

INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
JUNE 30, 2018

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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, 2018

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Independent School District No. 2144
Lindstrom, Minnesota
Board of Education and Administration
For the Year Ended June 30, 2018

BOARD OF EDUCATION

<u>Name</u>	<u>Title</u>
Mark Leigh	Chairperson
Lori Berg	Vice-Chairperson
Danielle Strenke	Clerk
Thomas Lawlor	Treasurer
Brenda Carlson	Director
Jerry Vitalis	Director

ADMINISTRATION

Dean Jennissen	Superintendent
Greg Anklan	Director of Business Services

OTHER SCHOOL DATA

	<u>Pupil Unit Number</u>	<u>Average Daily Membership</u>
Handicapped - pre-kindergarten	84.61	67.69
Kindergarten	114.52	187.13
Elementary	1,414.28	1,519.44
Secondary	2,091.23	1,608.64
Totals as of November 20, 2018	<u>3,704.64</u>	<u>3,382.90</u>

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2018

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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, 2018, 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 2018, 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 Plan starting on page 74 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 December 12, 2018 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 12, 2018

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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, 2018.

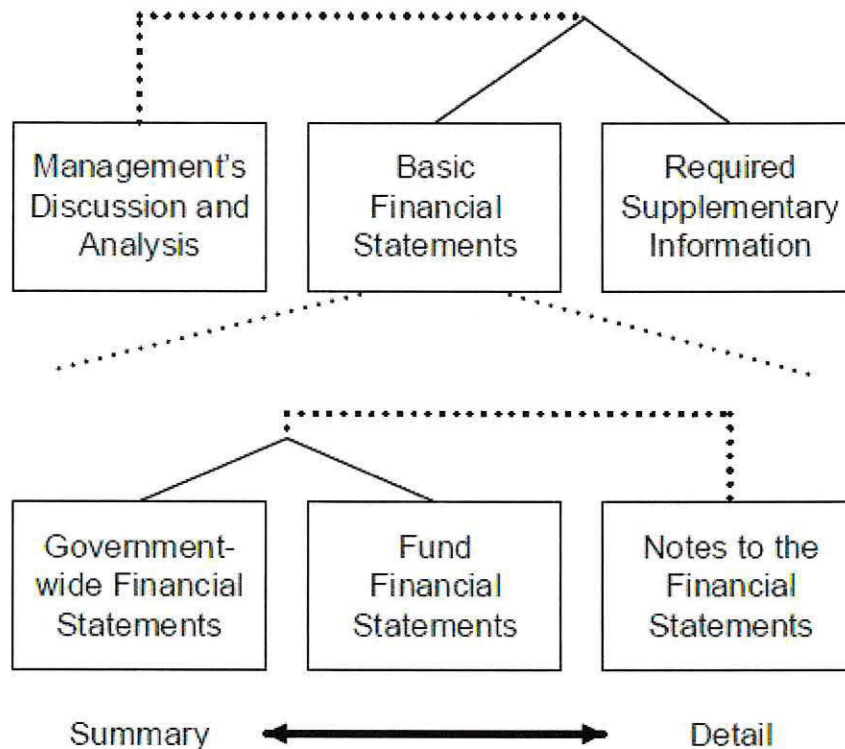
Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$6,333,430 (deficit *net position*).
- The District's total net position decreased by \$10,756,596. This decrease can be attributed to a large increase in pension expense.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$62,729,301, an increase of \$57,987,771 in comparison with the prior year. The increase is primarily the result of the issuance of bonds.
- At the end of the current fiscal year, unassigned fund balance for the General fund was a negative \$383,067.
- The District's total noncurrent liabilities increased \$65,931,028 during the current fiscal year. This increase was primarily the result of issuance of 2017A and 2018A bonds.

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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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 30 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 34 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 39 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 41 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 74 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 80 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, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$6,333,430 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		
	2018	2017	Increase (Decrease)
Assets			
Current and other assets	\$ 81,409,724	\$ 17,049,363	\$ 64,360,361
Capital assets (net of depreciation)	50,457,759	42,754,394	7,703,365
Total Assets	131,867,483	59,803,757	72,063,726
Deferred Outflows of Resources	36,677,930	48,571,975	(11,894,045)
Liabilities			
Noncurrent liabilities outstanding	144,547,884	91,328,266	53,219,618
Other liabilities	9,899,915	4,394,353	5,505,562
Total Liabilities	154,447,799	95,722,619	58,725,180
Deferred Inflows of Resources	20,431,044	8,647,904	11,783,140
Net Position			
Net investment in capital assets	34,562,955	34,025,654	537,301
Restricted	1,374,202	1,383,230	(9,028)
Unrestricted	(42,270,587)	(31,403,675)	(10,866,912)
Total Net Position	\$ (6,333,430)	\$ 4,005,209	\$ (10,338,639)

A portion of the District's net position (\$1,374,202) 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 \$42,270,587.

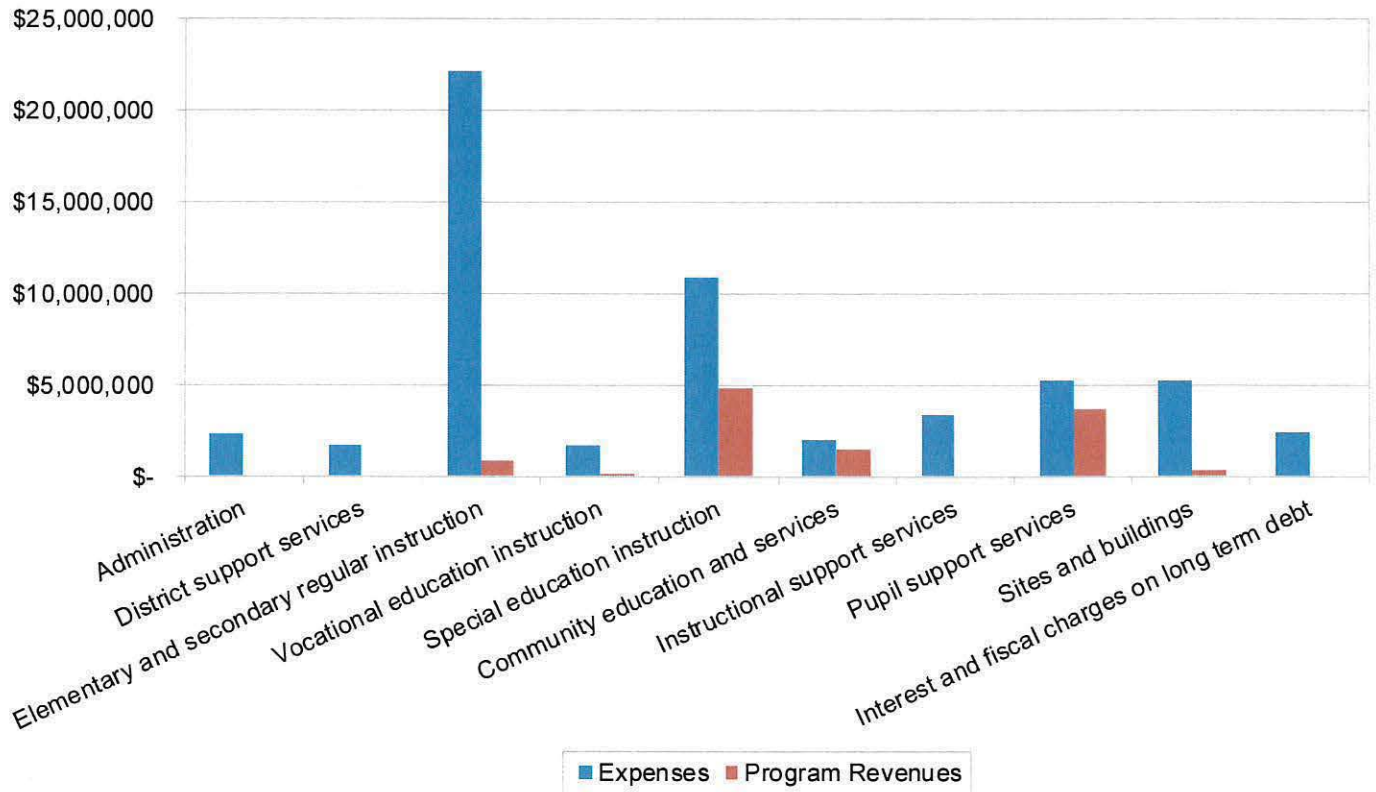
The District's net position decreased \$10,756,596 during the current fiscal year. The following table summarizes the changes in net position.

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

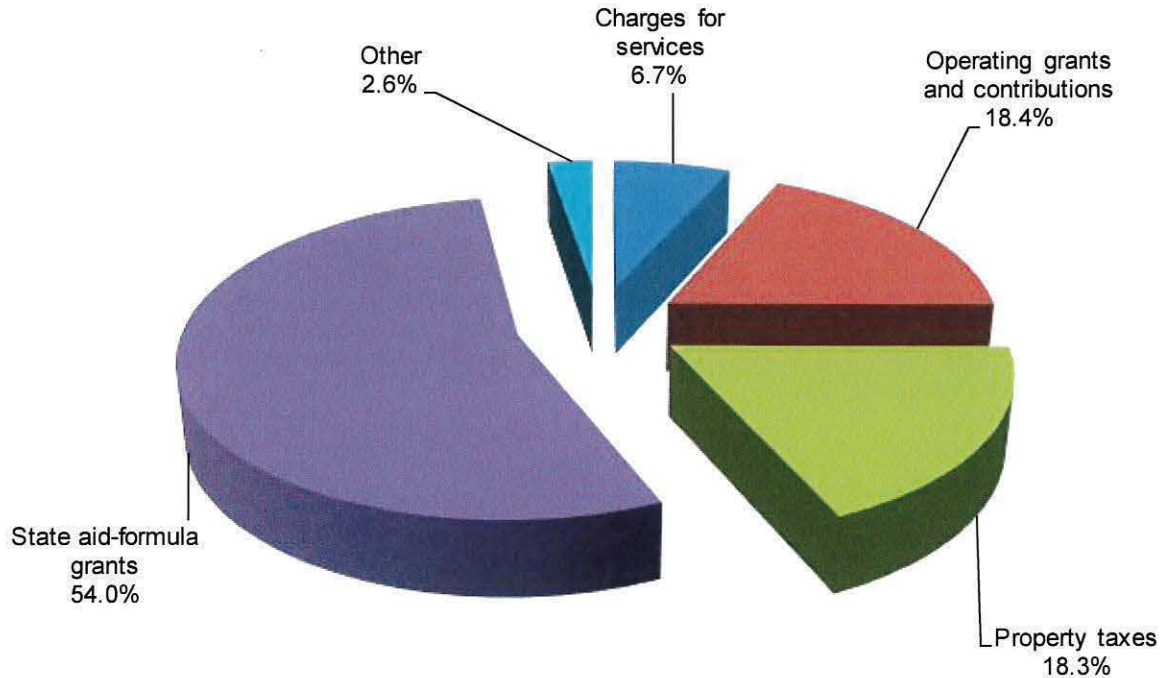
	Governmental activities		
	2018	* 2017	Increase (Decrease)
Revenue			
Program revenue			
Charges for services	\$ 3,131,182	\$ 2,935,006	\$ 196,176
Operating grants and contributions	8,645,151	8,132,736	512,415
General revenue			
Property taxes	8,598,062	8,345,310	252,752
State aid-formula grants	25,357,327	24,211,103	1,146,224
Other general revenues and investment earnings	1,212,745	1,281,691	(68,946)
Total Revenue	<u>46,944,467</u>	<u>44,905,846</u>	<u>2,038,621</u>
Expenses			
Administration	2,396,260	2,160,930	235,330
District support services	1,782,231	1,170,642	611,589
Elementary and secondary regular instruction	22,195,340	22,110,849	84,491
Vocational education instruction	1,774,842	1,765,167	9,675
Special education instruction	10,911,970	10,678,844	233,126
Community education and services	2,042,793	1,974,433	68,360
Instructional support services	3,449,601	3,733,251	(283,650)
Pupil support services	5,346,681	5,203,811	142,870
Sites and buildings	5,274,148	5,446,625	(172,477)
Interest and fiscal charges on long term debt	2,527,197	212,152	2,315,045
Total Expenses	<u>57,701,063</u>	<u>54,456,704</u>	<u>3,244,359</u>
Change in Net Position	(10,756,596)	(9,550,858)	(1,205,738)
Net Position, July 1	<u>4,423,166</u>	<u>13,556,067</u>	<u>(9,132,901)</u>
Net Position, June 30	<u>\$ (6,333,430)</u>	<u>\$ 4,005,209</u>	<u>\$ (10,338,639)</u>

* GASB Statement No. 75 was implemented for the year ended June 30, 2018 and required a \$417,957 restatement of beginning net position. Prior year amounts were not restated causing a variance in ending net position at June 30, 2017 and beginning net position on July 1, 2017. See Note 8.

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 \$62,729,301, an increase of \$57,987,771 in comparison with the prior year. Approximately 0.6 percent or \$383,067 constitutes deficit unassigned fund balance. The remainder of fund balance is not available for new spending because it is either 1) nonspendable (\$395,333), 2) restricted (\$60,767,035), or 3) assigned (\$1,950,000). Additional information on the purposes of the District's fund balances can be found in Note 3F starting on page 55 of this report.

The General fund is the chief operating fund of the District. The fund balance of the District's General fund decreased \$909,820 during the current fiscal year. The budget variances are further explained below. At the end of the current year, unassigned deficit fund balance of the General fund was \$383,067, while total fund balance ended at \$2,374,546. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (1.0) percent of total General fund expenditures, while total fund balance represents 5.9 percent of that same amount.

The Debt Service fund has a total fund balance of \$680,357. The net increase in fund balance during the current year was \$24,776.

The Building Construction fund has a total fund balance net increase in fund balance during the current year of \$58,764,964. The increase is due to unspent proceeds from bonds issued for the ongoing building construction project.

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 \$156,122 additional in its General Fund revenues than what was budgeted. This was mainly in the area of property taxes. The district's property tax valuations increased by 2.3% from the previous year. The district's enrollment was very flat from FY16 to FY17. However, the district had an increase in pupil units in FY18. The district did budget for an increase of 43 pupil units for the 2017-18 school year. Enrollment did increase by 46.22 pupil units from FY17 to FY18 so the budget increase was accurate. The district continues to have significant increases in special education expenditures due to the additional needs of current students and students that enrolled in the district at the beginning and throughout the school year. State aid only pays for 49% of the special education expenditures. Expenditures in special education were \$10,911,970 in FY18. The district receives 49% in special education state aid for these costs. Therefore, \$5,581,154 in expenditures must be covered by the district's General Fund for special education costs. Ten additional paraprofessionals were hired at the High School alone in FY18 at an average cost of \$20,000 each (salary plus FICA, TRA and worker's compensation) for a total of \$200,000.

- The District spent an additional \$1,139,820 than what was originally budgeted in its General Fund expenditures. This was mainly due to an increase of \$652,597 in special education expenditures over what was budgeted. There were greater expenditures in special education instruction due to the hiring of additional certified and non-certified staff at all of our schools due to transitioning students from one building to another. Students are enrolling in the district with more severe needs that require additional services in their IEP (Individual Education Plan). Students that transition from the elementary schools to the Middle School had more severe needs than in previous years. Students moved into the district with more severe needs which created the need for more extensive and specialized special education services. The district also started a shared program for severely autistic students in our district with neighboring districts that are members of SCRED (St. Croix River Education District). This program is expensive but it is more cost effective than sending these students to another program outside of the district in the metro area. In addition, the district spent \$234,121 for the services of American Sign Language Interpreters and private nursing services for special needs students in FY18.
- The district spent \$9,359,401 in special education instruction –salaries, fringe benefits, purchased services, supplies and materials in the General Fund in 2017-2018. This was an increase of \$562,813 or 6.93% over what was spent in special education in 2016-2017. The district also spent \$1,051,987 in special needs transportation for the 2017-2018 school year. For the 2017-2018 school year, all special education expenditures total 28% of the district's general fund budget. This is an increase of 4% from the 2016-17 school year. The reimbursement rate from MDE for these special education expenditures is approximately 49% of what the district spends. Therefore the district is supplementing special education costs out of the General Fund by over \$5,580,000.
- Overall, the district was projecting a \$230,000 increase in the Fund Balance for the District in the revised budget. However, due to the increased expenditures in special education and salary increases in all contracts during the 2017-2018 school year, there was a decrease in the Fund Balance for the General Fund in the amount of \$909,820. The Food Service Fund increased by \$66,868 due to increases in meal participation and cost containment for food products purchased under a consortium agreement. The Community Service Fund Balance increased by \$40,983 due to increases in programs such as Kid's Club and Preschool.
- For the 2018-2019 school year, the district will be reviewing its budget at least three times during the school year. Additional staff have been hired in the District Office so the new Director of Business Services can devote additional time to the budget and trying to contain the rising special education costs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$50,457,759 (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 15.3 percent. The total depreciation expense for the year was \$2,049,479. The following is a schedule of capital assets as of June 30, 2018.

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

	Governmental Activities		
	2018	2017	Increase (Decrease)
Land	\$ 2,573,403	\$ 2,573,403	\$ -
Construction in Progress	9,399,431	-	9,399,431
Land Improvements	1,065,630	1,132,911	(67,281)
Buildings	36,316,268	37,859,514	(1,543,246)
Equipment	1,103,027	1,188,566	(85,539)
Total	<u>\$ 50,457,759</u>	<u>\$ 42,754,394</u>	<u>\$ 7,703,365</u>

Additional information on the District's capital assets can be found in Note 3C on page 52 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	
	2018	2017
		Increase (Decrease)
Bonds Payable	<u>\$ 74,659,768</u>	<u>\$ 8,728,740</u>
		<u>\$ 65,931,028</u>

The District's total noncurrent liabilities increased \$65,931,028 (755.0 percent).

Additional information on the District's noncurrent liabilities can be found in Note 3D on page 53 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 \$6,188 or a 2% increase for the 2017-2018. There will be a 2% increase from \$6188 to \$6312 in the 2018-2019 school year. The Legislature will meet at the beginning in February 2019 to set the basic general education aid amount per pupil for the 2019-20 and 2020-21 school years. The exact amount of general education basic aid per pupil unit will not be determined until the end of the Legislative session in mid-May 2019. The 2019-2020 preliminary budget needs to be approved by June 30, 2019. The pupil unit weightings are as follows: PK - is 1.00; HK is 1.00; Grade K-6 is 1.00 and Grades 7-12 is 1.20. The increase in basic general education aid amount per pupil was \$124 per pupil unit for FY18. Teacher's Retirement Association (TRA) increased the employer share from 7.5% to 7.71% effective July 1, 2018. TRA will be increasing the employer share incrementally through July 1, 2023 when the employer share will be 8.75%. The TRA employer share will be increased from 7.71% to 7.92% effective July 1, 2019. This TRA employer contribution increase will be a hardship on many school districts.
- The 2013 Legislature instituted two board approved operating levy referendums - the \$300 per pupil board approved referendum levy that replaced the District's existing \$400.96 per pupil operating levy and the \$424 per pupil board approved Local Option Revenue (LOR). The 2014 Legislature made the \$424 per pupil unit (LOR) available to all school districts in the state. School Boards must opt out of the program if they do not want to receive the \$424 per pupil unit of LOR. Both of the board approved referendums can be renewed every three to five years. In addition, the district has a voter approved \$225 per pupil operating levy that expires in 2022. In order to balance the district's budget for the 2019-2020 school year, the school board will need to consider significant budget cuts and asking the voters for additional levy authority possibly as early as the Fall of 2019.
- 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 \$878,800 in revenue for 2017-2018 for the purpose of teacher professional growth and will receive approximately \$882,700 in revenue for 2018-2019. 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 tenth year that Chisago Lakes teachers have participated in Q Comp. Teachers received an additional \$3,024 for the 2017-2018 school year. Teachers will receive an additional \$2,921 for the 2018-2019 school year if the following performance criteria are met. Teachers need to actively participate in a Professional Learning Committee (PLCs) (measures of student achievement), participate in Peer Coaching (individual teacher evaluation) and their building must have School Wide Achievement Gains (achieving your site goal). The Q Comp levy will be increased for the 2019-20 school year by \$6,814.35 and Q Comp state aid will be reduced by the same amount. This due to basic Q Comp aid being prorated to .9881. In addition to the stipend, the district has additional costs in fringe benefits of FICA, TRA and worker's compensation that are also covered by this program.

- The District's enrollment has been flat with regard to ADM (Average Daily Membership) for the past several years. After an increase of 76.11 pupil units in FY16, enrollment decreased by 3.54 pupil units in FY17. For FY18, there was an increase of 46.22 pupil units. The District's total ADM (Average Daily Membership) for 2016-2017 was 3,335.54 and the total ADM (Average Daily Membership) for 2017-2018 was 3,382.89. The District's total PUN (Pupil Units) for 2016-2017 was 3,658.41 and the total PUN (Pupil Units) for 2017-2018 was 3,704.63, an increase of 46.22 pupil units. To date for the 2018-19 school year, the District is seeing no increase in student numbers. Our December 2018 enrollment is 13 more students than our June 2018 enrollment. The lower enrollment in the elementary grades will have an effect on the District's revenues in the future due to the pupil unit weighting factor once the smaller class sizes in the elementary school reach Grade 7. 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 continues to review enrollment each month and may need to make additional staff changes if enrollment declines significantly. Currently, the District is still able to offer quality programs and have class sizes at the elementary schools under 30 students per class. The two elementary attendance areas - Primary School and Lakeside on the west side of the district and Taylors Falls on the east side of the district create some challenges when it comes to class size.
- In addition, the preliminary budget for FY19 that was prepared for the General Fund and approved by the School Board in June 2018 did not include some key expenditure areas – i.e. the cost of substitutes, the cost of some salary increases, the cost of extended school year and the cost to the district for the services that the district receives from SCRED (St. Croix River Education District). District staff are working on these budget additions and corrections. A new Director of Business Services will begin on January 1, 2019.

These factors were considered in preparing the District's budget for the 2019 fiscal year and are already being considered when preparing the budget for the 2020 and 2021 fiscal years.

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.

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

FOR THE YEAR ENDED
JUNE 30, 2018

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and temporary investments	\$ 70,432,969
Receivables	
Taxes	6,297,769
Accounts and interest	390,173
Due from other school districts	282,976
Due from Minnesota Department of Education	3,418,822
Due from Federal government	191,682
Inventories	32,470
Prepaid items	362,863
Capital assets	
Land and construction in process	11,972,834
Depreciable assets, net of accumulated depreciation	38,484,925
Total Assets	<u>131,867,483</u>
Deferred Outflows of Resources	
Deferred pension resources	36,580,641
Deferred other post employment benefit resources	97,289
Total Deferred Outflows of Resources	<u>36,677,930</u>
Liabilities	
Accrued salaries payable	3,851,969
Accounts and other payables	4,644,018
Due to other governments	63,266
Accrued interest payable	1,076,713
Unearned revenue	263,949
Noncurrent liabilities	
Due within one year	1,904,893
Due in more than one year	142,642,991
Total Liabilities	<u>154,447,799</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	9,762,000
Deferred pension resources	10,630,334
Deferred other post employment benefit resources	38,710
Total Deferred Inflows of Resources	<u>20,431,044</u>
Net Position	
Net investment in capital assets	34,562,955
Restricted for	
Educational purposes	1,266,310
Food service	107,892
Unrestricted	<u>(42,270,587)</u>
Total Net Position	<u>\$ (6,333,430)</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, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 2,396,260	\$ 18,477	\$ -	\$ -	\$ (2,377,783)
District support services	1,782,231	100,000	-	-	(1,682,231)
Elementary and secondary regular instruction	22,195,340	619,496	286,775	-	(21,289,069)
Vocational education instruction	1,774,842	-	165,280	-	(1,609,562)
Special education instruction	10,911,970	-	4,851,311	-	(6,060,659)
Community education and services	2,042,793	1,222,566	384,159	-	(436,068)
Instructional support services	3,449,601	-	32	-	(3,449,569)
Pupil support services	5,346,681	1,170,143	2,530,785	-	(1,645,753)
Sites and buildings	5,274,148	500	426,809	-	(4,846,839)
Interest and fiscal charges on long term debt	2,527,197	-	-	-	(2,527,197)
Total Governmental Activities	\$ 57,701,063	\$ 3,131,182	\$ 8,645,151	\$ -	(45,924,730)
General Revenues					
Taxes					
Property taxes, levied for general purposes					5,302,245
Property taxes, levied for community service					276,380
Property taxes, levied for debt service					3,019,437
State aid-formula grants					25,357,327
Other general revenues					333,595
Unrestricted investment earnings					879,150
Total General Revenues					35,168,134
Change in Net Position					(10,756,596)
Net Position, July 1 as restated (Note 8)					4,423,166
Net Position, June 30					\$ (6,333,430)

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, 2018

Independent School District No. 2144
Lindstrom, Minnesota
Balance Sheet
Governmental Funds
June 30, 2018

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 4,005,951	\$ 2,432,263	\$ 62,805,987	\$ 1,188,768	\$ 70,432,969
Receivables					
Taxes	3,394,757	2,728,599	-	174,413	6,297,769
Accounts and interest	153,887	1,225	225,368	9,693	390,173
Due from other school districts	282,355	-	-	621	282,976
Due from Minnesota Department of Education	3,387,103	2,170	-	29,549	3,418,822
Due from the Federal government	181,633	-	-	10,049	191,682
Inventories	2,765	-	-	29,705	32,470
Prepaid items	343,475	-	-	19,388	362,863
Total Assets	\$ 11,751,926	\$ 5,164,257	\$ 63,031,355	\$ 1,462,186	\$ 81,409,724
Liabilities					
Accrued salaries payable	\$ 3,753,475	\$ -	\$ -	\$ 98,494	\$ 3,851,969
Accounts and other payables	355,637	-	4,266,391	21,990	4,644,018
Due to other governments	62,961	-	-	305	63,266
Unearned revenue	116,660	-	-	147,289	263,949
Total Liabilities	4,288,733	-	4,266,391	268,078	8,823,202
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	55,387	36,439	-	3,395	95,221
Property taxes levied for subsequent year	5,033,260	4,447,461	-	281,279	9,762,000
Total Deferred Inflows of Resources	5,088,647	4,483,900	-	284,674	9,857,221
Fund Balances					
Nonspendable	346,240	-	-	49,093	395,333
Restricted	461,373	680,357	58,764,964	860,341	60,767,035
Assigned	1,950,000	-	-	-	1,950,000
Unassigned	(383,067)	-	-	-	(383,067)
Total Fund Balances	2,374,546	680,357	58,764,964	909,434	62,729,301
Total Liabilities, Deferred Inflows Of Resources and Fund Balances	\$ 11,751,926	\$ 5,164,257	\$ 63,031,355	\$ 1,462,186	\$ 81,409,724

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, 2018

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

Total Fund Balances - Governmental Funds	\$ 62,729,301
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	109,017,969
Less: accumulated depreciation	(58,560,210)
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	(2,508,206)
Other postemployment benefits payable	(1,341,977)
Bond payable, net of premium	(74,659,768)
Net pension liability	(66,037,933)
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.	95,221
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	36,580,641
Deferred inflows of pension resources	(10,630,334)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefits	97,289
Deferred inflows of other post employment benefits	(38,710)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(1,076,713)</u>
Total Net Position - Governmental Activities	<u>\$ (6,333,430)</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, 2018

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
Revenues					
Local property tax levies	\$ 5,300,344	\$ 3,019,437	\$ -	\$ 276,380	\$ 8,596,161
Other local and county revenue					
Interest earned on investments	57,377	25,744	778,845	17,184	879,150
Other	775,306	-	-	1,420,294	2,195,600
Revenue from state sources	32,489,903	22,696	-	345,181	32,857,780
Revenue from federal sources	567,793	-	-	584,710	1,152,503
Sales and other conversion of assets	12,222	-	-	1,130,643	1,142,865
Total Revenues	39,202,945	3,067,877	778,845	3,774,392	46,824,059
Expenditures					
Current					
Administration	1,910,965	-	-	-	1,910,965
District support services	1,514,094	-	-	-	1,514,094
Elementary and secondary					
regular instruction	15,912,736	-	-	50,177	15,962,913
Vocational education instruction	1,317,013	-	-	-	1,317,013
Special education instruction	9,359,401	-	-	-	9,359,401
Community education and services	-	-	-	1,860,857	1,860,857
Instructional support services	2,751,420	-	-	-	2,751,420
Pupil support services	3,382,059	-	-	1,745,657	5,127,716
Sites and buildings	3,243,111	-	-	-	3,243,111
Capital outlay					
District support services	11,688	-	-	-	11,688
Elementary and secondary					
regular instruction	199,238	-	-	-	199,238
Vocational education instruction	10,181	-	-	-	10,181
Special education instruction	3,886	-	-	-	3,886
Community education and services	-	-	-	2,762	2,762
Instructional support services	159,987	-	-	-	159,987
Pupil support services	-	-	-	7,088	7,088
Sites and buildings	330,577	-	9,403,810	-	9,734,387
Debt service					
Principal	-	2,705,000	-	-	2,705,000
Interest and other charges	6,409	1,453,614	-	-	1,460,023
Bond issuance costs	-	-	473,506	-	473,506
Total Expenditures	40,112,765	4,158,614	9,877,316	3,666,541	57,815,236
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (909,820)	\$ (1,090,737)	\$ (9,098,471)	\$ 107,851	\$ (10,991,177)
Other Financing Sources					
Bonds issued	-	1,115,513	64,294,487	-	65,410,000
Premium on bonds issued	-	-	3,568,948	-	3,568,948
Total Other Financing Sources (Uses)	-	1,115,513	67,863,435	-	68,978,948
Net Change in Fund Balances	(909,820)	24,776	58,764,964	107,851	57,987,771
Fund Balances, July 1	3,284,366	655,581	-	801,583	4,741,530
Fund Balances, June 30	\$ 2,374,546	\$ 680,357	\$ 58,764,964	\$ 909,434	\$ 62,729,301

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, 2018

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

Total Net Change in Fund Balances - Governmental Funds	\$ 57,987,771
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	9,752,844
Depreciation expense	(2,049,479)
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	2,705,000
Debt issued	(65,410,000)
Premiums on bonds issued	(3,568,948)
Amortization of premiums on bonds	342,920
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.	(936,588)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(9,737,371)
Direct aid contributions	118,507
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.	1,901
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	(233,385)
Other postemployment benefits	270,232
Change in Net Position - Governmental Activities	<u>\$ (10,756,596)</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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 4,918,430	\$ 4,918,430	\$ 5,300,344	\$ 381,914
Other local and county revenue				
Interest earned on investments	32,800	32,800	57,377	24,577
Other	623,100	623,100	775,306	152,206
Revenue from state sources	32,954,089	32,954,089	32,489,903	(464,186)
Revenue from federal sources	513,404	513,404	567,793	54,389
Sales and other conversion of assets	5,000	5,000	12,222	7,222
Total Revenues	39,046,823	39,046,823	39,202,945	156,122
Expenditures				
Current				
Administration	1,816,215	1,811,592	1,910,965	(99,373)
District support services	1,245,077	1,655,645	1,514,094	141,551
Elementary and secondary				
regular instruction	15,934,296	15,928,887	15,912,736	16,151
Vocational education instruction	943,566	1,002,980	1,317,013	(314,033)
Special education instruction	8,394,151	8,706,804	9,359,401	(652,597)
Instructional support services	2,521,700	2,534,746	2,751,420	(216,674)
Pupil support services	3,230,351	3,392,412	3,382,059	10,353
Sites and buildings	3,385,129	3,051,491	3,243,111	(191,620)
Capital outlay				
District support services	25,000	9,900	11,688	(1,788)
Elementary and secondary				
regular instruction	167,300	195,282	199,238	(3,956)
Vocational education instruction	-	-	10,181	(10,181)
Special education instruction	4,000	896	3,886	(2,990)
Instructional support services	201,000	216,300	159,987	56,313
Sites and buildings	568,341	309,888	330,577	(20,689)
Debt service				
Interest and other charges	-	-	6,409	(6,409)
Total Expenditures	38,436,126	38,816,823	40,112,765	(1,295,942)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	610,697	230,000	(909,820)	(1,139,820)
Fund Balances, July 1	3,284,366	3,284,366	3,284,366	-
Fund Balances, June 30	\$ 3,895,063	\$ 3,514,366	\$ 2,374,546	\$ (1,139,820)

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, 2018

	<u>Agency</u>
Assets	
Cash and temporary investments	<u>\$ 267,653</u>
Liabilities	
Accounts payable	<u>\$ 267,653</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, 2018

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, 2018

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, 2018

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, 2018

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 2017 and collectible in 2018. 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 2017 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.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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. 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. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows 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, 2018

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, 2018

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, 2018

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, 2018, expenditures exceeded appropriations in the following funds:

<u>Fund</u>	<u>Budget Amounts</u>	<u>Actual Amounts</u>	<u>Excess of Expenditures Over Appropriations</u>
Major			
General	\$ 38,816,823	\$ 40,112,765	\$ 1,295,942
Debt Service	3,043,300	4,158,614	1,115,314
Nonmajor			
Food Service	1,640,899	1,752,745	111,846
Community Service	1,715,956	1,913,796	197,840

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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

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 \$131,768 and the bank balance was \$148,178. 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, 2018

Note 3: Detailed Notes on All Funds (Continued)

Investments

The District's investment balances were as follows for June 30, 2018:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance June 30, 2018
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Assets Funds	N/A	Less than 6 months	\$ 70,543,495
Edward Jones Money Market Mutual Fund	N/A	Less than 6 months	25,359
Total Investments			<u>\$ 70,568,854</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 43 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.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 3: Detailed Notes on All Funds (Continued)

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

	<u>Amount</u>
As Reported in the Basic Financial Statements	
Statement of net position	\$ 70,432,969
Statement of fiduciary net position	<u>267,653</u>
Total	<u>\$ 70,700,622</u>
Cash and Temporary Investments	
Deposits and petty cash	\$ 131,768
Investments	<u>70,568,854</u>
Total	<u>\$ 70,700,622</u>

B. Property Taxes Receivable

Current property taxes receivable are recorded for uncollected taxes levied in 2017 and payable in 2018. 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:

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total</u>
	<u>General</u>	<u>Debt Service</u>		
Current Taxes	\$ 3,307,413	\$ 2,671,135	\$ 169,059	\$ 6,147,607
Delinquent Taxes	<u>87,344</u>	<u>57,464</u>	<u>5,354</u>	<u>150,162</u>
Total Reported Taxes Receivable	<u>\$ 3,394,757</u>	<u>\$ 2,728,599</u>	<u>\$ 174,413</u>	<u>\$ 6,297,769</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 2,573,403	\$ -	\$ -	\$ 2,573,403
Construction in progress	-	9,399,431	-	9,399,431
Total Capital Assets not Being Depreciated	<u>2,573,403</u>	<u>9,399,431</u>	<u>-</u>	<u>11,972,834</u>
Capital Assets Being Depreciated				
Land improvements	3,763,781	75,600	-	3,839,381
Buildings	70,813,449	189,188	-	71,002,637
Equipment	22,114,492	88,625	-	22,203,117
Total Capital Assets Being Depreciated	<u>96,691,722</u>	<u>353,413</u>	<u>-</u>	<u>97,045,135</u>
Less Accumulated Depreciation for				
Land improvements	(2,630,870)	(142,881)	-	(2,773,751)
Buildings	(32,953,935)	(1,732,434)	-	(34,686,369)
Equipment	(20,925,926)	(174,164)	-	(21,100,090)
Total Accumulated Depreciation	<u>(56,510,731)</u>	<u>(2,049,479)</u>	<u>-</u>	<u>(58,560,210)</u>
Total Capital Assets Being Depreciated, Net	<u>40,180,991</u>	<u>(1,696,066)</u>	<u>-</u>	<u>38,484,925</u>
Governmental Activities Capital Assets, Net	<u>\$ 42,754,394</u>	<u>\$ 7,703,365</u>	<u>\$ -</u>	<u>\$ 50,457,759</u>

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

Administration	\$ 1,040
District Support Services	340
Elementary and Secondary Regular Instruction	15,194
Vocational Education Instruction	667
Special Education Instruction	4,681
Community Education and Services	4,784
Instructional Support Services	24,766
Pupil Support Services	35,395
Sites and Buildings	<u>1,962,612</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,049,479</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 3: Detailed Notes on All Funds (Continued)

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	\$ 5,395,000	\$ 995,000
G.O. School Building Bonds, 2017A	61,680,000	3.90 - 4.00	08/03/17	02/01/38	61,680,000	850,000
G.O. School Building Bonds, 2018A	3,730,000	3.00 - 3.10	03/29/18	02/01/26	3,730,000	-
Total G.O. Bonds					<u>\$ 70,805,000</u>	<u>\$ 1,845,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2019	\$ 1,845,000	\$ 2,566,034	\$ 4,411,034
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 - 2028	16,685,000	8,687,519	25,372,519
2029 - 2033	20,165,000	5,241,169	25,406,169
2034 - 2038	21,715,000	2,044,336	23,759,336
Total	<u>\$ 70,805,000</u>	<u>\$ 27,918,614</u>	<u>\$ 98,723,614</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	\$ 8,100,000	\$ 65,410,000	\$ (2,705,000)	\$ 70,805,000	\$ 1,845,000
Unamortized premium	628,740	3,568,948	(342,920)	3,854,768	-
Net Bonds Payable	8,728,740	68,978,948	(3,047,920)	74,659,768	1,845,000
Net Pension Liability					
TRA	70,412,243	2,486	(10,569,212)	59,845,517	-
PERA	7,940,875	-	(1,748,459)	6,192,416	-
Other Postemployment Benefits Payable	1,971,587	-	(629,610)	1,341,977	-
Compensated Absences Payable	2,274,821	466,770	(233,385)	2,508,206	59,893
Governmental Activities Long-term Liabilities	<u>\$ 91,328,266</u>	<u>\$ 69,448,204</u>	<u>\$ (16,228,586)</u>	<u>\$ 144,547,884</u>	<u>\$ 1,904,893</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, pension liability, OPEB 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 \$292,062 for the year ended June 30, 2018. Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2019	\$ 50,750
2020	24,000
Total	<u>\$ 74,750</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 3: Detailed Notes on All Funds (Continued)

F. Components of Fund Balance

At June 30, 2018, 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
Nonspendable for					
Inventories	\$ 2,765	\$ -	\$ -	\$ 29,705	\$ 32,470
Prepaid items	343,475	-	-	19,388	362,863
Total Nonspendable	<u>346,240</u>	<u>-</u>	<u>-</u>	<u>49,093</u>	<u>395,333</u>
Restricted for					
Staff development	14,793	-	-	-	14,793
Long-term facilities maintenance	446,094	-	3,306,780	-	3,752,874
Gifted and talented	486	-	-	-	486
Debt service	-	680,357	-	-	680,357
Building construction	-	-	55,458,184	-	55,458,184
Community education	-	-	-	248,419	248,419
Early childhood and family education	-	-	-	126,631	126,631
School readiness	-	-	-	93,243	93,243
Community service	-	-	-	317,794	317,794
Food service	-	-	-	74,254	74,254
Total Restricted	<u>461,373</u>	<u>680,357</u>	<u>58,764,964</u>	<u>860,341</u>	<u>60,767,035</u>
Assigned to					
Separation/retirement benefits	<u>1,950,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,950,000</u>
Unassigned	<u>(383,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(383,067)</u>
Total Fund Balance	<u>\$ 2,374,546</u>	<u>\$ 680,357</u>	<u>\$ 58,764,964</u>	<u>\$ 909,434</u>	<u>\$ 62,729,301</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 3: Detailed Notes on All Funds (Continued)

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.

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.

Independent School District No. 2144
Lindstrom, Minnesota
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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.

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

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

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

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, 2017, 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.

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, 2018	
	Employee	Employer
Basic	11.00%	11.50%
Coordinated	7.50%	7.50%

The District's contributions for the years ending June 30 2018, 2017 and 2016 were \$1,258,073, \$1,214,665 and \$1,151,569, respectively, equal to the contractually required contributions for each year as set by Minnesota statute.

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

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	\$367,791,000
Add Employer Contributions not Related to Future Contribution Efforts	810,000
Deduct TRA's Contributions not included in Allocation	<u>(456,000)</u>
 Total Employer Contributions	 368,145,000
Total Non-employer Contributions	<u>35,588,000</u>
 Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	 <u><u>\$403,733,000</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.

4. Actuarial Assumptions

The total pension liability in the June 30, 2017 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, 2017
Experience study	June 5, 2015
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	5.12%, from the Single Equivalent Interest Rate calculation
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for ten years and 3.25 to 9.25% thereafter
Cost of living adjustment	2.00%
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 adjustment.

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Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Unallocated cCsh	2.00	-
Total	<u>100.00 %</u>	

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 2016 valuation:

- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

5. Discount Rate

The discount rate used to measure the total pension liability was 5.12 percent. This is an increase from the discount rate at the prior measurement date of 4.66 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2053 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return (7.50 percent) was applied to periods before 2053 and the Municipal Bond Index Rate of 3.56 percent was applied to periods on and after 2053, resulting in a SEIR of 5.12 percent. There was a change in the Municipal Bond Index Rate from the prior year measurement date (3.01 percent).

6. Net Pension Liability

At June 30, 2018, the District reported a liability of \$59,845,517 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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 0.2998 percent at the end of the measurement period and 0.2952 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 59,845,517
State's Proportionate Share of Net Pension Liability Associated with the District	5,785,414

For the year ended June 30, 2018, the District recognized pension expense of \$9,318,502. It also recognized \$110,960 as an increase to pension expense for the support provided by direct aid.

On June 30, 2018, 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	\$ 464,997	\$ 420,220
Changes in Actuarial Assumptions	32,535,657	8,383,412
Net Difference Between Projected and Actual Earnings on Plan Investments	-	480,950
Changes in Proportion	536,414	-
Contributions to TRA Subsequent to the Measurement Date	1,258,073	-
Total	<u>\$ 34,795,141</u>	<u>\$ 9,284,582</u>

Independent School District No. 2144
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Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

Deferred outflows of resources totaling \$1,258,073 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, 2019. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2019	\$ 6,442,034
2020	7,437,729
2021	6,679,314
2022	5,453,823
2023	(1,760,414)

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability of TRA calculated using the discount rate of 5.12 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 (4.12 percent) or one percentage point higher (6.12 percent) than the current rate.

District Proportionate Share of NPL		
1 Percent Decrease (4.12%)	Current (5.12%)	1 Percent Increase (6.12%)
\$ 78,984,553	\$ 59,845,517	\$ 43,708,984

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.

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, 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, other than teachers, are covered by the General Employees Retirement Fund (GERF). GEF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

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.

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

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

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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2018. The District was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.50 percent of Coordinated Plan members in 2017. The District's contributions to the GERF for the year ending June 30, 2018, 2017 and 2016 were \$496,517, \$468,860 and \$454,998, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

4. Pension Costs

At June 30, 2018, the District reported a liability of \$6,192,416 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 \$77,886. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the District's proportionate share was 0.0970 percent which was a decrease of 0.0008 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$296,791 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$2,249 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At June 30, 2018, 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	\$ 204,276	\$ 398,140
Changes in Actuarial Assumptions	1,029,364	620,790
Net Difference Between Projected and Actual Earnings on Plan Investments	-	269,949
Changes in Proportion	55,343	56,873
Contributions to GERF Subsequent to the Measurement Date	496,517	-
Total	<u>\$ 1,785,500</u>	<u>\$ 1,345,752</u>

Deferred outflows of resources totaling \$496,517 related to pensions resulting from the District's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ (35,987)
2019	370,999
2020	(128,928)
2021	(262,853)

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2017 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 GERS 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 GERS through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERS was completed in 2016.

The following changes in actuarial assumptions occurred in 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.

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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	<u>100.00 %</u>	

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 4: Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability in 2017 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 GERP 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%)
\$ 9,604,897	\$ 6,192,416	\$ 3,398,680

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.

Independent School District No. 2144
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Notes to the Financial Statements
June 30, 2018

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:

<u>Years of Service</u>	<u>Contribution for 12-month Employees</u>	<u>Contribution for Teachers</u>
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, 2018 were \$5,750 and \$74,750, respectively.

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).

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, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	16
Active Plan Members	<u>335</u>
Total Plan Members	<u><u>351</u></u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

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, 2018, the District's average contribution rate was 5.3% percent of covered-employee payroll. For fiscal year 2017, the District contributed 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

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 6: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016. 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 July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.56%
Expected Long-term Investment Return	N/A
Inflation Rate	2.75%
Medical Trend Rate	6.90% for 2019 grading to 4.40% in 2075 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 highcost 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 3.56 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.

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 (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

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

1 Percent Decrease (2.56%)	Current (3.56%)	1 Percent Increase (4.56%)
\$ 14,106,888	\$ 1,341,977	\$ 1,271,843

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 (5.9 percent decreasing to 3.40 percent) or 1-percentage-point higher (7.90 percent increasing to 5.40 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%)
\$ 1,201,116	\$ 1,341,977	\$ 1,506,298

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 6: Postemployment Benefits Other Than Pensions (Continued)

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, 2017	\$ 1,553,630	\$ -	\$ 1,553,630
Changes for the year:			
Employer contributions	-	327,082	(327,082)
Service Cost	115,684	-	115,684
Interest	43,969	-	43,969
Net investment income	-	-	-
Changes of assumptions	(44,224)	-	(44,224)
Differences between expected and actual experience	-	-	-
Benefit payments	(327,082)	(327,082)	-
Net changes	(211,653)	-	(211,653)
Balances at June 30, 2018	<u>\$ 1,341,977</u>	<u>\$ -</u>	<u>\$ 1,341,977</u>
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		5.3%	

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$270,232. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ -	\$ 38,710
Contributions to OPEB Subsequent to the Measurement Date	97,289	-
Total	<u>\$ 97,289</u>	<u>\$ 38,710</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Financial Statements
June 30, 2018

Note 6: Postemployment Benefits Other Than Pensions (Continued)

Deferred outflows of resources totaling \$97,289 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2019	\$ (5,514)
2020	(5,514)
2021	(5,514)
2022	(5,514)
2023	(5,514)
Thereafter	(11,140)

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.

Note 8: Change in Accounting Principle

During fiscal year 2018, the District implemented new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the June 30, 2017 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2017 balances to the June 30, 2018 financial statements:

Fund	June 30, 2018		
	Net Position June 30, 2017 as Previously Reported	Prior Period Restatement (1)	Net Position July 1, 2017 as Restated
Governmental Activities	\$4,005,209	\$417,957	\$4,423,166

(1) To restate beginning net OPEB liability at June 30, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA**

**FOR THE YEAR ENDED
JUNE 30, 2018**

Independent School District No. 2144
Lindstrom, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2018

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+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/17	0.2998 %	\$59,845,517	\$ 5,785,414	\$ 65,630,931	\$ 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	14,977,760	120.7	76.8
6/30/14	0.3000	13,823,784	972,471	14,796,255	13,693,886	100.9	81.5

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)
6/30/18	\$ 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	1,123,332	1,123,332	-	14,977,760	7.5

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

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2017 - There are no factors that affect trends in the amounts reported, such as change of benefit terms or assumptions.

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

2015 - On June 30, 2015, the Duluth Teachers Retirement Fund Association was merged into TRA.

Independent School District No. 2144
Lindstrom, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2018

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-Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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	6,066,640	130.9	68.9
6/30/15	0.0958	4,964,853	-	4,964,853	5,634,703	88.1	78.2
6/30/14	0.0973	4,570,667	-	4,570,667	5,110,483	89.4	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-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
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	-	6,066,640	7.5
6/30/15	415,440	415,440	-	5,634,703	7.4

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, 2018

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

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

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, 2018

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

	2018
Total OPEB Liability	
Service cost	\$ 115,684
Interest	43,969
Changes of assumptions	(44,224)
Benefit payments	(327,082)
Net change in total OPEB liability	(211,653)
Total OPEB liability - beginning	1,553,630
	<u>1,341,977</u>
Total OPEB Liability - ending (a)	<u>\$ 1,341,977</u>
Plan Fiduciary Net Position	
Employer contributions	\$ 327,082
Benefit payments	(327,082)
Net change in plan fiduciary net position	-
Total plan fiduciary net position - beginning	-
	<u>-</u>
Total plan fiduciary net position - ending (b)	<u>\$ -</u>
District's net OPEB liability (asset) - ending (a) - (b)	<u>\$ 1,341,977</u>
Covered - Employee Payroll	\$ 25,195,762
School's net OPEB liability (asset) as a percentage of covered employee payroll	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	\$ 327,082
Contributions in Relation to the Contractually Required Employer Contribution	327,082
	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Covered - Employee Payroll	\$ 25,195,762
Contributions as a Percentage of Covered Employee Payroll	1.30%

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, 2018

Notes to the Required Supplementary Information - OPEB

Changes in Assumptions

In 2018, there were no changes in assumptions.

Changes in Benefits

In 2018, there were no changes in benefits.

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS, SCHEDULES AND TABLE**

**INDEPENDENT SCHOOL DISTRICT NO. 2144
LINDSTROM, MINNESOTA**

**FOR THE YEAR ENDED
JUNE 30, 2018**

Independent School District No. 2144
Lindstrom, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 131,097	\$ 1,057,671	\$ 1,188,768
Receivables			
Taxes	-	174,413	174,413
Accounts and interest	443	9,250	9,693
Due from other school districts	-	621	621
Due from Minnesota Department of Education	1,991	27,558	29,549
Due from the Federal government	10,049	-	10,049
Inventories	29,705	-	29,705
Prepaid items	3,933	15,455	19,388
Total Assets	\$ 177,218	\$ 1,284,968	\$ 1,462,186
Liabilities			
Accrued salaries payable	\$ 9,617	\$ 88,877	\$ 98,494
Accounts and other payables	6,596	15,394	21,990
Due to other governments	-	305	305
Unearned revenue	53,113	94,176	147,289
Total Liabilities	69,326	198,752	268,078
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	3,395	3,395
Property taxes levied for subsequent year	-	281,279	281,279
Total Deferred Inflows of Resources	-	284,674	284,674
Fund Balances			
Nonspendable	33,638	15,455	49,093
Restricted	74,254	786,087	860,341
Total Fund Balances	107,892	801,542	909,434
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 177,218	\$ 1,284,968	\$ 1,462,186

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, 2018

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 276,380	\$ 276,380
Other local and county revenue			
Interest earned on investments	2,028	15,156	17,184
Other	5,501	1,414,793	1,420,294
Revenue from state sources	97,231	247,950	345,181
Revenue from federal sources	584,710	-	584,710
Sales and other conversion of assets	1,130,143	500	1,130,643
Total Revenues	<u>1,819,613</u>	<u>1,954,779</u>	<u>3,774,392</u>
Expenditures			
Current			
Elementary and secondary regular instruction	-	50,177	50,177
Community education and services	-	1,860,857	1,860,857
Pupil support services	1,745,657	-	1,745,657
Capital outlay			
Community education and services	-	2,762	2,762
Pupil support services	7,088	-	7,088
Total Expenditures	<u>1,752,745</u>	<u>1,913,796</u>	<u>3,666,541</u>
Net Change in Fund Balances	66,868	40,983	107,851
Fund Balances, July 1	<u>41,024</u>	<u>760,559</u>	<u>801,583</u>
Fund Balances, June 30	<u>\$ 107,892</u>	<u>\$ 801,542</u>	<u>\$ 909,434</u>

Independent School District No. 2144
Lindstrom, Minnesota
General Fund
Comparative Balance Sheets
June 30, 2018 and 2017

	2018	2017
Assets		
Cash and temporary investments	\$ 4,005,951	\$ 5,634,511
Receivables		
Taxes		
Current	3,307,413	3,021,256
Delinquent	87,344	96,535
Accounts and interest	153,887	55,247
Due from other school districts	282,355	304,962
Due from Minnesota Department of Education	3,387,103	2,275,700
Due from the Federal government	181,633	166,708
Inventories	2,765	4,769
Prepaid items	343,475	457,739
Total Assets	\$ 11,751,926	\$ 12,017,427
Liabilities		
Accrued salaries payable	\$ 3,753,475	\$ 3,582,144
Accounts and other payables	355,637	272,492
Due to other governments	62,961	56,853
Unearned revenue	116,660	111,536
Total Liabilities	4,288,733	4,023,025
Deferred Inflows of Resources		
Unavailable revenue - delinquent property taxes	55,387	53,414
Property taxes levied for subsequent year	5,033,260	4,656,622
Total Deferred Inflows of Resources	5,088,647	4,710,036
Fund Balances		
Nonspendable		
Inventories	2,765	4,769
Prepaid items	343,475	457,739
Restricted for		
Staff development	14,793	26,285
Long-term facilities maintenance	446,094	-
Gifted and talented	486	-
Assigned for		
Separation/retirement benefits	1,950,000	2,700,000
Unassigned	(383,067)	95,573
Total Fund Balances	2,374,546	3,284,366
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,751,926	\$ 12,017,427

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 Pages)**

For the Year Ended June 30, 2018

(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,918,430	\$ 4,918,430	\$ 5,300,344	\$ 381,914	\$ 5,113,870
Other local and county revenue					
Interest earned on investments	32,800	32,800	57,377	24,577	41,197
Other	623,100	623,100	775,306	152,206	673,294
Revenue from state sources	32,954,089	32,954,089	32,489,903	(464,186)	30,772,400
Revenue from federal sources	513,404	513,404	567,793	54,389	560,979
Sales and other conversion of assets	5,000	5,000	12,222	7,222	25,424
Total Revenues	39,046,823	39,046,823	39,202,945	156,122	37,187,164
Expenditures					
Current					
Administration					
Salaries	1,281,253	1,270,239	1,379,355	(109,116)	1,092,323
Fringe benefits	439,015	439,581	438,488	1,093	420,438
Purchased services	36,950	42,775	28,961	13,814	31,052
Supplies and materials	29,555	29,555	30,614	(1,059)	34,412
Other	29,442	29,442	33,547	(4,105)	24,562
Total administration	1,816,215	1,811,592	1,910,965	(99,373)	1,602,787
District support services					
Salaries	578,510	957,640	900,775	56,865	503,380
Fringe benefits	176,067	210,658	193,130	17,528	163,665
Purchased services	468,500	477,847	410,773	67,074	453,299
Supplies and materials	21,500	9,000	7,988	1,012	24,000
Other	500	500	1,428	(928)	335
Total district support services	1,245,077	1,655,645	1,514,094	141,551	1,144,679
Elementary and secondary regular instruction					
Salaries	11,333,938	11,287,115	11,238,089	49,026	10,818,757
Fringe benefits	3,537,962	3,476,709	3,526,189	(49,480)	3,456,958
Purchased services	469,831	529,276	551,263	(21,987)	512,149
Supplies and materials	592,565	635,787	590,265	45,522	410,766
Other	-	-	6,930	(6,930)	6,935
Total elementary and secondary regular instruction	15,934,296	15,928,887	15,912,736	16,151	15,205,565

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 656,161	\$ 699,386	\$ 917,177	\$ (217,791)	\$ 861,726
Fringe benefits	257,594	257,033	288,941	(31,908)	298,224
Purchased services	10,870	27,620	56,211	(28,591)	38,284
Supplies and materials	18,941	18,941	54,684	(35,743)	79,120
Total vocational education instruction	943,566	1,002,980	1,317,013	(314,033)	1,277,354
Special education instruction					
Salaries	4,745,770	5,064,325	5,415,567	(351,242)	5,039,009
Fringe benefits	1,834,506	1,954,752	2,033,430	(78,678)	1,903,610
Purchased services	1,744,580	1,614,879	1,848,509	(233,630)	1,782,910
Supplies and materials	69,295	72,848	61,895	10,953	71,059
Total special education instruction	8,394,151	8,706,804	9,359,401	(652,597)	8,796,588
Instructional support services					
Salaries	1,741,291	1,746,643	1,696,283	50,360	1,504,451
Fringe benefits	513,045	489,124	543,600	(54,476)	512,384
Purchased services	98,710	77,530	294,922	(217,392)	287,336
Supplies and materials	168,054	220,849	216,240	4,609	210,346
Other	600	600	375	225	275
Total instructional support services	2,521,700	2,534,746	2,751,420	(216,674)	2,514,792
Pupil support services					
Salaries	678,323	814,782	633,919	180,863	614,277
Fringe benefits	273,680	263,542	230,829	32,713	222,455
Purchased services	2,175,595	2,211,335	2,396,648	(185,313)	2,189,642
Supplies and materials	102,753	102,753	120,663	(17,910)	85,771
Total pupil support services	3,230,351	3,392,412	3,382,059	10,353	3,112,145
Sites and buildings					
Salaries	1,123,336	1,061,253	1,138,763	(77,510)	1,112,435
Fringe benefits	434,669	412,487	408,142	4,345	410,072
Purchased services	1,383,224	1,222,186	1,290,463	(68,277)	1,318,646
Supplies and materials	443,900	355,565	393,665	(38,100)	354,076
Other	-	-	12,078	(12,078)	23,716
Total sites and buildings	3,385,129	3,051,491	3,243,111	(191,620)	3,218,945
Total current	37,470,485	38,084,557	39,390,799	(1,306,242)	36,872,855

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Capital outlay					
District support services	\$ 25,000	\$ 9,900	\$ 11,688	\$ (1,788)	\$ 12,197
Elementary and secondary regular instruction	167,300	195,282	199,238	(3,956)	165,818
Vocational education instruction	-	-	10,181	(10,181)	9,621
Special education instruction	4,000	896	3,886	(2,990)	957
Instructional support services	201,000	216,300	159,987	56,313	199,270
Sites and buildings	568,341	309,888	330,577	(20,689)	578,554
Total capital outlay	965,641	732,266	715,557	16,709	966,417
Debt service					
Principal	-	-	-	-	234,203
Interest and other charges	-	-	6,409	(6,409)	10,919
Total debt service	-	-	6,409	(6,409)	245,122
Total Expenditures	38,436,126	38,816,823	40,112,765	(1,295,942)	38,084,394
Excess (Deficiency) of Revenues Over (Under) Expenditures	610,697	230,000	(909,820)	(1,139,820)	(897,230)
Other Financing Sources					
Insurance recovery	-	-	-	-	48,976
Net Change in Fund Balances	610,697	230,000	(909,820)	(1,139,820)	(848,254)
Fund Balances, July 1	3,284,366	3,284,366	3,284,366	-	4,132,620
Fund Balances, June 30	\$ 3,895,063	\$ 3,514,366	\$ 2,374,546	\$ (1,139,820)	\$ 3,284,366

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Other local and county revenue					
Interest earned on investments	\$ -	\$ -	\$ 2,028	\$ 2,028	\$ 408
Other	-	-	5,501	5,501	-
Revenue from state sources	83,961	96,000	97,231	1,231	97,007
Revenue from federal sources	442,241	477,000	584,710	107,710	616,285
Sales and other conversion of assets	1,141,785	1,094,987	1,130,143	35,156	1,082,600
Total Revenues	<u>1,667,987</u>	<u>1,667,987</u>	<u>1,819,613</u>	<u>151,626</u>	<u>1,796,300</u>
Expenditures					
Current					
Pupil support services					
Salaries	579,870	603,581	593,231	10,350	588,022
Employee benefits	197,487	198,987	209,095	(10,108)	205,596
Purchased services	98,550	78,550	81,813	(3,263)	82,044
Supplies and materials	761,951	756,740	859,349	(102,609)	872,656
Other	3,041	3,041	2,169	872	2,431
Total current	<u>1,640,899</u>	<u>1,640,899</u>	<u>1,745,657</u>	<u>(104,758)</u>	<u>1,750,749</u>
Capital outlay					
Pupil support services	-	-	7,088	(7,088)	4,527
Total Expenditures	<u>1,640,899</u>	<u>1,640,899</u>	<u>1,752,745</u>	<u>(111,846)</u>	<u>1,755,276</u>
Net Change in Fund Balances	27,088	27,088	66,868	39,780	41,024
Fund Balances, July 1	<u>41,024</u>	<u>41,024</u>	<u>41,024</u>	-	-
Fund Balances, June 30	<u>\$ 68,112</u>	<u>\$ 68,112</u>	<u>\$ 107,892</u>	<u>\$ 39,780</u>	<u>\$ 41,024</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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 283,580	\$ 283,580	\$ 276,380	\$ (7,200)	\$ 281,713
Other local and county revenue					
Interest earned on investments	5,000	5,000	15,156	10,156	7,652
Other	1,295,911	1,295,911	1,414,793	118,882	1,379,291
Revenue from state sources	216,245	216,245	247,950	31,705	241,221
Sale and other conversion of assets	-	-	500	500	7,947
Total Revenues	1,800,736	1,800,736	1,954,779	154,043	1,917,824
Expenditures					
Current					
Elementary and secondary					
regular instruction					
Salaries	36,045	36,045	35,479	566	42,561
Employee benefits	10,041	10,041	8,881	1,160	10,575
Purchased services	3,450	3,450	1,505	1,945	2,626
Supplies and materials	3,500	3,500	4,312	(812)	4,102
Community education and services					
Salaries	1,103,230	1,103,230	1,271,478	(168,248)	1,171,073
Employee benefits	301,141	301,141	327,550	(26,409)	302,012
Purchased services	148,104	148,104	132,603	15,501	133,570
Supplies and materials	97,645	97,645	128,138	(30,493)	127,849
Other	1,800	1,800	1,088	712	1,566
Total current	1,704,956	1,704,956	1,911,034	(206,078)	1,795,934
Capital outlay					
Elementary and secondary					
regular instruction	-	-	-	-	15,259
Community education and services	11,000	11,000	2,762	8,238	1,432
Total capital outlay	11,000	11,000	2,762	8,238	16,691
Total Expenditures	1,715,956	1,715,956	1,913,796	(197,840)	1,812,625
Net Change in Fund Balances	84,780	84,780	40,983	(43,797)	105,199
Fund Balances, July 1	760,559	760,559	760,559	-	655,360
Fund Balances, June 30	\$ 845,339	\$ 845,339	\$ 801,542	\$ (43,797)	\$ 760,559

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, 2018
(With Comparative Actual Amounts for the Year Ended June 30, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 3,007,078	\$ 3,007,078	\$ 3,019,437	\$ 12,359	\$ 2,978,414
Other local and county revenue					
Interest earned on investments	10,000	10,000	25,744	15,744	13,801
Revenue from state sources	20,000	20,000	22,696	2,696	23,355
Total Revenues	<u>3,037,078</u>	<u>3,037,078</u>	<u>3,067,877</u>	<u>30,799</u>	<u>3,015,570</u>
Expenditures					
Debt service					
Principal	2,705,000	2,705,000	2,705,000	-	2,575,000
Interest and other charges	338,300	338,300	1,453,614	(1,115,314)	452,300
Total Expenditures	<u>3,043,300</u>	<u>3,043,300</u>	<u>4,158,614</u>	<u>(1,115,314)</u>	<u>3,027,300</u>
Deficiency of Revenues Under Expenditures	(6,222)	(6,222)	(1,090,737)	(1,084,515)	(11,730)
Other Financing Sources					
Bonds issued	-	-	1,115,513	1,115,513	-
Net Change in Fund Balances	(6,222)	(6,222)	24,776	30,998	(11,730)
Fund Balances, July 1	<u>655,581</u>	<u>655,581</u>	<u>655,581</u>	<u>-</u>	<u>667,311</u>
Fund Balances, June 30	<u>\$ 649,359</u>	<u>\$ 649,359</u>	<u>\$ 680,357</u>	<u>\$ 30,998</u>	<u>\$ 655,581</u>

Independent School District No. 2144
Lindstrom, Minnesota
Schedule of the Components of the General Fund
Balance Sheet
June 30, 2018

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Assets				
Cash and temporary investments	\$ 3,545,650	\$ 40,888	\$ 419,413	\$ 4,005,951
Receivables				
Current taxes	3,307,413	-	-	3,307,413
Delinquent taxes	87,344	-	-	87,344
Accounts and interest	23,447	116,250	14,190	153,887
Due from other school districts	282,355	-	-	282,355
Due from Minnesota Department of Education	3,343,455	1,255	42,393	3,387,103
Due from the Federal government	181,633	-	-	181,633
Inventories	2,765	-	-	2,765
Prepaid items	341,415	-	2,060	343,475
Total Assets	\$ 11,115,477	\$ 158,393	\$ 478,056	\$ 11,751,926
Liabilities				
Accrued salaries payable	\$ 3,753,475	\$ -	\$ -	\$ 3,753,475
Accounts and other payables	242,859	93,365	19,413	355,637
Due to other governments	62,961	-	-	62,961
Unearned revenue	106,171	-	10,489	116,660
Total Liabilities	4,165,466	93,365	29,902	4,288,733
Deferred Inflows of Resources				
Unavailable revenue - delinquent property taxes	55,387	-	-	55,387
Property taxes levied for subsequent year	5,033,260	-	-	5,033,260
Total Deferred Inflows of Resources	5,088,647	-	-	5,088,647
Fund Balances				
Nonspendable				
Inventories	2,765	-	-	2,765
Prepaid items	341,415	-	2,060	343,475
Restricted for				
Staff development	14,793	-	-	14,793
Longterm facilities maintenance	-	-	446,094	446,094
Gifted and talented	486	-	-	486
Assigned for				
Separation/retirement benefits	1,950,000	-	-	1,950,000
Unassigned	(448,095)	65,028	-	(383,067)
Total Fund Balances	1,861,364	65,028	448,154	2,374,546
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 11,115,477	\$ 158,393	\$ 478,056	\$ 11,751,926

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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 Pages)
For the Year Ended June 30, 2018

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Revenues				
Local property tax levies	\$ 4,179,429	\$ -	\$ 1,120,915	\$ 5,300,344
Other local and county revenue				
Interest earned on investments	40,647	7,274	9,456	57,377
Other	735,306	40,000	-	775,306
Revenue from State sources	29,768,820	1,812,967	908,116	32,489,903
Revenue from Federal sources	567,793	-	-	567,793
Sales and other conversion of assets	8,194	-	4,028	12,222
Total Revenues	35,300,189	1,860,241	2,042,515	39,202,945
Expenditures				
Current				
Administration				
Salaries and wages	1,379,355	-	-	1,379,355
Employee benefits	438,488	-	-	438,488
Purchased services	28,961	-	-	28,961
Supplies and materials	30,614	-	-	30,614
Other	33,547	-	-	33,547
Total administration	1,910,965	-	-	1,910,965
District support services				
Salaries and wages	900,775	-	-	900,775
Employee benefits	193,130	-	-	193,130
Purchased services	410,773	-	-	410,773
Supplies and materials	7,988	-	-	7,988
Other	1,428	-	-	1,428
Total district support services	1,514,094	-	-	1,514,094
Elementary and secondary regular instruction				
Salaries and wages	11,238,089	-	-	11,238,089
Employee benefits	3,526,189	-	-	3,526,189
Purchased services	551,263	-	-	551,263
Supplies and materials	403,590	-	186,675	590,265
Other	6,930	-	-	6,930
Total elementary and secondary regular instruction	15,726,061	-	186,675	15,912,736
Vocational education instruction				
Salaries and wages	917,177	-	-	917,177
Employee benefits	288,941	-	-	288,941
Purchased services	56,211	-	-	56,211
Supplies and materials	54,684	-	-	54,684
Total vocational education instruction	1,317,013	-	-	1,317,013

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, 2018

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Current (continued)				
Special education instruction				
Salaries and wages	\$ 5,415,567	\$ -	\$ -	\$ 5,415,567
Employee benefits	2,033,430	-	-	2,033,430
Purchased services	1,679,147	-	169,362	1,848,509
Supplies and materials	61,895	-	-	61,895
Total special education instruction	9,190,039	-	169,362	9,359,401
Instructional support services				
Salaries and wages	1,696,283	-	-	1,696,283
Employee benefits	543,600	-	-	543,600
Purchased services	294,922	-	-	294,922
Supplies and materials	94,400	-	121,840	216,240
Other	375	-	-	375
Total instructional support services	2,629,580	-	121,840	2,751,420
Pupil support services				
Salaries and wages	623,410	10,509	-	633,919
Employee benefits	229,212	1,617	-	230,829
Purchased services	201,300	2,195,348	-	2,396,648
Supplies and materials	45,395	75,268	-	120,663
Total pupil support services	1,099,317	2,282,742	-	3,382,059
Sites and buildings				
Salaries and wages	1,138,733	-	30	1,138,763
Employee benefits	408,138	-	4	408,142
Purchased services	807,635	-	482,828	1,290,463
Supplies and materials	383,276	-	10,389	393,665
Other	12,078	-	-	12,078
Total sites and buildings	2,749,860	-	493,251	3,243,111
Total current	36,136,929	2,282,742	971,128	39,390,799
Capital outlay				
District support services	1,947	-	9,741	11,688
Elementary and secondary regular instruction	3,063	-	196,175	199,238
Vocational education instruction	10,181	-	-	10,181
Special education instruction	3,886	-	-	3,886
Instructional support services	-	-	159,987	159,987
Sites and buildings	(452)	-	331,029	330,577
Total capital outlay	18,625	-	696,932	715,557

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, 2018

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Debt service				
Interest and other charges	\$ 6,409	\$ -	\$ -	\$ 6,409
Total Expenditures	36,161,963	2,282,742	1,668,060	40,112,765
Net Change in Fund Balances	(861,774)	(422,501)	374,455	(909,820)
Fund Balances, July 1	2,723,138	487,529	73,699	3,284,366
Fund Balances, June 30	<u>\$ 1,861,364</u>	<u>\$ 65,028</u>	<u>\$ 448,154</u>	<u>\$ 2,374,546</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, 2018

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Student Activities				
Assets				
Cash and temporary investments	<u>\$ 284,054</u>	<u>\$ 704,081</u>	<u>\$ 720,482</u>	<u>\$ 267,653</u>
Liabilities				
Accounts payable	<u>\$ 284,054</u>	<u>\$ 704,081</u>	<u>\$ 720,482</u>	<u>\$ 267,653</u>

Fiscal Compliance Report - 6/30/2018
District: CHISAGO LAKES (2144-1)

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02 FOOD SERVICES

Total Revenue	\$1,819,613	<u>\$1,819,613</u>	<u>\$0</u>
Total Expenditures	\$1,752,745	<u>\$1,752,742</u>	<u>\$3</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$33,638	<u>\$33,637</u>	<u>\$1</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	\$74,254	<u>\$74,256</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$1,954,779	<u>\$1,954,780</u>	<u>(\$1)</u>
Total Expenditures	\$1,913,796	<u>\$1,913,797</u>	<u>(\$1)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$15,455	<u>\$15,455</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$248,419	<u>\$248,418</u>	<u>\$1</u>
4.32 E.C.F.E	\$126,631	<u>\$126,631</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$93,243	<u>\$93,244</u>	<u>(\$1)</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	\$317,794	<u>\$317,795</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$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

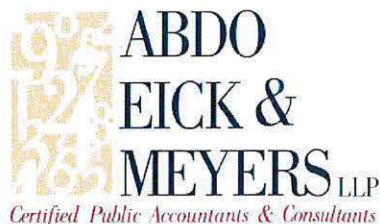
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</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, 2018

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018.

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
December 12, 2018

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 12, 2018.

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.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 12, 2018

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

FOR THE YEAR ENDED
JUNE 30, 2018

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, 2018.

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, 2018, or changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

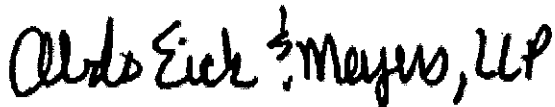
We were unable to audit the cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing 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, 2018, 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.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the changes in assets and liabilities of the District's student activity accounts for the year ended June 30, 2018, and the balances at that date in conformity with accounting principles generally accepted in the United States of America.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 12, 2018

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Independent School District No. 2144
Lindstrom, Minnesota
Statement of Changes in Assets and Liabilities (Continued on the Following Pages)
Student Activity Accounts
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Assets				
Cash and temporary investments				
Senior High School				
Alpine Skiing	\$ 106	\$ 2,258	\$ 1,266	\$ 1,098
Art Department	165	3	-	168
ADS Athletic	6,904	39,085	42,131	3,858
Annual	29,986	20,949	31,817	19,118
Boys Hockey	326	6	-	332
Band	1,466	13,659	13,978	1,147
Baseball	24,334	14,161	12,420	26,075
Boys Basketball	955	7,012	7,409	558
Boys Lacrosse	-	823	-	823
Boys Swim Club	1,956	2,301	544	3,713
Boys Tennis	179	2,199	2,373	5
Cheerleaders	238	19,155	10,455	8,938
Choir Tour	2,200	291	280	2,211
Concessions	939	42,774	34,030	9,683
Costa Rica Trip	13	1,875	1,887	1
Cross Country	2,385	214	541	2,058
Dance line	8,993	10,815	11,367	8,441
DECA	664	2,999	3,413	250
Drama - Fall Musical	1,663	2,727	1,019	3,371
Drama 2	168	3	-	171
FCCLA	1,063	1,312	1,043	1,332
Fall Dance	-	201	-	201
FFA	17,445	39,538	40,521	16,462
Football	3,614	22,289	23,281	2,622
Girls Basketball	2,183	2,977	3,399	1,761
Girls Hockey	2,891	15,143	15,757	2,277
Girls Lacrosse	-	351	-	351
Girls Swim Club	1,179	4,281	3,208	2,252
Girls Tennis	1,910	114	516	1,508
Golf Boys	1,671	2,331	3,825	177
Golf Girls	669	753	-	1,422
Go Wild	-	218	-	218
Guidance Office	3,613	70	310	3,373
Gymnastics	2,519	2,316	4,807	28
Herb Jangor Scholarship	-	6,210	-	6,210
High School Incentives	10,690	5,399	8,690	7,399
Industrial Tech	709	13	-	722
Interest	1,581	1,446	3,027	-
International Club	5,886	1,818	2,978	4,726
Knowledge Bowl	422	410	575	257
Math League	163	1,451	1,613	1
Metals I	5,175	3,069	2,739	5,505
Middle school Football	1,219	23	-	1,242
Miscellaneous	13,792	2,475	2,914	13,353
Music Scholarship	2,807	2,319	1,367	3,759
National Honor Society	3,998	3,581	3,315	4,264
OEA/BPA	3,760	6,610	9,453	917
Pathways	1,275	24	300	999
Performing Arts Center	555	162	-	717
Powerlifting	831	1,733	1,500	1,064
PT Adv Com	5,715	9,188	12,558	2,345
RTI	131	2	-	133
SADD	343	3,399	3,034	708

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Changes in Assets and Liabilities (Continued)
Student Activity Accounts
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Assets (Continued)				
Cash and temporary investments (continued)				
Senior High School - continued				
Scholarships	\$ 10,912	\$ 16,129	\$ 20,400	\$ 6,641
Science Department	609	12	28	593
Ski Club	1,170	16	-	1,186
Snack Machine	659	322	358	623
Soccer Boys	961	10	885	86
Soccer Girls	1,920	7,060	7,628	1,352
Softball	1,093	3,655	935	3,813
Special Ed/ALP	2,263	3,006	1,980	3,289
Speech Team	1,207	23	124	1,106
Student Council	1,944	9,555	10,197	1,302
Student Council 2 Prom	13,877	22,532	24,287	12,122
Super Mileage C1	-	2,776	2,028	748
Theater	546	11	-	557
Track	2,424	2,149	3,037	1,536
Trapshooting	2,764	12,644	15,368	40
VICA Auto	993	1,253	873	1,373
VICA Woods	2,451	7,897	10,303	45
Volleyball	1,253	11,386	6,267	6,372
Work Experience	304	6	-	310
Wrestling	4,136	2,907	6,734	309
Total Senior High School	<u>232,935</u>	<u>427,884</u>	<u>437,092</u>	<u>223,727</u>
Middle School				
5K Fun Walk/Run	6,877	-	4,000	2,877
6th Grade	-	4,092	4,092	-
7th Grade	-	7,065	7,065	-
8th Grade	-	9,602	9,602	-
Environment	-	20,600	20,600	-
Exploratory	-	2,176	2,176	-
Lynx Core	72	-	-	72
Magazine fund	274	41	-	315
Miscellaneous	7,994	23,154	30,846	302
Pencil	106	136	220	22
Student council	1	6,702	6,702	1
Wolf ridge	-	83,391	82,734	657
Yearbook	424	2,237	2,661	-
Total Middle School	<u>15,748</u>	<u>159,196</u>	<u>170,698</u>	<u>4,246</u>

Independent School District No. 2144
Lindstrom, Minnesota
Statement of Changes in Assets and Liabilities (Continued)
Student Activity Accounts
For the Year Ended June 30, 2018

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Assets (Continued)				
Cash and temporary investments (continued)				
Lakeside Intermediate School				
General	\$ 5,508	\$ 38,453	\$ 39,623	\$ 4,338
PTO	2,444	13,178	8,829	6,793
Total Lakeside Intermediate School	<u>7,952</u>	<u>51,631</u>	<u>48,452</u>	<u>11,131</u>
Taylors Falls Elementary				
Activity Fund	-	6,124	5,373	751
Boat Cruise Fund	1,793	4,072	4,409	1,456
Field Trips	1	8,658	8,612	47
General	5,522	-	5,522	-
Interest Income	55	57	112	-
Young Account	281	13,351	6,613	7,019
Total Taylors Falls Elementary	<u>7,652</u>	<u>32,262</u>	<u>30,641</u>	<u>9,273</u>
Chisago Lakes Elementary				
General	13,420	17,936	19,267	12,089
Grade 1	1,943	5,542	5,516	1,969
Grade 2	1,359	3,197	2,526	2,030
Kindergarten	2,333	6,433	6,290	2,476
Outdoor Classroom	712	-	-	712
Total Chisago Lakes Elementary	<u>19,767</u>	<u>33,108</u>	<u>33,599</u>	<u>19,276</u>
Total Assets	<u>\$ 284,054</u>	<u>\$ 704,081</u>	<u>\$ 720,482</u>	<u>\$ 267,653</u>
Liabilities				
Accounts payable	<u>\$ 284,054</u>	<u>\$ 704,081</u>	<u>\$ 720,482</u>	<u>\$ 267,653</u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Student Activity Accounts Financial Statements
For the Year Ended June 30, 2018

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.

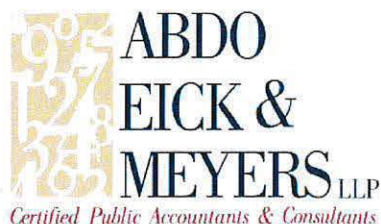
The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared on the accrual basis of accounting as discussed in Note 1C of the District's financial statements.

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, 2018, 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, 2018, and have issued our report thereon dated December 12, 2018.

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 District's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
December 12, 2018

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

**FOR THE YEAR ENDED
JUNE 30, 2018**

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, 2018. 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, 2018.

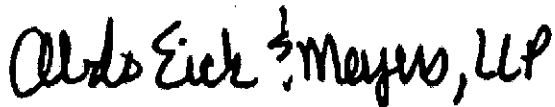
Report on Internal Control Over Compliance

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
December 12, 2018

Independent School District No. 2144
Lindstrom, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Expenditures
U.S. Department of Education				
MN Department of Education	Title I Grants to Local Educational Agencies	84.010		\$ 197,372
MN Department of Education	Special Education IDEA, Part B	84.027		63,990
MN Department of Education	Career and Technical Education Basic Grants	84.048		43,795
MN Department of Education	Improving Teacher Quality State Grants	84.367		<u>56,308</u>
Total U.S. Department of Education				<u>361,465</u>
U.S. Department of Agriculture				
MN Department of Education	Commodity Supplemental Food Program	10.565		110,389
MN Department of Education	School Breakfast Program	10.553	92,538	
MN Department of Education	National School Lunch Program	10.555	<u>381,783</u>	
Total Child Nutrition Cluster				<u>474,321</u>
Total U.S. Department of Agriculture				<u>584,710</u>
Total				<u><u>\$ 946,175</u></u>

Independent School District No. 2144
Lindstrom, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

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, 2018. 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, 2018, the District did not elect to use the 10 percent de minimis indirect cost rate.

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Independent School District No. 2144
Lindstrom, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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 510(a) of Uniform Guidance?	No

Identification of Major Programs/Projects

CFDA No.

Department of Agriculture - Child Nutrition Cluster	
Title I Grants	84.010
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.

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