current	<u>1,823,971</u>	<u>1,823,971</u>	<u>1,935,876</u>	<u>(111,905)</u>	<u>1,911,034</u>
Capital outlay					
Community education and services	<u>73,500</u>	<u>73,500</u>	<u>53,676</u>	<u>19,824</u>	<u>2,762</u>
Total Expenditures	<u>1,897,471</u>	<u>1,897,471</u>	<u>1,989,552</u>	<u>(92,081)</u>	<u>1,913,796</u>
Net Change in Fund Balances	61,771	61,771	(94,455)	(156,226)	40,983
Fund Balances, July 1	<u>801,542</u>	<u>801,542</u>	<u>801,542</u>	<u>-</u>	<u>760,559</u>
Fund Balances, June 30	<u>\$ 863,313</u>	<u>\$ 863,313</u>	<u>\$ 707,087</u>	<u>\$ (156,226)</u>	<u>\$ 801,542</u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2019  
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,417,461	\$ 4,417,461	\$ 4,397,455	\$ (20,006)	\$ 3,019,437
Other local and county revenue					
Interest earned on investments	10,000	10,000	45,325	35,325	25,744
Revenue from state sources	20,000	20,000	160,866	140,866	22,696
Total Revenues	<u>4,447,461</u>	<u>4,447,461</u>	<u>4,603,646</u>	<u>156,185</u>	<u>3,067,877</u>
Expenditures					
Debt service					
Principal	1,845,000	1,845,000	1,845,000	-	2,705,000
Interest and other charges	2,602,461	2,602,461	2,570,609	31,852	1,453,614
Total Expenditures	<u>4,447,461</u>	<u>4,447,461</u>	<u>4,415,609</u>	<u>31,852</u>	<u>4,158,614</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	188,037	188,037	(1,090,737)
Other Financing Sources					
Bonds issued	-	-	-	-	1,115,513
Net Change in Fund Balances	-	-	188,037	188,037	24,776
Fund Balances, July 1	<u>680,357</u>	<u>680,357</u>	<u>680,357</u>	-	<u>655,581</u>
Fund Balances, June 30	<u>\$ 680,357</u>	<u>\$ 680,357</u>	<u>\$ 868,394</u>	<u>\$ 188,037</u>	<u>\$ 680,357</u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Schedule of the Components of the General Fund  
Balance Sheet  
June 30, 2019

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
<b>Assets</b>				
Cash and temporary investments	\$ 2,321,061	\$ 87,216	\$ 776,539	\$ 3,184,816
Receivables				
Current taxes	3,282,172	-	-	3,282,172
Delinquent taxes	82,731	-	-	82,731
Accounts and interest	64,039	37,307	7,385	108,731
Due from other school districts	774,744	-	-	774,744
Due from Minnesota Department of Education	3,585,134	896	49,630	3,635,660
Due from the Federal government	155,458	-	-	155,458
Inventories	1,596	-	-	1,596
Prepaid items	699,597	-	57,868	757,465
<b>Total Assets</b>	<b>\$ 10,966,532</b>	<b>\$ 125,419</b>	<b>\$ 891,422</b>	<b>\$ 11,983,373</b>
<b>Liabilities</b>				
Accrued salaries payable	\$ 3,743,720	\$ -	\$ -	\$ 3,743,720
Accounts and other payables	286,974	10,290	1,795	299,059
Due to other governments	45,036	-	8,596	53,632
Unearned revenue	109,469	-	6,993	116,462
<b>Total Liabilities</b>	<b>4,185,199</b>	<b>10,290</b>	<b>17,384</b>	<b>4,212,873</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	40,962	-	-	40,962
Property taxes levied for subsequent year	4,947,795	-	-	4,947,795
<b>Total Deferred Inflows of Resources</b>	<b>4,988,757</b>	<b>-</b>	<b>-</b>	<b>4,988,757</b>
<b>Fund Balances</b>				
Nonspendable				
Inventories	1,596	-	-	1,596
Prepaid items	699,597	-	57,868	757,465
Restricted for				
Staff development	30,245	-	-	30,245
Long term facilities maintenance	-	-	816,170	816,170
Gifted and talented	10,796	-	-	10,796
Assigned for				
Separation/retirement benefits	1,712,833	-	-	1,712,833
Unassigned	(662,491)	115,129	-	(547,362)
<b>Total Fund Balances</b>	<b>1,792,576</b>	<b>115,129</b>	<b>874,038</b>	<b>2,781,743</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 10,966,532</b>	<b>\$ 125,419</b>	<b>\$ 891,422</b>	<b>\$ 11,983,373</b>

Independent School District No. 2144  
Lindstrom, Minnesota  
Schedule of the Components of the General Fund  
Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Page)  
For the Year Ended June 30, 2019

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Revenues				
Local property tax levies	\$ 4,490,692	\$ -	\$ 1,228,781	\$ 5,719,473
Other local and county revenue				
Interest earned on investments	53,633	1,546	13,838	69,017
Other	1,801,601	40,000	-	1,841,601
Revenue from state sources	29,211,852	2,493,569	1,050,225	32,755,646
Revenue from federal sources	481,761	-	-	481,761
Sales and other conversion of assets	4,354	-	4,451	8,805
Total Revenues	36,043,893	2,535,115	2,297,295	40,876,303
Expenditures				
Current				
Administration				
Salaries and wages	1,153,352	-	-	1,153,352
Employee benefits	429,252	-	-	429,252
Purchased services	20,610	-	-	20,610
Supplies and materials	23,041	-	-	23,041
Other	35,085	-	-	35,085
Total administration	1,661,340	-	-	1,661,340
District support services				
Salaries and wages	513,249	-	-	513,249
Employee benefits	235,574	-	-	235,574
Purchased services	469,950	-	-	469,950
Supplies and materials	10,542	-	-	10,542
Other	1,358	-	-	1,358
Total district support services	1,230,673	-	-	1,230,673
Elementary and secondary regular instruction				
Salaries and wages	11,541,133	-	-	11,541,133
Employee benefits	3,688,251	-	-	3,688,251
Purchased services	588,921	-	-	588,921
Supplies and materials	343,683	-	197,461	541,144
Other	7,040	-	-	7,040
Total elementary and secondary regular instruction	16,169,028	-	197,461	16,366,489
Vocational education instruction				
Salaries and wages	976,532	-	-	976,532
Employee benefits	320,887	-	-	320,887
Purchased services	26,345	-	-	26,345
Supplies and materials	75,680	-	-	75,680
Total vocational education instruction	1,399,444	-	-	1,399,444

Independent School District No. 2144  
Lindstrom, Minnesota  
Schedule of the Components of the General Fund  
Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended June 30, 2019

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Current (continued)				
Special education instruction				
Salaries and wages	\$ 5,395,476	\$ -	\$ -	\$ 5,395,476
Employee benefits	2,066,724	-	-	2,066,724
Purchased services	1,575,990	-	-	1,575,990
Supplies and materials	69,163	-	-	69,163
Total special education instruction	<u>9,107,353</u>	<u>-</u>	<u>-</u>	<u>9,107,353</u>
Instructional support services				
Salaries and wages	1,726,006	-	-	1,726,006
Employee benefits	565,469	-	-	565,469
Purchased services	245,867	-	-	245,867
Supplies and materials	72,023	-	227,173	299,196
Other	1,380	-	-	1,380
Total instructional support services	<u>2,610,745</u>	<u>-</u>	<u>227,173</u>	<u>2,837,918</u>
Pupil support services				
Salaries and wages	641,642	-	-	641,642
Employee benefits	228,016	-	-	228,016
Purchased services	186,401	2,404,191	-	2,590,592
Supplies and materials	40,395	80,823	-	121,218
Total pupil support services	<u>1,096,454</u>	<u>2,485,014</u>	<u>-</u>	<u>3,581,468</u>
Sites and buildings				
Salaries and wages	1,159,029	-	34	1,159,063
Employee benefits	420,024	-	6	420,030
Purchased services	878,222	-	399,430	1,277,652
Supplies and materials	348,227	-	16,579	364,806
Other	12,402	-	-	12,402
Total sites and buildings	<u>2,817,904</u>	<u>-</u>	<u>416,049</u>	<u>3,233,953</u>
Total current	<u>36,092,941</u>	<u>2,485,014</u>	<u>840,683</u>	<u>39,418,638</u>
Capital outlay				
District support services	-	-	82,204	82,204
Elementary and secondary regular instruction	5,763	-	109,502	115,265
Vocational education instruction	11,770	-	-	11,770
Special education instruction	970	-	-	970
Instructional support services	-	-	147,170	147,170
Sites and buildings	(823)	-	691,852	691,029
Total capital outlay	<u>17,680</u>	<u>-</u>	<u>1,030,728</u>	<u>1,048,408</u>
Expenditures (Continued)				
Debt service				
Interest and other charges	\$ 2,060	\$ -	\$ -	\$ 2,060
Total Expenditures	<u>36,112,681</u>	<u>2,485,014</u>	<u>1,871,411</u>	<u>40,469,106</u>
Net Change in Fund Balances	(68,788)	50,101	425,884	407,197
Fund Balances, July 1	<u>1,861,364</u>	<u>65,028</u>	<u>448,154</u>	<u>2,374,546</u>
Fund Balances, June 30	<u>\$ 1,792,576</u>	<u>\$ 115,129</u>	<u>\$ 874,038</u>	<u>\$ 2,781,743</u>

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Independent School District No. 2144  
Lindstrom, Minnesota  
Agency Fund  
Schedule of Changes in Assets and Liabilities  
For the Year Ended June 30, 2019

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>
<b>Student Activities</b>				
Assets				
Cash and temporary investments	<u>\$      267,653</u>	<u>\$      820,346</u>	<u>\$      733,924</u>	<u>\$      354,075</u>
Liabilities				
Accounts payable	<u>\$      267,653</u>	<u>\$      820,346</u>	<u>\$      733,924</u>	<u>\$      354,075</u>

**Fiscal Compliance Report - 6/30/2019**  
**District: CHISAGO LAKES (2144-1)**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$40,870,702	<u>\$40,870,666</u>	<u>\$36</u>	Total Revenue	\$1,004,246	<u>\$1,004,246</u>	<u>\$0</u>
Total Expenditures	\$40,469,106	<u>\$40,469,070</u>	<u>\$36</u>	Total Expenditures	\$42,631,468	<u>\$42,631,469</u>	<u>(\$1)</u>
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$759,061	<u>\$759,061</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$30,245	<u>\$30,246</u>	<u>(\$1)</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$569,054	<u>\$569,054</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$16,568,688	<u>\$16,568,687</u>	<u>\$1</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>				
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$4,603,646	<u>\$4,603,645</u>	<u>\$1</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$4,415,609	<u>\$4,415,609</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	<i>Non Spendable:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted / Reserved:</i>			
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$10,796	<u>\$10,796</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	<i>Restricted:</i>			
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$868,394	<u>\$868,394</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$816,170	<u>\$816,170</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<b>20 INTERNAL SERVICE</b>			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$1,712,833	<u>\$1,712,833</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	(\$547,362)	<u>(\$547,362)</u>	<u>\$0</u>

## 02 FOOD SERVICES

Total Revenue	\$1,802,668	<u>\$1,802,663</u>	<u>\$5</u>
Total Expenditures	\$1,788,505	<u>\$1,788,503</u>	<u>\$2</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$34,604	<u>\$34,602</u>	<u>\$2</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$87,965	<u>\$87,964</u>	<u>\$1</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

## 04 COMMUNITY SERVICE

Total Revenue	\$1,895,097	<u>\$1,895,091</u>	<u>\$6</u>
Total Expenditures	\$1,989,552	<u>\$1,989,546</u>	<u>\$6</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$10,730	<u>\$10,730</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$92,012	<u>\$92,011</u>	<u>\$1</u>
4.32 E.C.FE	\$154,432	<u>\$154,434</u>	<u>(\$2)</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$119,033	<u>\$119,033</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$330,879	<u>\$330,880</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

## 25 OPEB REVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

## 45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

## 47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education  
Independent School District No. 2144  
Lindstrom, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Lindstrom, Minnesota 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 13, 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, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
November 13, 2019

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*

Members of the Board of Education  
Independent School District No. 2144  
Lindstrom, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, 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 13, 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.

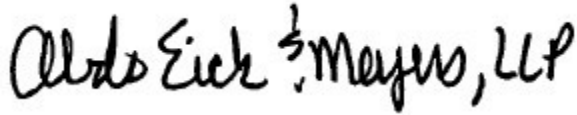
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

### **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*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Abdo Eick & Meyers, LLP". The signature is written in a cursive, flowing style.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
November 13, 2019

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STUDENT ACTIVITY ACCOUNTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education, Advisors and Students  
Independent School District No. 2144  
Lindstrom, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying statement of changes in assets and liabilities of the student activity accounts of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, as of and for the year ended June 30, 2019.

### **Management's Responsibilities 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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement.

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

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

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in the note to the financial statements, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statements are prepared by the Independent School District No. 2144 in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in the note to the financial statements and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

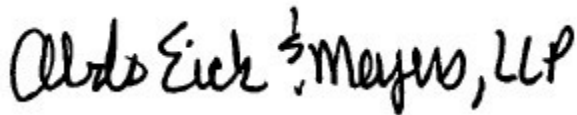
In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with the accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 2144 as of June 30, 2019, or changes in financial position for the year then ended.

### ***Basis for Qualified Opinion on Regulatory Basis of Accounting***

We were unable to audit the cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

### ***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis of Accounting paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of the Student Activity Funds of Independent School District No. 2144 as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
November 13, 2019

Independent School District No. 2144  
Lindstrom, Minnesota  
Statement of Changes in Assets and Liabilities (Continued on the Following Page)  
Student Activity Accounts  
For the Year Ended June 30, 2019

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Assets				
Cash and temporary investments				
Senior High School				
Alpine Skiing	\$ 1,098	\$ 358	\$ 456	\$ 1,000
Art Department	168	258	241	185
ADS Athletic	3,858	58,343	55,676	6,525
Annual	19,118	17,142	2,240	34,020
Boys Hockey	332	9	-	341
Band	1,147	91,415	86,442	6,120
Baseball	26,075	16,599	9,723	32,951
Boys Basketball	558	20,937	20,054	1,441
Boys Lacrosse	823	1,681	682	1,822
Boys Swim Club	3,713	5,323	1,713	7,323
Boys Tennis	5	3,107	2,880	232
Cheerleaders	8,938	8,213	16,901	250
Choir Tour	2,211	561	462	2,310
Concessions	9,683	46,979	52,075	4,587
Costa Rica Trip	1	-	-	1
Cross Country	2,058	3,229	294	4,993
Dance line	8,441	12,967	9,875	11,533
DECA	250	7,603	7,337	516
Drama - Fall Musical	3,371	1,819	1,874	3,316
Drama 2	171	5	-	176
Europe Trip	-	167	-	167
FCCLA	1,332	795	1,249	878
Fall Dance	201	3,442	1,869	1,774
FFA	16,462	34,043	23,203	27,302
Football	2,622	19,579	20,730	1,471
Girls Basketball	1,761	4,891	1,044	5,608
Girls Hockey	2,277	10,186	9,794	2,669
Girls Lacrosse	351	2,739	515	2,575
Girls Swim Club	2,252	5,225	2,263	5,214
Girls Tennis	1,508	2,257	2,049	1,716
Golf Boys	177	3,382	3,106	453
Golf Girls	1,422	410	1,786	46
Go Wild	218	6,579	4,615	2,182
Guidance Office	3,373	1,880	730	4,523
Gymnastics	28	2,401	2,394	35
Herb Jangor Scholarship	6,210	1,177	500	6,887
High School Incentives	7,399	6,108	6,481	7,026
Industrial Tech	722	20	-	742
International Club	4,726	1,384	1,617	4,493
Knowledge Bowl	257	7	-	264
Math League	1	2,840	2,543	298
Metals I	5,505	3,231	1,737	6,999
Middle school Football	1,242	31	186	1,087
Middle School Play	-	1,030	-	1,030
Miscellaneous	13,353	2,580	1,490	14,443
Music Scholarship	3,759	2,648	3,836	2,571
National Honor Society	4,264	4,828	1,668	7,424
OEA/BPA	917	10,558	9,696	1,779
Pathways	999	27	-	1,026
Performing Arts Center	717	172	-	889
Powerlifting	1,064	2,851	2,674	1,241
PT Adv Com	2,345	8,709	5,954	5,100
RTI	133	4	-	137
SADD	708	727	145	1,290

Independent School District No. 2144  
Lindstrom, Minnesota  
Statement of Changes in Assets and Liabilities (Continued)  
Student Activity Accounts  
For the Year Ended June 30, 2019

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
<b>Assets (Continued)</b>				
Cash and temporary investments (continued)				
Senior High School - continued				
Scholarships	\$ 6,641	\$ 21,947	\$ 20,700	\$ 7,888
Science Department	593	15	35	573
Ski Club	1,186	-	1,186	-
Snack Machine	623	490	49	1,064
Soccer Boys	86	4,357	2,181	2,262
Soccer Girls	1,352	7,710	8,199	863
Softball	3,813	959	579	4,193
Special Ed/ALP	3,289	2,751	1,474	4,566
Speech Team	1,106	560	214	1,452
Student Council	1,302	7,489	7,142	1,649
Student Council 2 Prom	12,122	20,907	17,641	15,388
Super Mileage C1	748	871	860	759
Theater	557	15	-	572
Track	1,536	5,795	1,691	5,640
Trapshooting	40	27,065	25,280	1,825
VICA Auto	1,373	30	560	843
VICA Woods	45	6,850	4,890	2,005
Volleyball	6,372	12,542	6,996	11,918
Work Experience	310	8	-	318
Wrestling	309	2,012	338	1,983
Total Senior High School	<u>223,727</u>	<u>565,829</u>	<u>482,814</u>	<u>306,742</u>
Middle School				
5K Fun Walk/Run	2,877	-	-	2,877
7th Grade	-	3,560	335	3,225
8th Grade	-	7,996	7,996	-
Ecology Club	-	3,232	899	2,333
Environment	-	5,940	5,940	-
Lynx Core	72	-	-	72
Magazine fund	315	43	-	358
Miscellaneous	302	30,339	25,425	5,216
Outdoor Classroom	-	178	-	178
Pencil	22	198	220	-
Robotics	-	2,400	1,705	695
Student council	1	9,831	9,127	705
Wolf ridge	657	88,745	89,402	-
Total Middle School	<u>4,246</u>	<u>152,462</u>	<u>141,049</u>	<u>15,659</u>
Lakeside Intermediate School				
General	4,338	28,506	32,844	-
PTO	6,793	9,699	9,659	6,833
Total Lakeside Intermediate School	<u>11,131</u>	<u>38,205</u>	<u>42,503</u>	<u>6,833</u>
Taylors Falls Elementary				
Activity Fund	751	7,985	8,223	513
Boat Cruise Fund	1,456	4,889	3,058	3,287
Field Trips	47	8,645	8,574	118
Young Account	7,019	12,680	6,723	12,976
Total Taylors Falls Elementary	<u>9,273</u>	<u>34,199</u>	<u>26,578</u>	<u>16,894</u>
Chisago Lakes Elementary				
General	12,089	13,572	25,612	49
Grade 1	1,969	8,025	8,457	1,537
Grade 2	2,030	1,644	1,910	1,764
Kindergarten	2,476	6,410	5,001	3,885
Outdoor Classroom	712	-	-	712
Total Chisago Lakes Elementary	<u>19,276</u>	<u>29,651</u>	<u>40,980</u>	<u>7,947</u>
Total Assets	<u>\$ 267,653</u>	<u>\$ 820,346</u>	<u>\$ 733,924</u>	<u>\$ 354,075</u>
<b>Liabilities</b>				
Accounts payable	<u>\$ 267,653</u>	<u>\$ 820,346</u>	<u>\$ 733,924</u>	<u>\$ 354,075</u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Student Activity Accounts Financial Statements  
For the Year Ended June 30, 2019

**Note 1: Basis of Presentation and Significant Accounting Policies**

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students attending the Independent School District No. 2144 (the District), Lindstrom, Minnesota. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or an adult.

Student activities are to be self-sustaining with all expenses paid by dues, admissions, or other student fundraising events.

The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting as discussed in Note 1C of the District's financial statements.

**Note 2: Collateral**

Cash balances are held in demand accounts. In accordance with Minnesota Statutes, the Student Activity Funds maintain deposits at those depository banks authorized by the Board of Education.

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

As of June 30, 2019, the Student Activity Funds' deposits were entirely covered by federal depository insurance.



## INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITY COMPLIANCE

Members of the Board of Education, Advisors and Students  
Independent School District No. 2144  
Lindstrom, Minnesota

We have audited the statement of changes in assets and liabilities of the extracurricular student activity accounts of the Independent School District No. 2144 (the District), Lindstrom, Minnesota, as of and for the year ended June 30, 2019, and have issued our report thereon dated November 13, 2019.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, issued by the Minnesota Department of Education, pursuant to Minnesota statutes, section 123.38.

The *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges* provides uniform financial accounting and reporting standards for student activities. Compliance with this manual is the responsibility of the District's management. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests indicate that, with respect to the items tested, the District complied, in all material respects, with the provisions referred to in the preceding paragraph.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Manual of Instruction for Uniform Student Activities Accounting for Minnesota School Districts and Area Vocational-Technical Colleges*, and the result of that testing, and not to provide an opinion on the Districts compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
November 13, 2019

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FEDERAL FINANCIAL AWARD PROGRAMS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2019

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE*

Members of the Board of Education  
Independent School District No. 2144  
Lindstrom, Minnesota

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

We have audited the Independent School District No. 2144 (the District), Lindstrom, Minnesota compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

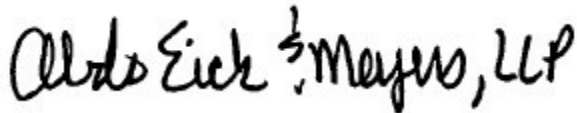
## Report on Internal Control Over Compliance

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

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

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
November 13, 2019

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Independent School District No. 2144  
Lindstrom, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

<u>Administering Department</u>	<u>Grant Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Federal Program Clusters</u>	<u>Federal Expenditures</u>
U.S. Department of Education				
MN Department of Education	Title I Grants to Local Educational Agencies	84.010		\$ 201,089
MN Department of Education	Special Education IDEA, Part B	84.027		78,033
MN Department of Education	Career and Technical Education Basic Grants	84.048		31,945
MN Department of Education	Improving Teacher Quality State Grants	84.367		<u>51,540</u>
Total U.S. Department of Education				<u>362,607</u>
U.S. Department of Agriculture				
MN Department of Education	Commodity Supplemental Food Program	10.565		100,000
MN Department of Education	School Breakfast Program	10.553	78,563	
MN Department of Education	National School Lunch Program	10.555	<u>365,418</u>	
	Total Child Nutrition Cluster			<u>443,981</u>
Total U.S. Department of Agriculture				<u>543,981</u>
Total				<u><u>\$ 906,588</u></u>

Independent School District No. 2144  
Lindstrom, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2019

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the District's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended June 30, 2019, the District did not elect to use the 10 percent de minimis indirect cost rate.

Independent School District No. 2144  
Lindstrom, Minnesota  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 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?	None reported
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 section 5169(a) of Uniform Guidance?	No

***Identification of Major Programs/Projects***

**CFDA No.**

Department of Agriculture - Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	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**

There were no findings related to the audit of the financial statements reported in the 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*.

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.