

INDEPENDENT SCHOOL DISTRICT #347
WILLMAR PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2019

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

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INDEPENDENT SCHOOL DISTRICT #347

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INDEPENDENT SCHOOL DISTRICT #347

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2019

<u>Board of Education</u>		<u>Term Expires</u>
Chairperson	Mike Reynolds	1/4/2021
Vice-Chairperson	Justin Bos	1/4/2021
Clerk	Scott Thaden	1/4/2021
Treasurer	Tammy Barnes	1/4/2021
Director	Mary Amon	1/2/2023
Director	Jay Lawton	1/2/2023
Director	Michael O'Brien	1/2/2023
<u>Administration</u>		
Superintendent	Dr. Jeff Holm	
Director of Business and Finance	Pam Harrington	
Director of Human Resources	Liz Fischer	
Director of Teaching and Learning	Carrie Thomas	

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District #347
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Benson, MN 56215
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Morris Office
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Litchfield, MN 55355
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Sartell Office
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 13, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability for Pension Plans Administered through a Trust, the Schedule of Employer Contributions for Pension Plans Administered through a Trust, the Schedule of Changes in the District's Total Pension Liability for Pension Plans not Administered through a Trust and the Schedule of Changes in the District's Total OPEB Liability, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and 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 Board of Education and Administration page and the statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The individual fund financial schedule, UFARS Compliance Table, and the Schedule of Expenditures of Federal Awards (supplementary information) 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Matters (Cont'd)

Supplementary and Other Information (Cont'd)

The Board of Education and Administration page 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 14, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2019

This section of Willmar Public Schools – Independent School District No. 347's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year (FY) ending June 30, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model required by the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

FINANCIAL REVIEW

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

- The General Fund unassigned fund balance exceeded the School Board's fund balance minimum of 6% of expenditures with a fund balance of \$13,579,382, equivalent to 22.96% of expenditures. The unassigned fund balance was higher than the revised budget estimate of \$12,912,417 or 22.18% of budgeted expenditures.
- Net Position increased 55.01% from the prior year mainly due to a substantial decrease of net pension liabilities, a decrease of deferred outflows of resources related to pension and an increase of deferred inflows of resources related to pensions.
- The combined Governmental Funds fund balance decreased by 12.20%, or \$3,535,384 mainly due to the ongoing project and completion of construction and deferred maintenance projects.
- The overall net decrease to the District's long-term liabilities was \$1,552,794, or 2.98% mainly due to the reduction in bonds payable as bond principal payments occur each year offset in part by an increase due to a capital lease the District entered into in FY 2019.
- Enrollment increased by 82 ADM's (Average Daily Membership) in FY 2019. The District is watching enrollment closely as the enrollment has slowly increased over the last 5 years. The average increase over the past 5 years was 52 students.
- The District's comprehensive annual financial report for the year ended June 30, 2018 was awarded the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International (ASBO).

INDEPENDENT SCHOOL DISTRICT #347
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of three parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information, which includes the Management's Discussion and Analysis (this section), and
- Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- The **government-wide financial statements**, including the Statement of Net Position and the Statement of Activities, provide both **short-term** and **long-term** information about the District's **overall** financial status.
- The remaining statements are **fund financial statements** that focus on **individual parts** of the District, reporting the District's operations in **more detail** than the government-wide statements. The District maintains three groups of fund financial statements. They are:
 - The **governmental funds statements** tell how basic services such as regular and special education were financed in the **short-term** as well as what remains for future spending.
 - **Proprietary funds statements** offer **short** and **long-term** financial information about the activities the District operates like **businesses**.
 - **Fiduciary funds statements** provide information about the financial relationships in which the District acts solely as a **trustee or agent** for the benefit of others to whom the resources belong.

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

Government-wide Statements

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

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

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

In the government-wide financial statements the District's 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 service, and community education. Property taxes and state aids finance most of these activities.

INDEPENDENT SCHOOL DISTRICT #347
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide more detailed information about the District's **funds** – focusing on its most significant or “major” funds – rather than the District as a whole.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as a scholarship fund to manage scholarship money.

The District has three kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how **cash and other financial assets** that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed **short-term** view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's sole proprietary fund is an internal service fund.
 - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for the dental self-insurance program.
- **Fiduciary funds** – The District is a trustee, or fiduciary, for assets that belong to others, such as the Private-Purpose Trust Fund and Agency Fund. The Private-Purpose Trust fund accounts for scholarship gifts and bequests. The Agency Fund accounts for funds used by a collaboration of districts for Achievement and Integration. 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 District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's *combined* net position was \$(8,118,919) on June 30, 2019. This was an increase of 55.01% from the previous year (see Table A-1 below).

**Table A-1
The District's Net Position**

	<u>Governmental Activities</u>		<u>Percentage Change</u>
	<u>2019</u>	<u>2018</u>	
Current and Other Assets	\$ 40,939,348	\$ 45,472,197	-9.97%
Capital Assets	66,740,155	65,994,036	1.13%
Total Assets	<u>\$107,679,503</u>	<u>\$ 111,466,233</u>	-3.40%
Total Deferred Outflows of Resources	<u>\$ 37,576,730</u>	<u>\$ 49,212,638</u>	-23.64%
Current Liabilities	\$ 8,138,483	\$ 9,171,247	-11.26%
Long-Term Liabilities	87,998,328	145,941,859	-39.70%
Total Liabilities	<u>\$ 96,136,811</u>	<u>\$ 155,113,106</u>	-38.02%
Total Deferred Inflows of Resources	<u>\$ 57,238,341</u>	<u>\$ 23,611,189</u>	142.42%
Net Position			
Net Investment in Capital Assets	\$ 26,423,067	\$ 28,651,600	-7.78%
Restricted	2,111,371	2,973,591	-29.00%
Unrestricted	(36,653,357)	(49,670,615)	26.21%
Total Net Position	<u>\$ (8,118,919)</u>	<u>\$ (18,045,424)</u>	55.01%

The largest portion of the District's net position, \$26,423,067, reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment net of accumulated depreciation); less any related outstanding debt (such as general obligation bonds) used to acquire those assets. 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. Unrestricted net position is primarily the District's unassigned fund balance offset by the liability for future severance and health benefits, which is not fully funded. The reason for this significant change is mainly due to a significant decrease in the District's Net Pension Liability, which is larger than the net increase/decrease of the Deferred Outflows of Resources related to pensions and Deferred Inflows of Resources related to pensions. Refer to Note 8 of the financial statements for additional information.

INDEPENDENT SCHOOL DISTRICT #347
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

A summary of the revenues and expenses for the last two fiscal years is presented in Table A-2 below.

Table A-2
Change in Net Position

	Governmental Activities for		Percentage
	the fiscal year ended June 30,		
	2019	2018	Change
Revenues			
Program Revenues			
Charges for Services	\$ 2,807,852	\$ 2,976,853	-5.68%
Operating Grants and Contributions	24,119,548	23,404,274	3.06%
Capital Grants and Contributions	1,673,737	1,365,285	22.59%
General Revenues			
Property Taxes	7,917,730	8,757,830	-9.59%
Unrestricted State Aid	31,990,594	29,005,027	10.29%
Investment Earnings	440,020	399,397	10.17%
Gain on Sale of Assets	84,710	48,507	74.63%
Other	5,834		100.00%
Total Revenues	<u>69,040,025</u>	<u>65,957,173</u>	4.67%
Expenses			
Administration	1,973,610	2,932,535	-32.70%
District Support Services	1,985,578	1,817,512	9.25%
Regular Instruction	20,158,318	32,188,765	-37.37%
Vocational Education Instruction	677,542	1,075,640	-37.01%
Special Education Instruction	8,618,229	11,285,339	-23.63%
Instructional Support Services	2,870,643	4,170,077	-31.16%
Pupil Support Services	4,419,556	4,834,529	-8.58%
Sites and Buildings	10,951,735	9,022,956	21.38%
Fiscal and Other Fixed Costs Programs	194,847	179,586	8.50%
Food Service	3,316,156	3,409,138	-2.73%
Community Service	2,472,460	3,676,034	-32.74%
Interest and Fiscal Charges on Long-Term Liabilities	1,474,846	1,512,414	-2.48%
Total Expenses	<u>59,113,520</u>	<u>76,104,525</u>	-22.33%
Change in Net Position	9,926,505	(10,147,352)	197.82%
Beginning Net Position, as Originally Stated	(18,045,424)	(6,180,378)	
Prior Period Adjustment		(1,717,694)	
Beginning Net Position, as Restated	<u>(18,045,424)</u>	<u>(7,898,072)</u>	128.48%
Ending Net Position	<u>\$ (8,118,919)</u>	<u>\$ (18,045,424)</u>	55.01%

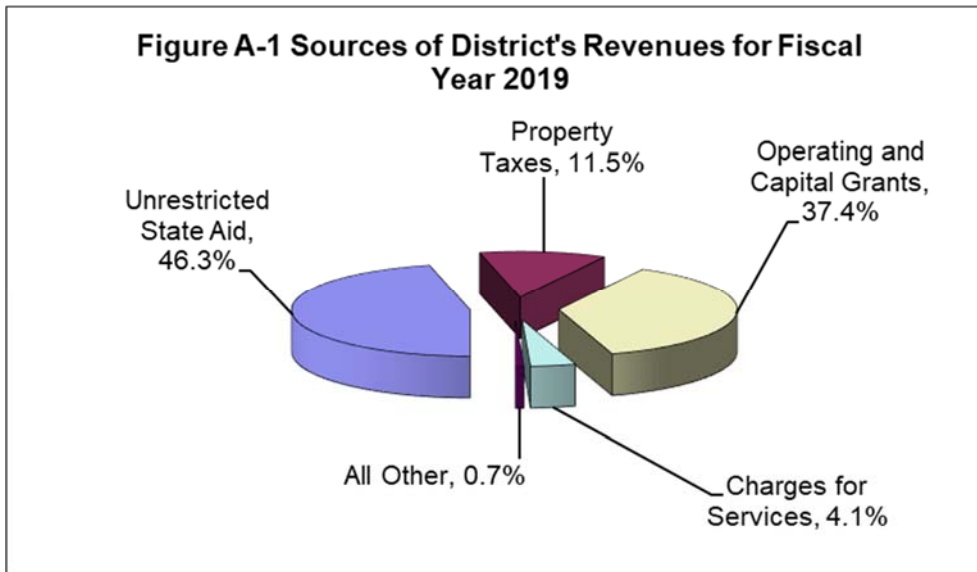
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

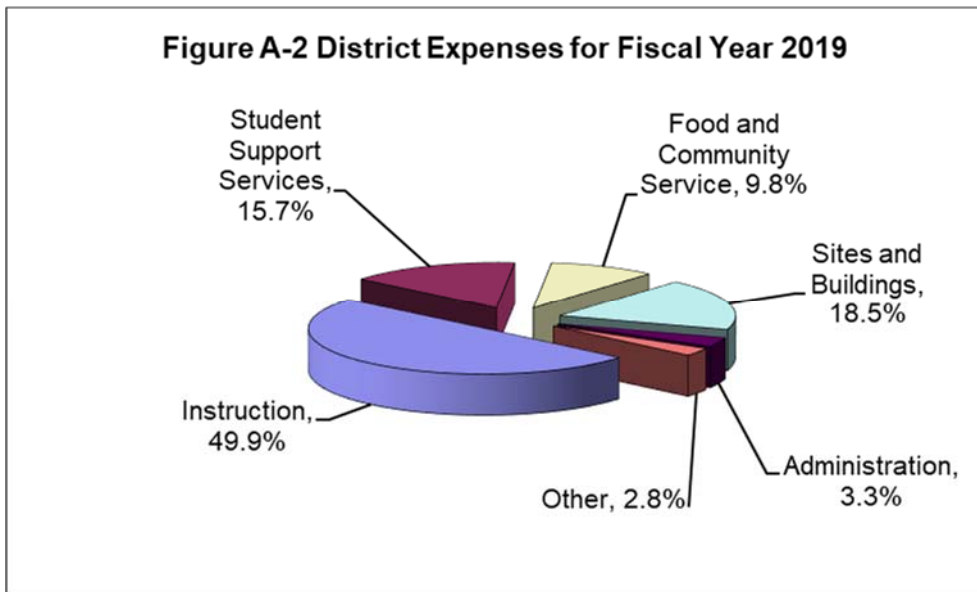
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position. The District's total revenues were \$69,040,025 for the year ended June 30, 2019. This is a 4.67% increase from the prior year's revenues.

Unrestricted state aid along with local property taxes accounted for 57.8% of the total revenue for the year (see Figure A-1 below). Another 41.5% came from restricted state, federal and local program revenues with a negligible amount from earnings on investments and other.



The District's total expenditures for programs and services were \$59,113,520 for the year ended June 30, 2019. This is a 22.33% decrease from the prior year's expenses. The District's expenses are predominantly related to student education (65.6%). (See Figure A-2). The purely administrative activities of the District accounted for just 3.3% of total costs. Total revenues surpassed expenses, increasing net position \$9,926,505 from last year.



INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The net cost of all **governmental** activities is their total costs less program revenues applicable to each category. The total cost of all governmental activities for this year was \$59,113,520. Table A-3 presents the costs of twelve major District activities such as instruction, food service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The users of the District's programs paid for 4.75%, or \$2,807,852 of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$25,793,285, or 43.63% of the total costs for 2018-2019.
- The remainder of the District's costs (\$30,512,383), however, were paid for by: 1) state taxpayers based on the statewide education aid formula, 2) by District taxpayers, and 3) by investment earnings.

**Table A-3
Change in Net Position**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2019	2018		2019	2018	
Administration	\$ 1,973,610	\$ 2,932,535	-32.70%	\$ 1,973,610	\$ 2,932,535	-32.70%
District Support Services	1,985,578	1,817,512	9.25%	1,902,172	1,694,228	12.27%
Regular Instruction	20,158,318	32,188,765	-37.37%	8,076,092	20,237,275	-60.09%
Vocational Education Instruction	677,542	1,075,640	-37.01%	590,671	1,001,984	-41.05%
Special Education Instruction	8,618,229	11,285,339	-23.63%	1,042,017	4,296,751	-75.75%
Instructional Support Services	2,870,643	4,170,077	-31.16%	1,588,893	2,958,262	-46.29%
Pupil Support Services	4,419,556	4,834,529	-8.58%	4,331,538	4,722,572	-8.28%
Sites and Buildings	10,951,735	9,022,956	21.38%	9,186,298	7,624,135	20.49%
Fiscal and Other Fixed Costs Programs	194,847	179,586	8.50%	194,847	179,586	8.50%
Food Service	3,316,156	3,409,138	-2.73%	3,289	136,270	-97.59%
Community Service	2,472,460	3,676,034	-32.74%	148,110	1,062,101	-86.05%
Interest and Fiscal Charges on Long-Term Liabilities	1,474,846	1,512,414	-2.48%	1,474,846	1,512,414	-2.48%
Total	\$ 59,113,520	\$ 76,104,525	-22.33%	\$ 30,512,383	\$ 48,358,113	-36.90%

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2018-2019 fiscal year, the District's governmental funds reported a **combined** fund balance of \$25,436,954, a 12.20% decrease from last year's ending fund balance of \$28,972,338 mainly due to payment out of the building construction fund for the progress and completion of construction projects.

Revenues for the District's governmental funds totaled \$68,953,294 while total expenditures were \$73,204,972. As a result, the District completed the year with an excess of expenditures over revenues and other financing sources of \$3,535,384. Discussion about each governmental fund follows. A summary of the revenues and expenditures reported on the governmental fund financial statements for the past two years appears in Table A-4 below:

**Table A-4
Revenues and Expenditures - Governmental Funds**

	2019			
	Revenues	Expenditures	Other Financing Sources(Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 58,994,698	\$ 59,145,729	\$ 707,457	\$ 556,426
Food Service Fund	3,323,937	3,649,598	8,837	(316,824)
Community Service Fund	2,773,857	2,875,102		(101,245)
Building Construction	187,735	4,072,128		(3,884,393)
Debt Service Fund	3,673,067	3,462,415		210,652
Totals	\$ 68,953,294	\$ 73,204,972	\$ 716,294	\$ (3,535,384)
	2018			
	Revenues	Expenditures	Other Financing Sources(Uses)	Fund Balance Increase (Decrease)
General Fund	\$ 55,705,250	\$ 52,646,695	\$ 47,317	\$ 3,105,872
Food Service Fund	3,282,262	3,545,365	1,190	(261,913)
Community Service Fund	3,037,515	3,204,209		(166,694)
Building Construction	232,608	16,706,099		(16,473,491)
Debt Service Fund	3,643,261	3,464,690		178,571
Totals	\$ 65,900,896	\$ 79,567,058	\$ 48,507	\$ (13,617,655)

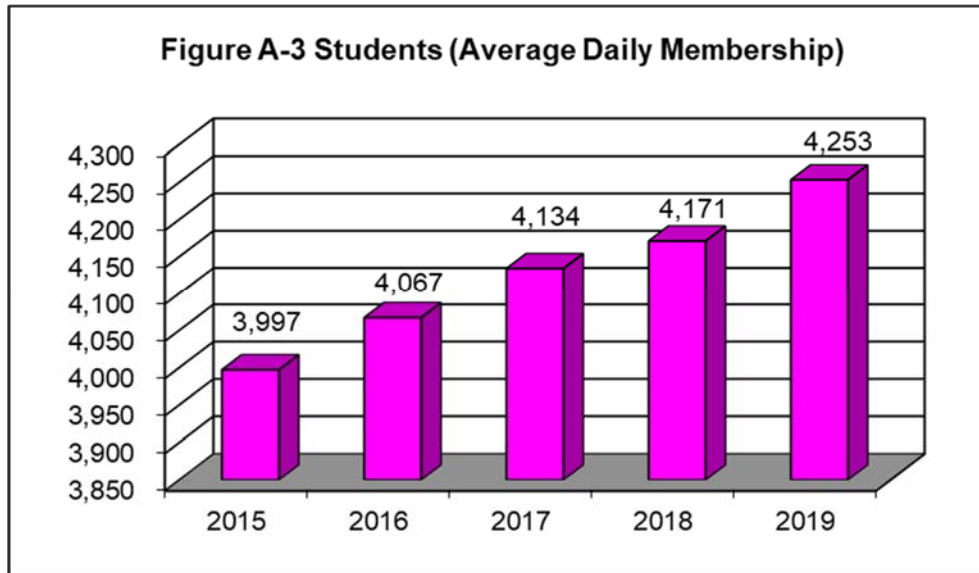
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from pre-kindergarten through grade 12. Pupil transportation activities and capital and major maintenance projects are also included in the General Fund.

Enrollment. Funding for Minnesota school districts is largely driven by enrollment. The District had fairly stable enrollment over the last few years with small increases in enrollment from year to year as seen in Figure A-3 below. The District expects enrollment to increase or decrease slightly each year as continued growth is uncertain.



In general, the District has been experiencing slow but steady increasing enrollment. However, the District faces typical enrollment challenges from open enrollment options, dropouts and competition from local private schools, public charter school and home schooling options.

Looking into the near future, demographic trends continue to point to a continued level or a very slightly increased enrollment trend. The grade level sizes are evening out. However, the leveling out will include slight increases or decreases to enrollment each year.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GENERAL FUND (CONTINUED)

The following table presents a summary of General Fund revenues:

**Table A-5
General Fund Revenues**

Sources	Year Ended June 30,		Amount Difference	Percentage Change
	2019	2018		
Local Sources				
Property Taxes	\$ 4,219,114	\$ 4,737,559	\$ (518,445)	-10.94%
Interest Earnings	208,287	135,975	72,312	53.18%
Other	1,781,698	1,874,680	(92,982)	-4.96%
State Sources	50,477,193	46,527,411	3,949,782	8.49%
Federal Sources	2,308,406	2,429,625	(121,219)	-4.99%
Total General Fund Revenues	\$ 58,994,698	\$ 55,705,250	\$ 3,289,448	5.91%

Total General Fund revenue increased \$3,289,448, or 5.91%, from the previous year. The decrease to property taxes is due to a large Health & Safety adjustment in FY 18 that did not occur in FY 19 related to a Middle School sprinkler project that was funded partially under the old Health & Safety and under the new LTFM funding. Interest earnings increased as interest rates continued to grow during the year. Other local sources decreased mainly due to medical assistance/third party billing revenue being down from the prior year. Basic general education revenue is determined by the state per student funding formula. State aid increased because of increased enrollment and increases to funding formulas along with an increase to special funding revenue for pensions. The special funding revenue for pensions is offset by an equal amount recorded in expenditures. Federal sources decreased because of a lower Title I entitlement.

The following table presents a summary of General Fund expenditures:

**Table A-6
General Fund Expenditures**

Expenditures	Year Ended June 30,		Amount Difference	Percentage Change
	2019	2018		
Salaries	\$ 32,535,231	\$ 30,802,517	\$ 1,732,714	5.63%
Employee Benefits	10,356,277	9,754,981	601,296	6.16%
Purchased Services	8,390,147	7,700,329	689,818	8.96%
Supplies and Materials	2,141,995	2,598,037	(456,042)	-17.55%
Capital Expenditures	3,896,621	1,406,352	2,490,269	177.07%
Other Expenditures	1,825,458	384,479	1,440,979	374.79%
Total General Fund Expenditures	\$ 59,145,729	\$ 52,646,695	\$ 6,499,034	12.34%

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GENERAL FUND (CONTINUED)

Total General Fund expenditures increased \$6,499,034 or 12.34% from the previous year.

Salaries increased primarily due to salary and wage increases for 2018-19 along with some staffing changes. Employee Benefits increased in part due to those benefits that are tied to salaries, so as salaries increase so do those benefits (FICA, TRA, PERA, etc.). In addition, other benefits are driven mainly by employee benefits choices, such as, health insurance and 403(b).

Purchased Services increased due to a brutally cold and snowy winter that drove up the usage of electricity and natural gas for heating along with the need for increased snow removal services. It has also become increasingly difficult to hire enough staff to meet the needs of our special education students. The District contracted with the Southwest/West Central Service Cooperative for a number of services along with other firms for some sign language interpreting and speech services.

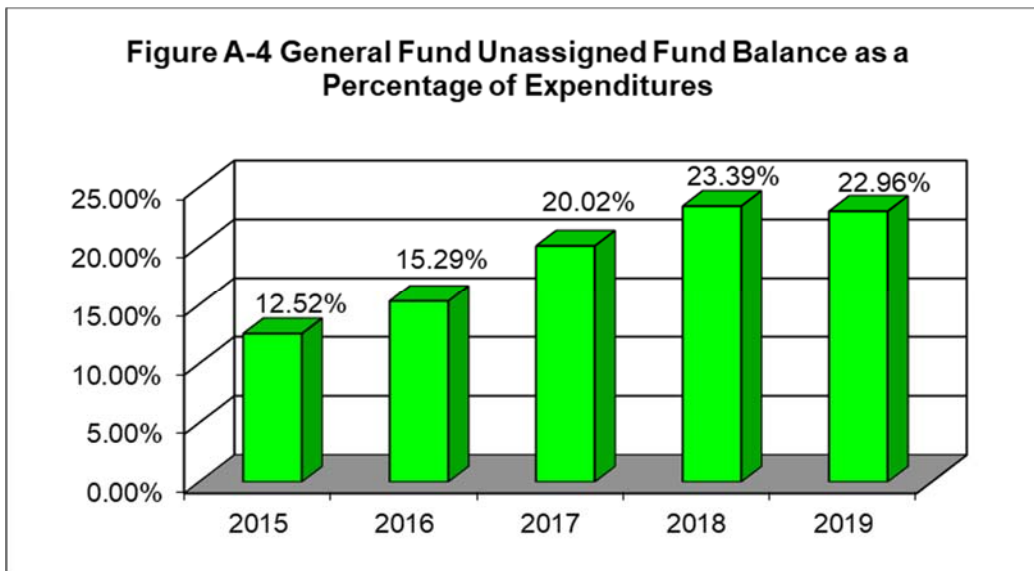
Supplies and Materials purchases were back to levels that are more normal. The prior year saw increased purchases especially in the elementary for classroom reading libraries.

Capital Expenditures are much higher than the prior year as the District continues to move forward with some large deferred maintenance projects funded, in part, by the General Fund.

The District is required to record additional pension expense related to support it receives from the State of Minnesota for the TRA special funding situation per GASB 68. The District does not actually pay this expense and there is an offsetting revenue recorded so the net impact to fund balance is zero.

In summary, 2018-2019 General Fund revenues and other financing sources were more than General Fund expenditures by \$556,426. As a result, the total fund balance is \$17,137,647 at June 30, 2019. After deducting statutory reserves, committed constraints, assigned and nonspendable items, the unassigned fund balance increased from \$12,316,090 on June 30, 2018 to \$13,579,382 on June 30, 2019.

Figure A-4, below, depicts the General Fund unassigned fund balance as a percentage of expenditures for fiscal years 2015 – 2019:



The graph above describing the District's unassigned fund balance trend, offers the single best measure of the District's overall financial health. The unassigned fund balance of \$13,579,382 on June 30, 2019 represents 22.96% of annual expenditures.

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

GENERAL FUND (CONTINUED)

The District closely monitors the General Fund unassigned fund balance through use of a detailed financial planning model, initiating necessary budget revisions during the year and with monthly budget analysis. The School Board has adopted a formal fund balance policy to maintain a minimum 6 percent (as a percentage of expenditures) fund balance in the General Fund unassigned fund.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2018.
- Changes in appropriations for significant unbudgeted costs.
- While the District's final budget for the General Fund anticipated that expenditures and other financing uses would be greater than revenues by \$442,239, the actual results for the year show that revenues and other financing sources were greater than expenditures by \$556,426. Actual adjusted pupil units (APU), which drives general basic aid, was 8.17 APU or 0.18% higher than budgeted. Extended time revenue is generated based on extended time APU. Actual extended time APU was 5.61 APU higher than budgeted. Revenue for third party billing services and tuition billing was also higher than budgeted. The District also received energy rebates for the three new boilers. Special education aid was higher than estimated. Expenditures were lower than expected due to the timing of some expenditures that did not occur until the next fiscal year including some curriculum purchases, work done on parking lots and tennis courts and some severance payments based on retirement dates. There is offsetting revenue and expenditure that is fund balance neutral but makes both revenues and expenditures look larger. GASB 68 requires the District to record revenue for a TRA special funding situation and pension expense for the same situation. The District neither received nor paid money related to this situation.

FOOD SERVICE FUND

The Food Service Fund revenue and other financing sources for 2018-19 totaled \$3,332,774 and expenditures were \$3,649,598, resulting in a fund balance decrease of \$316,824. The June 30, 2019 Food Service Fund fund balance is \$792,433. The Food Service Fund is anticipating the fund balance to decline as the kitchen remodel projects continue.

COMMUNITY SERVICE FUND

In 2018-2019, total revenues for the Community Service Fund were \$2,773,857 and total expenditures were \$2,875,102 resulting in a fund balance decrease of \$101,245. The Community Service fund balance as of June 30, 2019 is \$800,293. Community Service continues to monitor the fund balance and make adjustments that allow for the optimal level of programming for the District.

BUILDING CONSTRUCTION FUND

The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District received the bond proceeds in August 2015. The Building Construction fund balance as of June 30, 2019 is \$6,134,317.

DEBT SERVICE FUND

Revenues and expenditures for the District's Debt Service Fund are tied directly to the District's bond principal and interest payment schedule. The Debt Service Fund revenues exceeded expenditures by \$210,652 in 2018-19. The

INDEPENDENT SCHOOL DISTRICT #347

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

DEBT SERVICE FUND (CONTINUED)

Debt Service fund balance as of June 30, 2019 is \$572,264. This fund balance is only available for meeting future debt service obligations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had net capital assets of \$66,740,155 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7 below). Total depreciation expense for the year was \$2,293,127. Detailed information about capital assets is in Note 5 to the financial statements.

**Table A-7
The District's Capital Assets**

Assets	Year Ended June 30,		Percentage Change
	2019	2018	
Capital Assets Not Being Depreciated	\$ 2,186,156	\$ 1,747,496	25.10%
Land Improvements	4,775,681	4,482,597	6.54%
Buildings and Improvements	85,643,042	85,180,258	0.54%
Equipment	9,127,242	7,448,301	22.54%
Less: Accumulated Depreciation	<u>(34,991,966)</u>	<u>(32,864,616)</u>	6.47%
Total Net Capital Assets	<u>\$ 66,740,155</u>	<u>\$ 65,994,036</u>	1.13%

Construction Plans

The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District received the bond proceeds in August 2015. In FY 2017, the Middle School science addition and enclosure of the courtyard was completed. Deferred maintenance projects including electrical switch gear replacement at Kennedy Elementary, reroofing the Senior High, Roosevelt Elementary and Kennedy Elementary began in FY 2017 and were completed in FY 2018. In FY 2018, the Senior High addition and Lakeland Elementary were completed. Kennedy windows and door replacement was started in FY 2018. In FY 2019, Kennedy window and door replacement continued along with HVAC and other deferred maintenance projects.

Long-term Liabilities

At year-end, the District had \$47,447,384 in general obligation bonds outstanding including bond premium. The District issued a capital lease payable to pay for iPads as shown in Table A-8. The District also has \$2,774,216 in compensated absences payable at June 30, 2019. Compensated absences payable consists of unused vacation at June 30, 2019 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, vacation expense has been paid by the General, Food Service, and the Community Service Funds. Overall, the District's outstanding long-term liabilities decreased by 2.98% in fiscal year 2019. Detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.

INDEPENDENT SCHOOL DISTRICT #347
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Table A-8
The District's Long-Term Liabilities

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 48,335,000	\$	\$ (1,910,000)	\$ 46,425,000	\$ 2,100,000
Bond Premium	1,084,036		(61,652)	1,022,384	61,651
Capital Lease		631,584	(213,649)	417,935	207,422
Compensated Absences Payable	2,773,293	521,407	(520,484)	2,774,216	396,065
Total	<u>\$ 52,192,329</u>	<u>\$ 1,152,991</u>	<u>\$ (2,705,785)</u>	<u>\$ 50,639,535</u>	<u>\$ 2,765,138</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of a voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority.

There is a \$126 (2.0%) increase to the general fund basic formula. The student achievement levy was eliminated in FY 2019. Voluntary Pre-K (VPK) funding began in FY 2017 as was renewed through FY 2021. The District is expected to complete the referendum projects in FY 2021. Long-Term Facilities Maintenance funding became available in FY 2017 when the state combined Health & Safety, Deferred Maintenance and Alternative Facilities funding along with an additional increase. The funding has very specific uses and will help the District maintain its buildings.

The Willmar area has businesses that have shut its doors and others open the doors. Payless Shoe Source, Hallmark, and other businesses closed their doors this year. Gilberto's, Kwik Trip, and other businesses opened in Willmar during the year.

The low unemployment rate continues to cause hiring challenges for the District and many businesses in the area.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 347, 611 5th St SW, Willmar, MN 56201-3297, visit the Finance section of the District website at www.willmar.k12.mn.us (click on Departments and Finance), or contact Pam Harrington, Director of Business and Finance, at harringtonp@willmar.k12.mn.us or 320-231-8511.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION
 JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	Governmental Activities	
	2019	2018
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Cash and Investments	\$ 28,758,404	\$ 33,881,922
Receivables		
Property Taxes	3,992,473	3,868,959
Other Governments	7,718,864	7,190,096
Other	159,648	137,746
Due from Agency Fund	15,884	
Prepaid Items	248,293	328,505
Inventories	45,782	64,969
Capital Assets		
Assets Not Being Depreciated	2,186,156	1,747,496
Other Capital Assets, Net of Depreciation	64,553,999	64,246,540
Total Assets	<u>107,679,503</u>	<u>111,466,233</u>
Deferred Outflows of Resources	<u>37,576,730</u>	<u>49,212,638</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 145,256,233</u>	<u>\$ 160,678,871</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Salaries and Wages Payable	\$ 4,893,936	\$ 4,820,914
Accounts and Contracts Payable	2,363,354	3,493,799
Due to Other Governmental Units	137,372	71,411
Accrued Interest Payable	629,413	645,329
Unearned Revenue	114,408	139,794
Long-Term Liabilities		
Net Pension Liability	33,407,193	89,983,533
Total OPEB Liability	3,951,600	3,765,997
Other Long-Term Liabilities Due Within One Year	2,765,138	2,378,956
Other Long-Term Liabilities Due in More Than One Year	47,874,397	49,813,373
Total Liabilities	<u>96,136,811</u>	<u>155,113,106</u>
Deferred Inflows of Resources	57,238,341	23,611,189
Net Position		
Net Investment in Capital Assets	26,423,067	28,651,600
Restricted for		
Operating Capital Purposes	95,379	352,701
State-Mandated Reserves	2,015,992	2,349,043
Food Service		271,847
Unrestricted	<u>(36,653,357)</u>	<u>(49,670,615)</u>
Total Net Position	<u>(8,118,919)</u>	<u>(18,045,424)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 145,256,233</u>	<u>\$ 160,678,871</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019				2018
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	\$ 1,973,610	\$	\$	\$ (1,973,610)	\$ (2,932,535)
District Support Services	1,985,578		83,406	(1,902,172)	(1,694,228)
Regular Instruction	20,158,318	723,045	11,359,181	(8,076,092)	(20,237,275)
Vocational Education Instruction	677,542	2,141	84,730	(590,671)	(1,001,984)
Special Education Instruction	8,618,229	601,724	6,974,488	(1,042,017)	(4,296,751)
Instructional Support Services	2,870,643	17,951	1,263,799	(1,588,893)	(2,958,262)
Pupil Support Services	4,419,556		88,018	(4,331,538)	(4,722,572)
Sites and Buildings	10,951,735	31,630	60,070	(9,186,298)	(7,624,135)
Fiscal and Other Fixed Costs Programs	194,847			(194,847)	(179,586)
Food Service	3,316,156	680,433	2,632,434	(3,289)	(136,270)
Community Service	2,472,460	750,928	1,573,422	(148,110)	(1,062,101)
Interest and Fiscal Charges on Long-Term Liabilities	1,474,846			(1,474,846)	(1,512,414)
Total Governmental Activities	\$ 59,113,520	\$ 2,807,852	\$ 24,119,548	\$ 1,673,737	(30,512,383)
GENERAL REVENUES					
Property Taxes Levied for					
General Purposes				4,218,005	4,741,506
Community Service				374,278	404,921
Debt Service				3,325,447	3,611,403
State Aid not Restricted to Specific Purposes				31,990,594	29,005,027
Interest Earnings				440,020	399,397
Gain on Sale of Assets				84,710	48,507
Miscellaneous				5,834	
Total General Revenues				40,438,888	38,210,761
Change in Net Position				9,926,505	(10,147,352)
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED				(18,045,424)	(6,180,378)
PRIOR PERIOD ADJUSTMENT					(1,717,694)
NET POSITION, BEGINNING OF YEAR, AS RESTATED				(18,045,424)	(7,898,072)
NET POSITION, END OF YEAR				\$ (8,118,919)	\$ (18,045,424)

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	General	Food Service	Community Service	Building Construction	Debt Service	Total Governmental Funds	
						2019	2018
ASSETS							
Cash and Investments	\$ 17,052,230	\$ 1,073,860	\$ 1,000,969	\$ 7,130,296	\$ 2,434,356	\$ 28,691,711	\$ 33,785,473
Receivables							
Current Property Taxes	1,852,869		174,862		1,900,741	3,928,472	3,806,434
Delinquent Property Taxes	34,961		3,273		25,767	64,001	62,525
Due from Other Minnesota School Districts	566,168	29,059	300			595,527	579,287
Due from Minnesota Department of Education	6,028,089		124,342		33,112	6,185,543	5,103,372
Due from Federal through Minnesota Department of Education	599,107	50,906	42,024			692,037	1,176,948
Due from Other Governmental Units	207,848	1,500	36,409			245,757	330,489
Other Receivables	142,809	16,487	352			159,648	137,746
Due from Other Funds	15,884		32,082			47,966	
Prepaid Items	237,858	2,008	4,717	3,710		248,293	328,505
Inventories	9,036	36,746				45,782	64,969
Total Assets	\$ 26,746,859	\$ 1,210,566	\$ 1,419,330	\$ 7,134,006	\$ 4,393,976	\$ 40,904,737	\$ 45,375,748
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Salaries and Wages Payable	\$ 4,720,782	\$ 14,821	\$ 158,333	\$	\$	\$ 4,893,936	\$ 4,820,914
Accounts and Contracts Payable	997,397	345,801	12,888	999,689		2,355,775	3,487,382
Due to Other Governmental Units	117,860		19,512			137,372	71,411
Due to Other Funds	32,082					32,082	
Unearned Revenue	14,653	57,511	42,244			114,408	139,794
Total Liabilities	5,882,774	418,133	232,977	999,689	0	7,533,573	8,519,501
Deferred Inflows of Resources							
Property Taxes Levied for Subsequent Year's Expenditures	3,691,477		382,787		3,795,945	7,870,209	7,821,384
Unavailable Revenue - Delinquent Property Taxes	34,961		3,273		25,767	64,001	62,525
Total Deferred Inflows of Resources	3,726,438	0	386,060	0	3,821,712	7,934,210	7,883,909
Fund Balance							
Nonspendable	246,894	2,008	4,717	3,710		257,329	348,645
Restricted	2,111,371	790,425	795,576	6,130,607	572,264	10,400,243	15,079,349
Committed	1,200,000					1,200,000	1,200,000
Assigned							28,254
Unassigned	13,579,382					13,579,382	12,316,090
Total Fund Balance	17,137,647	792,433	800,293	6,134,317	572,264	25,436,954	28,972,338
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 26,746,859	\$ 1,210,566	\$ 1,419,330	\$ 7,134,006	\$ 4,393,976	\$ 40,904,737	\$ 45,375,748

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Total Fund Balances - Governmental Funds	\$ 25,436,954	\$ 28,972,338
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:		
Land and Construction in Progress	2,186,156	1,747,496
Land Improvements, Net of Accumulated Depreciation	1,952,804	1,759,725
Buildings and Improvements, Net of Accumulated Depreciation	56,825,301	58,052,781
Equipment and Vehicles, Net of Accumulated Depreciation	5,775,894	4,434,034
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.	64,001	62,525
Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(629,413)	(645,329)
Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.	59,114	90,032
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	37,438,319	49,212,638
Deferred Inflows of Resources Related to Pensions	(49,347,318)	(15,766,748)
Deferred outflows and inflows of resources related to other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to OPEB	138,411	
Deferred Inflows of Resources Related to OPEB	(20,814)	(23,057)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Bonds Payable	(46,425,000)	(48,335,000)
Unamortized Premium	(1,022,384)	(1,084,036)
Capital Lease	(417,935)	
Compensated Absences Payable	(2,774,216)	(2,773,293)
Total OPEB Liability	(3,951,600)	(3,765,997)
Net Pension Liability	(33,407,193)	(89,983,533)
Total Net Position - Governmental Activities	<u>\$ (8,118,919)</u>	<u>\$ (18,045,424)</u>
See Accompanying Notes to the Financial Statements		

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	General	Food Service	Community Service	Building Construction	Debt Service	Total Governmental Funds	
						2019	2018
REVENUES							
Local Sources							
Property Taxes	\$ 4,219,114	\$	\$ 374,485	\$	\$ 3,322,654	\$ 7,916,253	\$ 8,750,756
Interest Earnings	208,287	11,076	13,030	187,735	19,287	439,415	399,292
Other	1,781,698	734,890	936,701			3,453,289	3,836,750
State Sources	50,477,193	191,821	1,407,617		331,126	52,407,757	48,130,665
Federal Sources	2,308,406	2,386,150	42,024			4,736,580	4,783,433
Total Revenues	<u>58,994,698</u>	<u>3,323,937</u>	<u>2,773,857</u>	<u>187,735</u>	<u>3,673,067</u>	<u>68,953,294</u>	<u>65,900,896</u>
EXPENDITURES							
Current							
Administration	2,478,870					2,478,870	2,353,460
District Support Services	1,952,892					1,952,892	1,771,594
Regular Instruction	25,692,230					25,692,230	23,873,488
Vocational Education Instruction	938,906					938,906	808,854
Special Education Instruction	10,439,051					10,439,051	9,313,883
Instructional Support Services	3,470,990					3,470,990	3,393,332
Pupil Support Services	4,594,715		28,990			4,623,705	4,476,690
Sites and Buildings	5,486,607					5,486,607	5,098,862
Fiscal and Other Fixed Costs Programs	194,847					194,847	179,586
Food Service		3,262,565				3,262,565	3,106,347
Community Service			2,836,033			2,836,033	3,145,584
Capital Outlay	3,896,621	387,033	10,079	4,072,128		8,365,861	18,580,688
Debt Service							
Principal					1,910,000	1,910,000	1,875,000
Interest and Fiscal Charges					1,552,415	1,552,415	1,589,690
Total Expenditures	<u>59,145,729</u>	<u>3,649,598</u>	<u>2,875,102</u>	<u>4,072,128</u>	<u>3,462,415</u>	<u>73,204,972</u>	<u>79,567,058</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(151,031)	(325,661)	(101,245)	(3,884,393)	210,652	(4,251,678)	(13,666,162)
OTHER FINANCING SOURCES (USES)							
Issuance of Capital Lease	631,584					631,584	
Sale of Equipment	75,873	8,837				84,710	48,507
Total Other Financing Sources (Uses)	<u>707,457</u>	<u>8,837</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>716,294</u>	<u>48,507</u>
Net Change in Fund Balances	<u>556,426</u>	<u>(316,824)</u>	<u>(101,245)</u>	<u>(3,884,393)</u>	<u>210,652</u>	<u>(3,535,384)</u>	<u>(13,617,655)</u>
FUND BALANCE, BEGINNING OF YEAR	<u>16,581,221</u>	<u>1,109,257</u>	<u>901,538</u>	<u>10,018,710</u>	<u>361,612</u>	<u>28,972,338</u>	<u>42,589,993</u>
FUND BALANCE, END OF YEAR	<u>\$ 17,137,647</u>	<u>\$ 792,433</u>	<u>\$ 800,293</u>	<u>\$ 6,134,317</u>	<u>\$ 572,264</u>	<u>\$ 25,436,954</u>	<u>\$ 28,972,338</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (3,535,384)	\$ (13,617,655)

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlay is 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 Outlay	3,105,402	14,722,810
Depreciation Expense	(2,293,127)	(1,850,151)
Cost of Capital Assets Disposed	(231,933)	(2,507)
Accumulated Deprecation Related to Disposed Capital Assets	165,777	2,507

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:

Principal Retirement of Long-Term Liabilities	2,123,649	1,875,000
Issuance of Capital Lease	(631,584)	
Change in Accrued Interest Payable	15,916	15,625
Amortization of Bond Premium	61,652	61,651

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 deferred in the funds.

1,476	7,076
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In the Statement of Activities, certain operating expenses - pension, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Pensions	11,221,451	(11,594,160)
Other Postemployment Benefits	(44,949)	85,431
Compensated Absences	(923)	156,042

An internal service fund is used to charge the costs associated with Delta Dental insurance. The net change in net position of the fund is reported with governmental activities.

<u>(30,918)</u>	<u>(9,021)</u>
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Change in Net Position - Governmental Activities
See Accompanying Notes to the Financial Statements

<u>\$ 9,926,505</u>	<u>\$ (10,147,352)</u>
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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			Over (Under) Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 4,165,294	\$ 4,199,304	\$ 4,219,114	\$ 19,810	\$ 4,737,559
Interest Earnings	170,165	186,903	208,287	21,384	135,975
Other	1,429,429	1,528,837	1,781,698	252,861	1,874,680
State Sources	47,745,230	48,667,612	50,477,193	1,809,581	46,527,411
Federal Sources	2,202,633	2,472,773	2,308,406	(164,367)	2,429,625
Total Revenues	55,712,751	57,055,429	58,994,698	1,939,269	55,705,250
EXPENDITURES					
Current					
Administration	2,356,039	2,473,016	2,478,870	5,854	2,353,460
District Support Services	1,890,160	1,955,359	1,952,892	(2,467)	1,771,594
Regular Instruction	25,227,285	24,786,498	25,692,230	905,732	23,873,488
Vocational Education Instruction	785,821	776,082	938,906	162,824	808,854
Special Education Instruction	10,170,431	10,153,247	10,439,051	285,804	9,313,883
Instructional Support Services	3,480,318	3,555,430	3,470,990	(84,440)	3,393,332
Pupil Support Services	4,466,121	4,534,330	4,594,715	60,385	4,447,283
Sites and Buildings	5,144,050	5,495,514	5,486,607	(8,907)	5,098,862
Fiscal and Other Fixed Costs Programs	193,135	195,000	194,847	(153)	179,586
Capital Outlay					
Administration	500	800	796	(4)	
District Support Services	30,440	20,691	20,698	7	24,226
Regular Instruction	949,511	1,177,938	1,027,866	(150,072)	135,971
Vocational Education Instruction	5,000				3,147
Special Education Instruction		2,072	2,072		2,882
Instructional Support Services	12,714	17,960	17,960		63,376
Pupil Support Services	4,400	1,000		(1,000)	22,896
Sites and Buildings	2,123,762	3,059,516	2,827,229	(232,287)	1,153,855
Total Expenditures	56,839,687	58,204,453	59,145,729	941,276	52,646,695
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,126,936)	(1,149,024)	(151,031)	997,993	3,058,555
OTHER FINANCING SOURCES (USES)					
Issuance of Capital Lease	632,831	631,584	631,584		
Sale of Equipment		75,201	75,873	672	47,317
Total Other Financing Sources (Uses)	632,831	706,785	707,457	672	47,317
Net Change in Fund Balance	\$ (494,105)	\$ (442,239)	556,426	\$ 998,665	3,105,872
FUND BALANCE, BEGINNING OF YEAR			16,581,221		13,475,349
FUND BALANCE, END OF YEAR			\$ 17,137,647		\$ 16,581,221

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOOD SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			Over (Under) Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Interest Earnings	\$ 10,843	\$ 9,844	\$ 11,076	\$ 1,232	\$ 9,389
Other-Primarily Meal Sales	776,267	735,152	734,890	(262)	764,920
State Sources	200,649	194,797	191,821	(2,976)	196,131
Federal Sources	2,353,036	2,437,756	2,386,150	(51,606)	2,311,822
Total Revenues	<u>3,340,795</u>	<u>3,377,549</u>	<u>3,323,937</u>	<u>(53,612)</u>	<u>3,282,262</u>
EXPENDITURES					
Current					
Food Service	3,381,205	3,297,710	3,262,565	(35,145)	3,106,347
Capital Outlay					
Food Service	267,800	361,310	387,033	25,723	439,018
Total Expenditures	<u>3,649,005</u>	<u>3,659,020</u>	<u>3,649,598</u>	<u>(9,422)</u>	<u>3,545,365</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(308,210)	(281,471)	(325,661)	(44,190)	(263,103)
OTHER FINANCING SOURCES (USES)					
Sale of Equipment	<u>500</u>	<u>2,618</u>	<u>8,837</u>	<u>6,219</u>	<u>1,190</u>
Net Change in Fund Balance	<u>\$ (307,710)</u>	<u>\$ (278,853)</u>	(316,824)	<u>\$ (37,971)</u>	(261,913)
FUND BALANCE, BEGINNING OF YEAR			<u>1,109,257</u>		<u>1,371,170</u>
FUND BALANCE, END OF YEAR			<u>\$ 792,433</u>		<u>\$ 1,109,257</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY SERVICE SPECIAL REVENUE FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			Over (Under) Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 371,356	\$ 371,993	\$ 374,485	\$ 2,492	\$ 404,932
Interest Earnings	10,878	11,389	13,030	1,641	10,139
Other-Primarily Tuition and Fees	787,908	879,973	936,701	56,728	1,197,150
State Sources	1,341,324	1,346,667	1,407,617	60,950	1,383,308
Federal Sources	41,986	42,024	42,024		41,986
Total Revenues	<u>2,553,452</u>	<u>2,652,046</u>	<u>2,773,857</u>	<u>121,811</u>	<u>3,037,515</u>
EXPENDITURES					
Current					
Pupil Support Services	29,407	29,206	28,990	(216)	29,407
Community Service	2,819,977	2,786,014	2,836,033	50,019	3,145,584
Capital Outlay					
Community Service	1,000	10,079	10,079		29,218
Total Expenditures	<u>2,850,384</u>	<u>2,825,299</u>	<u>2,875,102</u>	<u>49,803</u>	<u>3,204,209</u>
Net Change in Fund Balance	<u>\$ (296,932)</u>	<u>\$ (173,253)</u>	<u>(101,245)</u>	<u>\$ 72,008</u>	<u>(166,694)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>901,538</u>		<u>1,068,232</u>
FUND BALANCE, END OF YEAR			<u>\$ 800,293</u>		<u>\$ 901,538</u>

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 JUNE 30, 2019
 WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	Governmental Activities- Internal Service Fund	
	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash and Investments	<u>\$ 66,693</u>	<u>\$ 96,449</u>
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	\$ 7,579	\$ 6,417
Net Position		
Unrestricted	<u>59,114</u>	<u>90,032</u>
Total Liabilities and Net Position	<u>\$ 66,693</u>	<u>\$ 96,449</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities- Internal Service Fund	
	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Charges for Services	\$ 213,732	\$ 209,152
OPERATING EXPENSES		
Dental Insurance Claim Payments	218,979	195,718
General Administration Costs	<u>26,278</u>	<u>23,102</u>
Total Operating Expenses	<u>245,257</u>	<u>218,820</u>
Operating Income (Loss)	(31,525)	(9,668)
NONOPERATING REVENUES (EXPENSES)		
Interest Earnings	<u>607</u>	<u>647</u>
Change in Net Position	(30,918)	(9,021)
NET POSITION, BEGINNING OF YEAR	<u>90,032</u>	<u>99,053</u>
NET POSITION, END OF YEAR	<u><u>\$ 59,114</u></u>	<u><u>\$ 90,032</u></u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2019
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Activities- Internal Service Fund	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Interfund Services Provided	\$ 213,732	\$ 209,152
Payments for Administrative Costs	(26,153)	(23,166)
Payments for Dental Fees and Insurance Claims	(217,942)	(196,247)
Net Cash Provided (Used) by Operating Activities	<u>(30,363)</u>	<u>(10,261)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Earnings	607	647
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(29,756)</u>	<u>(9,614)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>96,449</u>	<u>106,063</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 66,693</u>	<u>\$ 96,449</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (31,525)	\$ (9,668)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Increase (Decrease) in Liabilities		
Accounts Payable	1,162	(593)
Net Cash Provided (Used) By Operating Activities	<u>\$ (30,363)</u>	<u>\$ (10,261)</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019

	Private- Purpose Trust Fund	Agency Fund
	<u> </u>	<u> </u>
ASSETS		
Cash and Investments	\$ 32,069	\$
Receivables		
Due from Other Minnesota School Districts		20,674
Interest Receivable	384	
	<u> </u>	<u> </u>
Total Assets	<u>\$ 32,453</u>	<u>\$ 20,674</u>
LIABILITIES AND NET POSITION		
Liabilities		
Accounts Payable	\$	\$ 4,790
Due to Other Funds		15,884
Total Liabilities	<u>0</u>	<u>20,674</u>
Net Position		
Held in Trust for Scholarships	<u>32,453</u>	
	<u> </u>	<u> </u>
Total Liabilities and Net Position	<u>\$ 32,453</u>	<u>\$ 20,674</u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019

	Private- Purpose Trust Fund
	<u> </u>
ADDITIONS	
Interest Earnings	\$ 542
DEDUCTIONS	
Scholarship Obligations	400
Fees	26
Total Deductions	<u>426</u>
Change in Net Position	116
NET POSITION, BEGINNING OF YEAR	<u>32,337</u>
NET POSITION, END OF YEAR	<u>\$ 32,453</u>

See Accompanying Notes to the Financial Statements

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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #347 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #347 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Willmar Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. However, in accordance with Minnesota Statutes, the District's School Board has elected not to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the extracurricular student activity accounts are not included in these financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to customers for service. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

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 and claims and judgments, are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Description of Funds

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

Major Governmental Funds:

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

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and service of milk, meals and snacks in connection with school and community service activities. Revenues for the Food Service Fund are generated primarily from user fees, federal reimbursements, and state aids.

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of enrichment, recreation, nonpublic pupils, adult basic education and early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state aids.

The Building Construction Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities funded by the sale of bonds.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Proprietary Fund:

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program. The self-insurance costs are charged to the various funds based on established premium rates.

Fiduciary Funds:

The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

The Agency Fund is used to account for cash and other assets held by the District as the agent for others. These funds are used to account for the West Central Achievement and Integration Collaborative.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE

Cash and Investments:

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of demand deposit accounts, non-negotiable certificates of deposit, money market accounts and external investment pools. Investments are recorded at fair value as determined by quoted market prices or amortized cost.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The District invests in an external investment pool, the Minnesota School District Liquid Asset Fund, which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund is not registered with the Securities Exchange Commission (SEC), but satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the Statement of Cash Flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary fund.

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Minnesota Statutes require 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 or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations of a state or local government rated "A" or better and revenue obligations of a state or local government rated "AA" or better; unrated general obligation securities of the District; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District does not have a policy that further limits its collateral choices.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Cash and Investments: (Cont'd)

Custodial Credit Risk - Investments. For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

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

Accounts Receivable:

Accounts receivable represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Current Property Taxes Receivable:

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

Delinquent Property Taxes Receivable:

Delinquent property taxes receivable represent taxes collectible in the years 2012 to 2018 that remain uncollected at June 30, 2019. They are equally offset by a deferred inflows of resources amount in the governmental fund financial statements.

Prepaid Items:

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Inventories:

Inventories are recorded using the consumption method of accounting and consist of paper, purchased food and supplies. Food, paper and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

Capital Assets:

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital assets are recorded in the government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

The District does not possess any material amounts of intangible capital assets.

Deferred Outflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position related to pensions and OPEB.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

Long-Term Obligations:

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Compensated Absences:

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and certain sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Vacation Pay:

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2019, unpaid vacation pay totaling \$200,948 is recorded in the financial statements.

Sick Pay:

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

Secretarial Staff:

An unused sick leave payment is available to full-time secretaries who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 800 hours, less any TSA match the District contributed. Employees hired after July 1, 2000 are not eligible for an unused sick leave payment.

Library Clerical Staff and General Paraprofessionals:

An unused sick leave payment is available to library clerical staff and full-time general paraprofessionals whose combined part-time and full-time service is not less than 15 years of service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 120 days. Employees hired July 1, 2018 or later are not eligible for an unused sick leave payment.

Special Needs Paraprofessionals, Sign Language Interpreters and Job Coaches:

An unused sick leave payment is available to full-time special needs paraprofessionals, full-time sign language interpreters and full-time job coaches who have completed at least 15 years of continuous service with the District and are at least 58 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2002 will not be eligible for an unused sick leave payment.

Food Service Staff:

An unused sick leave payment is available to full-time food service staff who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Compensated Absences: (Cont'd)

Administrators:

An unused sick leave payment is available to administrators who have completed at least 10 years of full-time service with the District and are at least 55 years of age but not more than 65 years of age. An eligible administrator will receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 175 days, less any TSA match the District contributed. Administrators hired after July 1, 2000 are not eligible for an unused sick leave payment.

Teachers:

An unused sick leave payment is available to teachers who have completed at least 15 years of combined part-time and Full-Time Equivalent (FTE) paid teaching service with the District and are at least 55 years of age. An eligible teacher will receive an amount equal to 50% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 90 days. Furthermore, an eligible teacher will receive an amount equal to the teacher's number of years of service multiplied by four days and the employee's daily rate of pay, not to exceed 100 days. The maximum combined total payment shall not exceed 150 days. Any TSA match the District contributed will be deducted from the payment. Teachers hired after July 1, 2000 are not eligible for this benefit.

Custodians:

Custodians shall earn ten days of severance pay credit for each full year of service, with accumulation to 150 days. In addition, an eligible custodian will receive severance pay for 50% of the number of unused accumulated sick leave days, not to exceed 90 days. Upon resignation of the employee at age 55 or older, the District shall pay severance equal to 75% of an employee's accumulated severance pay days up to a maximum of 150 days, at the employee's daily rate of pay.

Confidential Employees:

An unused sick leave payment is available to full-time confidential employees who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 900 hours. The eligible confidential employee shall also earn ten days of severance pay credit for each full year of service, with accumulation to 100 days. The maximum combined severance shall not exceed 150 days.

Other Postemployment Benefits:

Under the terms of previous employment contracts, when certain qualified employees retired between the ages of 55 to 65, the District provided life and health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums are funded on a pay-as-you-go basis.

Pensions:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Pensions: (Cont'd)

The District participates in various pension plans; total pension expense for the fiscal year ended was \$(6,963,887). The components of pension expense are noted in the plan summaries.

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

Deferred Inflows of Resources:

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions and OPEB.

Property Taxes Levied for Subsequent Year's Expenditures:

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2019, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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 governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Education. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Education.

Assigned - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to School Board Policy, the Director of Business and Finance is authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, NET POSITION AND FUND BALANCE (Cont'd)

Fund Balance: (Cont'd)

The District requires 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 Board of Education formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 6% of the General Fund expenditures.

Net Position:

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term liabilities used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

F. REVENUES AND EXPENDITURES

Revenues:

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year's expenditures). The majority of District revenue in the General Fund (and to a lesser extent in the District's Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift."

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$184,153 for the District. For the year ended June 30, 2019, State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance tax levies are recognized early based on statutory requirements in the amounts of \$134,079 and \$3,614, respectively.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES (Cont'd)

Revenues: (Cont'd)

Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2019, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

Expenditures:

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or liabilities.

G. USE OF ESTIMATES

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

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

There were no deficit fund balances.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Cont'd)

C. EXPENDITURES EXCEEDING APPROPRIATIONS

Budgetary control for governmental funds is established by each funds' total appropriations. The following funds had expenditures that exceeded appropriations:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 59,145,729	\$ 58,204,453
Debt Service Fund	3,462,415	3,462,215

The General Fund overage was the result of the District not budgeting for the fund balance neutral revenue and expenditures for the TRA/PERA special funding situation related to pensions. The Debt Service Fund overage was the result of necessary expenditures to ensure compliance with post issuance compliance requirements.

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

The District's deposits were exposed to custodial credit risk because they were not fully insured through FDIC nor collateralized with securities held by pledging financial institution's trust department or agent and in the District's name. The amount of uninsured and uncollateralized deposits was \$899.

The District has the following deposits:

<u>Governmental Activities</u>	
Petty Cash	\$ 403
Pooled Cash in Checking Accounts	9,051,105
Money Market Deposit Account	4,246,361
Total Governmental Activities	<u>13,297,869</u>
<u>Fiduciary Fund</u>	
Pooled Cash in Checking Accounts	<u>1,145</u>
Total Deposits	<u>\$ 13,299,014</u>

B. INVESTMENTS

The District has the following investments:

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>Governmental Activities</u>				
Investments at fair value:				
Non-negotiable Certificates of Deposit	\$ 8,509,204	\$	\$ 8,509,204	\$
<u>Fiduciary Fund</u>				
Investments at fair value:				
Non-negotiable Certificates of Deposit	<u>30,924</u>	<u>30,924</u>	<u>30,924</u>	<u>30,924</u>
Total	8,540,128	<u>\$ 0</u>	<u>\$ 8,540,128</u>	<u>\$ 0</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 3. CASH AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

Governmental Activities

Investments at amortized cost:

MSDLAF+ Liquid Class	\$ 3,839,921
MSDLAF+ MAX Class	3,111,410
Total	<u>6,951,331</u>
 Total Investments	 <u>\$ 15,491,459</u>

The credit rating for the MSDLAF+ Classes was AAA. The non-negotiable certificates of deposit were not rated.

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 13,299,014
Investments (Note 3.B.)	<u>15,491,459</u>
 Total Deposits and Investments	 <u>\$ 28,790,473</u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 28,758,404
Statement of Fiduciary Net Position	
Cash and Investments	<u>32,069</u>
 Total Cash and Investments	 <u>\$ 28,790,473</u>

Interest Rate Risk. This is the risk that the market value of securities will fall due to the changes in market interest rates.

Concentration Risk. This is the risk of loss attributed to the magnitude of an investment in a single issuer. More than 5 percent of the District's investments are in MSDLAF. MSDLAF is 100% of the District's investments.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4. RECEIVABLES

Receivables are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Receivables		
Property Taxes		
Current Property Taxes	\$ 3,928,472	\$
Delinquent Property Taxes	64,001	
Total Property Taxes	<u>3,992,473</u>	<u>0</u>
Other Governments		
Due from Other Minnesota School Districts	595,527	
Due from Minnesota Department of Education	6,185,543	
Due from Federal through Minnesota Department of Education	692,037	
Due from Other Governmental Units	245,757	
Total Other Governments	<u>7,718,864</u>	<u>0</u>
Other		
Other Receivables	<u>159,648</u>	
Total Governmental Activities	<u>\$ 11,870,985</u>	<u>\$ 0</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,497,585	\$	\$	\$ 1,497,585
Construction in Progress	249,911	2,367,501	(1,928,841)	688,571
Total Capital Assets, Not Being Depreciated	1,747,496	2,367,501	(1,928,841)	2,186,156
Capital Assets, Being Depreciated				
Land Improvements	4,482,597	368,229	(75,145)	4,775,681
Buildings and Improvements	85,180,258	484,600	(21,816)	85,643,042
Equipment	7,448,301	1,813,913	(134,972)	9,127,242
Total Capital Assets, Being Depreciated	97,111,156	2,666,742	(231,933)	99,545,965
Less Accumulated Depreciation for				
Land Improvements	(2,722,872)	(152,606)	52,601	(2,822,877)
Buildings and Improvements	(27,127,477)	(1,698,990)	8,726	(28,817,741)
Equipment	(3,014,267)	(441,531)	104,450	(3,351,348)
Total Accumulated Depreciation	(32,864,616)	(2,293,127)	165,777	(34,991,966)
Total Capital Assets Being Depreciated, Net	64,246,540	373,615	(66,156)	64,553,999
Governmental Activities Net Capital Assets	<u>\$ 65,994,036</u>	<u>\$ 2,741,116</u>	<u>\$ (1,994,997)</u>	<u>\$ 66,740,155</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
District Support Services	\$ 10,521
Regular Instruction	775,786
Vocational Education Instruction	9,713
Special Education Instruction	6,145
Instructional Support Services	232
Pupil Support Services	91,121
Sites and Buildings	1,377,397
Community Service	22,212
Total Depreciation Expense - Governmental Activities	<u>\$ 2,293,127</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

	<u>Original Amount Issued</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>				
General Obligation Bonds, Series 2015A	\$ 51,615,000	02/01/2036	2.00-4.00%	\$ 46,425,000
Bond Premium - Net				1,022,384
Capital Lease				417,935
Compensated Absences Payable				2,774,216
				<u>2,774,216</u>
Total Governmental Activities				<u>\$ 50,639,535</u>

B. DESCRIPTION OF LONG-TERM LIABILITIES

General Obligation Bonds:

On August 4, 2015, the District issued \$51,615,000 of General Obligation Bonds, Series 2015A for the building of a new school and other school building maintenance and improvements. The bonds are due in varying annual installments each February 1 from February 1, 2017 through February 1, 2036 with interest at a rate of 2.00%-4.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

Capital Lease:

On July 15, 2018, the District entered into a lease agreement for the purchase of iPads. The assets under the capital lease agreement were \$631,584.

Compensated Absences Payable:

Compensated absences payable consists of unused vacation at June 30, 2019 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, compensated absences have been paid by the General, Food Service, and Community Service Funds.

C. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds Payable	\$ 48,335,000	\$	\$ (1,910,000)	\$ 46,425,000	\$ 2,100,000
Bond Premium	1,084,036		(61,652)	1,022,384	61,651
Capital Lease		631,584	(213,649)	417,935	207,422
Compensated Absences Payable	2,773,293	521,407	(520,484)	2,774,216	396,065
Total Governmental Activities	<u>\$ 52,192,329</u>	<u>\$ 1,152,991</u>	<u>\$ (2,705,785)</u>	<u>\$ 50,639,535</u>	<u>\$ 2,765,138</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

D. MINIMUM DEBT PAYMENTS

Minimum principal and interest payments required to retire the general obligation bonds and the capital lease are as follows:

Year Ending June 30,	General Obligation Bonds Payable	
	Principal	Interest
2020	\$ 2,100,000	\$ 1,510,590
2021	2,145,000	1,468,590
2022	2,185,000	1,425,690
2023	2,275,000	1,338,290
2024	2,365,000	1,247,290
2025-2029	13,155,000	4,900,500
2030-2034	15,335,000	3,191,520
2035-2036	6,865,000	704,456
	\$ 46,425,000	\$ 15,786,926

Year Ending June 30,	Capital Lease	
	Principal	Interest
2020	\$ 207,422	\$ 6,227
2021	210,513	3,137
	\$ 417,935	\$ 9,364

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. FUND BALANCE

The following is a summary of fund balance components:

	<u>General</u>	<u>Food Service</u>	<u>Community Service</u>	<u>Subtotal</u>
Nonspendable				
Prepaid Items	\$ 237,858	\$ 2,008	\$ 4,717	\$ 244,583
Inventories	9,036			9,036
Total Nonspendable	<u>246,894</u>	<u>2,008</u>	<u>4,717</u>	<u>253,619</u>
Restricted				
Staff Development	475,513			475,513
Operating Capital	95,379			95,379
Long-Term Facility Maintenance	184,527			184,527
Community Education			406,782	406,782
ECFE			123,032	123,032
Area Learning Center	397,129			397,129
Gifted and Talented	3,360			3,360
School Readiness			199,848	199,848
Adult Basic Education			51,821	51,821
Basic Skills				
Extended Time	222,898			222,898
Safe Schools	16,238			16,238
Medical Assistance	716,327			716,327
Other Fund Activities		790,425	14,093	804,518
Total Restricted	<u>2,111,371</u>	<u>790,425</u>	<u>795,576</u>	<u>3,697,372</u>
Committed				
Severance	1,200,000			1,200,000
Unassigned				
	<u>13,579,382</u>			<u>13,579,382</u>
	<u>\$ 17,137,647</u>	<u>\$ 792,433</u>	<u>\$ 800,293</u>	<u>\$ 18,730,373</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. FUND BALANCE (Cont'd)

The following is a summary of fund balance components:

	<u>Building Construction</u>	<u>Debt Service</u>	<u>Subtotal</u>	<u>Total</u>
Nonspendable				
Prepaid Items	\$ 3,710	\$	\$ 3,710	\$ 248,293
Inventories				9,036
Total Nonspendable	<u>3,710</u>	<u>0</u>	<u>3,710</u>	<u>257,329</u>
Restricted				
Staff Development				475,513
Operating Capital				95,379
Long-Term Facility				
Maintenance				184,527
Community Education				406,782
ECFE				123,032
Area Learning Center				397,129
Gifted and Talented				3,360
School Readiness				199,848
Adult Basic Education				51,821
Basic Skills				
Extended Time				222,898
Safe Schools				16,238
Medical Assistance				716,327
Other Fund Activities	<u>6,130,607</u>	<u>572,264</u>	<u>6,702,871</u>	<u>7,507,389</u>
Total Restricted	<u>6,130,607</u>	<u>572,264</u>	<u>6,702,871</u>	<u>10,400,243</u>
Committed				
Severance				1,200,000
Unassigned				<u>13,579,382</u>
	<u>\$ 6,134,317</u>	<u>\$ 572,264</u>	<u>\$ 6,706,581</u>	<u>\$ 25,436,954</u>

Fund Equity:

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

A. RESTRICTED FOR STAFF DEVELOPMENT

In accordance with state statute, the District is required to restrict 2.0% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. FUND BALANCE (Cont'd)

Fund Equity: (Cont'd)

B. RESTRICTED FOR OPERATING CAPITAL

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

C. RESTRICTED FOR LONG-TERM FACILITY MAINTENANCE

The fund balance restriction represents accumulated resources available to be used for LTFM projects in accordance with the 10 Year Plan.

D. RESTRICTED FOR COMMUNITY EDUCATION

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

E. RESTRICTED FOR ECFE (EARLY CHILDHOOD AND FAMILY EDUCATION)

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

F. RESERVED FOR AREA LEARNING CENTERS

The fund balance reservation represents up to 90% of the accumulated resources available to provide alternative programming in accordance with funding made available for that purpose.

G. RESTRICTED FOR GIFTED AND TALENTED

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

H. RESTRICTED FOR SCHOOL READINESS

The fund balance restriction represents accumulated resources available to provide services for the school readiness program.

I. RESTRICTED FOR ADULT BASIC EDUCATION

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

J. RESTRICTED FOR BASIC SKILLS EXTENDED TIME

The fund balance restriction represents accumulated resources available for extended time activities to provide for the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age in accordance with funding made available for that purpose.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7. FUND BALANCE (Cont'd)

Fund Equity: (Cont'd)

K. RESTRICTED FOR SAFE SCHOOLS

The fund balance restriction represents unspent resources available from the safe schools levy.

L. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):

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

Teachers Retirement Association (TRA):

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

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

B. BENEFITS PROVIDED

GERP Benefits:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

GERP Benefits: (Cont'd)

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members is 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

TRA Benefits:

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

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

Tier I Benefits:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

TRA Benefits: (Cont'd)

With these provisions:

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

or

Tier II Benefits:

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

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

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

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

C. CONTRIBUTIONS

GERP Contributions:

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019; the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019 were \$758,781. The District's contributions were equal to the required contributions as set by state statute.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

TRA Contributions:

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

	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Basic:			
Employee	11.00%	11.00%	11.00%
Employer	11.50%	11.50%	11.71%
Coordinated:			
Employee	7.50%	7.50%	7.50%
Employer	7.50%	7.50%	7.71%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2019 were \$1,844,498. The District's contributions were equal to the required contributions for each year as set by state statute.

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

Employer Contributions Reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 378,728,000
Add Employer Contributions Not Related to Future Contribution Efforts	522,000
Deduct TRA's Contributions Not Included in Allocation	<u>(471,000)</u>
Total Employer Contributions	378,779,000
Total Non-Employer Contributions	<u>35,588,000</u>
Total Contributions Reported in Schedule of Employer and Non-Employer Allocations	<u>\$ 414,367,000</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.

D. PENSION COSTS

GERP Pension Costs:

At June 30, 2019 the District reported a liability of \$7,966,339 for its proportionate share of the General Employees Fund's net pension liability. The District net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$261,292. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the District's proportion share was 0.1436% which was an increase of 0.0063% from its proportion measured as of June 30, 2018.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERP Pension Costs: (Cont'd)

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended June 30, 2019, the District recognized pension expense of \$253,974 for its proportionate share of GERP's pension expense. In addition, the District recognized an additional \$60,933 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At June 30, 2019 the District reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 202,020	\$ 230,564
Changes in Actuarial Assumptions	755,158	868,224
Differences Between Projected and Actual Investment Earnings		767,553
Changes in Proportion	301,642	243,498
Contributions Paid to GERP Subsequent to Measurement Date	758,781	
Totals	\$ 2,017,601	\$ 2,109,839

\$758,781 reported as deferred outflows of resources related to pensions resulting from District contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2020	\$ 257,041
2021	(413,007)
2022	(528,782)
2023	(166,271)

TRA Pension Costs:

On June 30, 2019, the District reported a liability of \$25,230,380 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.4017% at the end of the measurement period and 0.4050% for the beginning of the year.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

TRA Pension Costs: (Cont'd)

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	\$ 25,230,380
State's Proportionate Share of the Net Pension Liability Associated with the District	2,370,257

For the year ended June 30, 2019, the District recognized pension expense of \$(17,366,975). It also recognized \$1,654,286 as an increase to pension expense for the support provided by direct aid.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 294,765	\$ 512,493
Changes in Actuarial Assumptions	32,532,305	43,094,988
Differences Between Projected and Actual Investment Earnings		1,946,640
Changes in Proportion	743,749	1,614,890
Contributions Paid to TRA Subsequent to Measurement Date	<u>1,844,498</u>	
Totals	<u>\$ 35,415,317</u>	<u>\$ 47,169,011</u>

\$1,844,498 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 2,215,690
2021	1,144,406
2022	(416,364)
2023	(9,613,472)
2024	(6,928,452)

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS

GERP:

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

Actuarial Assumptions

Inflation	2.50% per year
Salary Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

The total pension liability for each of the defined benefit cost-sharing plans was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50 percent for the General Employees Plan. Salary growth assumptions in the General Employees Plan decrease in annual increments from 11.25 percent after one year of service, to 3.25 percent after 26 years of service.

Mortality rates for all plans are based on RP-2014 mortality tables. The tables are adjusted slightly to fit PERA's experience. Actuarial assumptions for the General Employees Plan are reviewed every four to six years. The most recent six-year experience study for the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred since the 2017 valuation:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	0.00%
	<u>100.00%</u>	

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA:

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

Actuarial Information

Experience Study	June 5, 2015 November 6, 2017 (Economic Assumptions)
Actuarial Cost Method	Entry Age Normal

Actuarial Assumptions

Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% for 10 years and 3.25%, thereafter
Projected Salary Increase	2.85% to 8.85% for 10 years and 3.25 to 9.25%, thereafter
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-Retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years.
Post-Retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-Disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

The following changes in actuarial assumptions occurred since the 2017 valuation:

The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

TRA: (Cont'd)

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36.00%	5.10%
International Stocks	17.00%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Cash	2.00%	0.00%
	100.00%	

F. DISCOUNT RATE

GERP:

The discount rate used to measure the total pension liability 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 positions of the General Employees Fund. 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.

TRA:

The discount rate used to measure the total pension liability was 7.50 percent. This is an increase from the discount rate at the prior measurement date of 5.12 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

G. PENSION LIABILITY SENSITIVITY

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraphs, 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:

		<u>GERP</u>		<u>TRA</u>
1% Lower	6.50%	\$ 12,946,321	15.20%	\$ 40,040,511
Current Discount Rate	7.50%	7,966,339	16.20%	25,230,380
1% Higher	8.50%	3,855,506	17.20%	13,012,120

H. PENSION PLAN FIDUCIARY NET POSITION

GERP:

Detailed information about the 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.

TRA:

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.

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 655 active participants and 31 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$3,951,600 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to June 30, 2019.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2018	\$ 3,765,997
Changes for the Year:	
Service Cost	266,826
Interest	137,082
Changes in Benefit Terms	121,850
Changes of Assumptions or Other Inputs	151,875
Benefit Payments	<u>(492,030)</u>
Net Changes	<u>185,603</u>
Balance at June 30, 2019	<u>\$ 3,951,600</u>

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.90% in 2018 to 6.30% in 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13%) or 1-percentage-point higher (4.13%) than the current discount rate:

	<u>1.0% Decrease in Discount Rate (2.13%)</u>	<u>Discount Rate (3.13%)</u>	<u>1.0% Increase in Discount Rate (4.13%)</u>
Total OPEB Liability	\$ 4,305,692	\$ 3,951,600	\$ 3,651,152

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.80% decreasing to 3.40%) or 1-percentage-point higher (7.80% decreasing to 5.40%) than the current healthcare cost trend rates:

	<u>1.0% Decrease (5.80% decreasing to 3.40%)</u>	<u>Healthcare Cost Trend Rates (6.80% decreasing to 4.40%)</u>	<u>1.0% Increase (7.80% decreasing to 5.40%)</u>
Total OPEB Liability	\$ 3,518,356	\$ 3,951,600	\$ 4,511,340

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN (Cont'd)

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$44,949. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions or Other Inputs	<u>\$ 138,411</u>	<u>\$ 20,814</u>

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

<u>Year ended June 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ 11,221
2021	11,221
2022	11,221
2023	11,221
2024	11,221
Thereafter	61,492

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.80% for 2018, decreasing on average 0.41% per year to an ultimate rate of 4.4% for 2075 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to decrease with healthcare trend rates.

A discount rate of 3.13% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale MP-2015.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period June 30, 2016 - July 31, 2017.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10. SUPPLEMENTAL PENSION PLAN

The District engaged an actuary to determine the District's liability for its supplemental pension plan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 73 as of June 30, 2019.

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:

The District participates in a single employer lump-sum defined benefit pension plan administered by the District. At June 30, 2017, the plan covered 136 active members.

Benefits Provided:

Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year or three-year bargaining period. The Plan does not issue a publicly available report.

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/2018	\$ 373,045	\$	\$ 373,045
Changes for the Year:			
Service Cost	23,308		23,308
Interest	12,807		12,807
Changes of Assumptions	6,267		6,267
Changes of Benefit Terms	(119,797)		(119,797)
Benefit Payments	(85,156)		(85,156)
Net Changes	<u>(162,571)</u>	<u>0</u>	<u>(162,571)</u>
Balances at 6/30/2019	<u>\$ 210,474</u>	<u>\$ 0</u>	<u>\$ 210,474</u>

For the year ended June 30, 2019, the District recognized pension expense of \$162,571 for its supplemental pension plan.

At June 30, 2019, the District reported its proportionate share of its supplemental pension plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$	\$ 55,268
Change of Assumptions	<u>5,401</u>	<u>13,200</u>
Totals	<u>\$ 5,401</u>	<u>\$ 68,468</u>

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10. SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS (Cont'd)

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

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>	
2020	\$	(12,310)
2021		(12,310)
2022		(12,310)
2023		(12,310)
2024		(11,884)
Thereafter		(1,943)

Actuarial Assumptions:

The total pension liability in the June 30, 2019 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation Rate:	2.75 percent
Expected Long-Term Investment Return:	N/A
Amortization Method:	Straight-line amortization over a closed period
Remaining Amortization Period:	5 years
Discount Rate:	3.13 percent

Mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table for Males and Females as appropriate, with adjustments for mortality improvements based on Scale MP-2015.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study on June 30, 2017.

The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability calculated using the discount rate of 3.13 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (2.13%)	Discount Rate (3.13%)	1% Increase in Discount Rate (4.13%)
District's Net Pension Liability	\$ 220,660	\$ 210,474	\$ 199,745

Pension Plan Fiduciary Net Position:

The District does not have separately-issued financial reports on the plan's fiduciary net position.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 11. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,200 per participant. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$245,257 for the year ended June 30, 2019 which includes administrative costs of \$26,278.

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

	June 30,	
	2019	2018
Unpaid Claims, Beginning of Year	\$ 6,417	\$ 7,010
Incurred Claims	218,979	195,718
Claims Payments (cash basis)	<u>(217,817)</u>	<u>(196,311)</u>
Unpaid Claims, End of Year	<u>\$ 7,579</u>	<u>\$ 6,417</u>

NOTE 12. COMMITMENTS AND CONTINGENCIES

A. 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.

B. CONSTRUCTION COMMITMENT

The District has active construction projects, including the following:

	Original Contract	Remaining Commitment
Kennedy Elementary - Renovation	\$ 1,475,000	\$ 1,443,129
Willmar High School Tennis Court	578,096	578,096
Kennedy Elementary School Building Improvements	1,099,500	904,085
High School Locker Room Improvements	256,900	249,134
Kennedy Elementary - Building Improvements	825,000	810,750
Kennedy Elementary Windows & Doors	625,000	38,197
School District Alterations	610,000	19,943
Kennedy Elementary School Building Improvements	102,000	102,000
Restroom Renovations	152,643	70,754

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 13. 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; natural disasters and workers' compensation. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

The District has joined together with other school districts in Minnesota in the Southwest - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays monthly premiums to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

NOTE 14. JOINT POWERS AGREEMENT

The District and the City of Willmar have entered into a Joint Powers agreement to collaborate and coordinate in the provision of social, educational, vocational and recreational services to members of the community. It is the intention of the parties to offer these services collaboratively and to coordinate their service programs in order to eliminate duplication of services and in order to maximize the effectiveness of the services provided. The Joint Powers Entity is governed by the Joint Powers Board, which includes five members appointed by the City Council, five members appointed by the School Board, and two students, one recommended by the Senior High School Student Council and one recommended by the Middle School Student Council, to be approved and appointed by the City Council and School Board. One School Board member, one City Council member, the City Administrator and the Superintendent of Schools shall serve as ex-officio members to the Board.

The District employs an individual to administer community education, which is in the Community Service Fund. The City is responsible for providing adult and youth recreation programs, adult and youth athletic programs and administer the daily operations of the Dorothy A. Olson Aquatic Center. This agreement ended during fiscal year 2019.

NOTE 15. TAX ABATEMENTS

The District is authorized by Minnesota Statute 469.1813 to enter into property tax abatements for the purpose of attracting or retaining businesses. Tax abatements, which cannot exceed 100 percent of the entity's property tax bill in any year, may be granted to any business located within or promising to relocate to the District for construction of new facilities or the creation of new full time equivalent positions. The District recaptures the amount of abated taxes by increasing the levy for the amount abated. The District determines the percentage, amount and duration of the tax abatement, which is not to exceed twenty years. The amount of the abatement is paid by the property owner and then refunded by the District to the property owner.

For the year ended June 30, 2019, the District abated property taxes totaling \$45,953 under this program for MinnWest Technology Campus.

NOTE 16. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no effect on total Net Position or Fund Balance.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 17. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Related to Pensions	\$ 37,438,319	\$ 49,347,318
Related to OPEB	138,411	20,814
Property Taxes Levied for Subsequent Year		<u>7,870,209</u>
Totals	<u>\$ 37,576,730</u>	<u>\$ 57,238,341</u>

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2019

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>GERP</u>							
6/30/2018	0.1436%	\$ 7,966,339	\$ 261,292	\$ 8,227,631	\$ 9,553,785	86.12%	79.53%
6/30/2017	0.1373%	8,765,141	110,224	8,875,365	8,905,707	99.66%	75.90%
6/30/2016	0.1425%	11,570,293	151,048	11,721,341	8,821,466	132.87%	68.91%
6/30/2015	0.1450%	7,514,653		7,514,653	8,415,120	89.30%	78.19%
6/30/2014	0.1469%	6,900,626		6,900,626	7,740,462	89.15%	78.75%
<u>TRA</u>							
6/30/2018	0.4017%	25,230,380	2,370,257	27,600,637	22,501,776	122.66%	78.07%
6/30/2017	0.4050%	80,845,347	7,815,939	88,661,286	21,922,200	404.44%	51.57%
6/30/2016	0.4005%	95,528,806	9,588,605	105,117,411	20,898,836	502.98%	44.88%
6/30/2015	0.4306%	26,636,869	3,267,150	29,904,019	22,097,506	135.33%	76.77%
6/30/2014	0.4403%	20,288,707	1,427,361	21,716,068	20,120,785	107.93%	81.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available. Additional years will be reported as they become available.

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST
JUNE 30, 2019

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>GERP</u>					
6/30/2019	\$ 758,781	\$ 758,781	\$	\$ 10,118,572	7.50%
6/30/2018	716,534	716,534		9,553,785	7.50%
6/30/2017	667,928	667,928		8,905,707	7.50%
6/30/2016	661,610	661,610		8,821,466	7.50%
6/30/2015	631,134	631,134		8,415,120	7.50%
<u>TRA</u>					
6/30/2019	1,844,498	1,844,498		23,923,444	7.71%
6/30/2018	1,687,633	1,687,633		22,501,776	7.50%
6/30/2017	1,644,165	1,644,165		21,922,200	7.50%
6/30/2016	1,567,327	1,567,327		20,898,836	7.50%
6/30/2015	1,657,313	1,657,313		22,097,506	7.50%

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL PENSION LIABILITY
FOR PENSION PLANS NOT ADMINISTERED THROUGH A TRUST
JUNE 30, 2019

	2019	2018	2017	2016
Service Cost	\$ 23,308	\$ 70,995	\$ 16,337	\$ 15,278
Interest	12,807	48,386	6,678	8,474
Differences Between Expected and Actual Experience		(76,364)		
Changes of Assumptions	6,267	(14,766)	(4,278)	
Changes of Benefit Terms	(119,797)	(887,788)	1,215,024	
Benefit Payments	(85,156)	(134,256)	(169,778)	(5,932)
Net Change in Total Pension Liability	(162,571)	(993,793)	1,063,983	17,820
Total Pension Liability - Beginning of Year	373,045	1,366,838	302,855	285,035
Total Pension Liability - End of Year	\$ 210,474	\$ 373,045	\$ 1,366,838	\$ 302,855
District's Total Pension Liability - Ending	\$ 210,474	\$ 373,045	\$ 1,366,838	\$ 302,855
Payroll for Measurement Period	\$ 8,783,762	\$ 8,425,778	\$ 10,025,698	\$ 8,632,095
Total Pension Liability as a % of Employee Payroll	2.4%	4.4%	13.6%	3.5%

The District implemented GASB Statement No. 73 for fiscal year ended June 30, 2016. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
JUNE 30, 2019

	Measurement Date	
	6/30/2019	6/30/2018
Service Cost	\$ 266,826	\$ 255,218
Interest	137,082	137,381
Changes in Benefit Terms	121,850	
Change in Assumptions	151,875	(25,300)
Benefit Payments	(492,030)	(475,787)
Net Change in Total OPEB Liability	185,603	(108,488)
Total OPEB Liability - Beginning of Year	3,765,997	3,874,485
Total OPEB Liability - End of Year	<u>\$ 3,951,600</u>	<u>\$ 3,765,997</u>
Covered Employee Payroll	<u>\$ 32,187,700</u>	<u>\$ 33,884,934</u>
Total OPEB Liability as a % of Covered Employee Payroll	<u>12.28%</u>	<u>11.11%</u>

The District implemented GASB Statement No. 75 for fiscal year ended June 30, 2018. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

No changes.

2017 Changes:

No changes.

2016 Changes:

No changes.

2015 Changes:

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.

2014 Changes:

No changes.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 Changes:

The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2017 Changes:

No changes.

2016 Changes:

No changes.

2015 Changes:

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

2014 Changes:

The increase in the post-retirement benefit adjustment (COLA) is to be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

C. OTHER PENSION BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2019 Changes:

No changes.

2018 Changes:

No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

2018 Changes:

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes:

The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for non-vested deferred member liability.

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes:

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

2016 Changes: (Cont'd)

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes:

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

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 Changes:

The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 Changes:

Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.00% to 7.50%.

The price inflation assumption was lowered from 2.75% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

2017 Changes: (Cont'd)

The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes:

The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at some durations for the merit scale of the salary increase assumption.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015 Changes:

The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

2014 Changes:

The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER PENSION BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

2019 Changes:

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.90% in 2018 to 6.30% in 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62% in 2018 to 3.13% in 2019.

2018 Changes:

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.80% in 2017 to 6.90% in 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.53% in 2017 to 3.62% in 2018.

The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent of pay cost method due to new GASB 74/75 accounting rules.

Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Medical per capita claims costs were updated to reflect recent experience.

Withdrawal, retirement and mortality rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.

A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations.

The percent of future retirees not eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.

The percent of current and future retirees assumed to continue medical coverage after age 65 changed from 10% to 5% to reflect recent plan experience.

The percent of retirees not eligible for a subsidy and electing spouse coverage changed from 10% to 20% to reflect recent plan experience.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER PENSION BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

2018 Changes: (Cont'd)

The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	7/1/2015 Valuation	6/30/2017 Valuation
VEBA \$1,200	30%	25%
VEBA \$2,600	40%	40%
VEBA \$3,250	25%	25%
VEBA \$6,350	5%	10%

SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 BUILDING CONSTRUCTION CAPITAL PROJECTS FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			Over (Under) Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Interest Earnings	\$ 75,000	\$ 185,684	\$ 187,735	\$ 2,051	\$ 232,608
EXPENDITURES					
Capital Outlay					
Sites and Buildings	10,315,546	4,652,303	4,072,128	(580,175)	16,706,099
Net Change in Fund Balance	<u>\$ (10,240,546)</u>	<u>\$ (4,466,619)</u>	(3,884,393)	<u>\$ 582,226</u>	(16,473,491)
FUND BALANCE, BEGINNING OF YEAR			10,018,710		26,492,201
FUND BALANCE, END OF YEAR			<u>\$ 6,134,317</u>		<u>\$ 10,018,710</u>

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DEBT SERVICE FUND
 YEAR ENDED JUNE 30, 2019
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2018

	2019			Over (Under) Final Budget	2018
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Local Sources					
Property Taxes	\$ 3,607,681	\$ 3,304,107	\$ 3,322,654	\$ 18,547	\$ 3,608,265
Interest Earnings	14,236	17,662	19,287	1,625	11,181
State Sources	23,816	331,126	331,126		23,815
Total Revenues	<u>3,645,733</u>	<u>3,652,895</u>	<u>3,673,067</u>	<u>20,172</u>	<u>3,643,261</u>
EXPENDITURES					
Debt Service					
Bond Principal	1,910,000	1,910,000	1,910,000		1,875,000
Bond Interest	1,548,790	1,548,790	1,548,790		1,586,290
Paying Agent Fees and Other	3,400	3,425	3,625	200	3,400
Total Expenditures	<u>3,462,190</u>	<u>3,462,215</u>	<u>3,462,415</u>	<u>200</u>	<u>3,464,690</u>
Net Change in Fund Balance	<u>\$ 183,543</u>	<u>\$ 190,680</u>	210,652	<u>\$ 19,972</u>	178,571
FUND BALANCE, BEGINNING OF YEAR			<u>361,612</u>		<u>183,041</u>
FUND BALANCE, END OF YEAR			<u>\$ 572,264</u>		<u>\$ 361,612</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 JUNE 30, 2019

	<u>2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>2019</u>
ASSETS				
Cash and Investments	\$ 13,182	\$ 76,680	\$ (89,862)	\$
Receivables				
Due from Other Minnesota School Districts	<u>29,268</u>	<u>52,202</u>	<u>(60,796)</u>	<u>20,674</u>
Total Assets	<u>\$ 42,450</u>	<u>\$ 128,882</u>	<u>\$ (150,658)</u>	<u>\$ 20,674</u>
LIABILITIES				
Liabilities				
Accounts Payable	\$ 42,450	\$ 37,722	\$ (75,382)	\$ 4,790
Due to Other Funds		<u>15,884</u>		<u>15,884</u>
Total Liabilities	<u>\$ 42,450</u>	<u>\$ 53,606</u>	<u>\$ (75,382)</u>	<u>\$ 20,674</u>

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REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Federal Grantor\ Pass-Through Grantor\ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture			
Conservation Reserve Program	10.069		\$ 3,912
Minnesota Department of Education			
Child Nutrition Cluster:			
National School Lunch Program:			
Regular Lunch			218,479
Free and Reduced Lunch			1,070,694
After School Snack			48,460
Commodities Rebates			6,271
Food Distribution (Commodities-noncash)			220,411
Total National School Lunch Program	10.555	* 0000193883	1,564,315
Special Milk Program for Children	10.556	* 0000193883	1,802
School Breakfast Program	10.553	* 0000193883	620,155
Summer Food Service Program for Children	10.559	* 0000193883	56,600
Total Child Nutrition Cluster			2,242,872
Fresh Fruit and Vegetable Program	10.582	0000193883	79,915
Child and Adult Care Food Program	10.558	0000193883	63,363
Total U.S. Department of Agriculture			2,390,062
U.S. Department of Education			
Minnesota Department of Education			
Title I Grants to Local Educational Agencies	84.010	0000193883	994,202
Adult Education - Basic Grants to States	84.002	0000193883	42,024
Title I, Part C - Migrant Education State Grant Program	84.011	0000193883	19,668
Title II, Part A - Supporting Effective Instruction State Grants	84.367	0000193883	156,615
Title III, Part A - English Language Acquisition Grants	84.365	0000193883	197,758
Title III, Part A - Unaccompanied Youth - Disaster Recovery Assistance for Education	84.938C	0000193883	32,051
SW/WC Service Cooperative			
Special Education Cluster:			
Special Education Grants to States	84.027		565,529
Special Education Preschool Grants	84.173		28,496
Total Special Education Cluster			594,025
Pact for Families Collaborative			
Twenty-First Century Community Learning Centers	84.287		288,181
Ridgewater College			
Career and Technical Education - Basic Grants to States	84.048A		21,994
Total U.S. Department of Education			2,346,518
Total Federal Awards			\$ 4,736,580

* Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District #347, Willmar, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Independent School District #347 under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2019, the District did not pass any federal money to subrecipients.

NOTE 6. DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to federal programs.

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Education
Independent School District #347
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as described in the accompanying Schedule of Findings and Questioned Costs as 2019-002. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 14, 2019

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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

To The Board of Education
Independent School District #347
Willmar, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 14, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as 2019-001 that we consider to be significant deficiencies.

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Compliance and Other Matters

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

District's Response to Findings

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

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 14, 2019



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

To the Board of Education
Independent School District #347
Willmar, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District #347's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 14, 2019

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 2019-001

Noncompliance material to financial statements noted? 2019-002

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s): Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance? No

C. IDENTIFICATION OF MAJOR PROGRAMS

CFDA No.: 10.553, 10.555, 10.556, 10.559

Name of Federal Program or Cluster: Child Nutrition Cluster

Dollar threshold used to distinguish between Types A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

FINDING: 2019-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.

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

Recommendation: The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The District finished making the appropriate changes to processes and procedures resulting in adequate segregation of duties in July 2019.

Official Responsible for Ensuring CAP:

Pam Harrington, Director of Business and Finance

Planned Completion Date for CAP:

June 30, 2020

Plan to Monitor Completion of CAP:

Board of Education

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019

III. FINDINGS RELATED TO MINNESOTA LEGAL COMPLIANCE

FINDING: 2019-002 PLEDGED COLLATERAL

Condition: The review of collateral pledged indicated that the District did not have adequate collateral for its deposits as of June 30, 2019.

Criteria: Minnesota Statute §118A.03 requires the District to have deposits in excess of FDIC insurance protected by a bond or collateral of which market value should be at least ten percent more than the amount of excess deposits.

Cause: The District's controls do not currently address this.

Effect: The District is not in compliance with Minnesota Statutes.

Recommendation: We recommend the District implement a policy to monitor pledged collateral and ensure bank balances are appropriately insured and collateralized.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:
None

Actions Planned in Response to Finding:

The Director of Business and Finance worked with the bank to make sure the deposits are adequately covered by pledged collateral. Additional procedures were put in place to monitor cash balances to ensure adequate pledged collateral coverage.

Official Responsible for Ensuring CAP:

Pam Harrington, Director of Business and Finance

Planned Completion Date for CAP:

June 30, 2020

Plan to Monitor Completion of CAP:

Board of Education

IV. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

INDEPENDENT SCHOOL DISTRICT #347

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2019

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If not corrected, Provide Planned Corrective Action or Other Explanation</u>
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Financial Statement Findings:

2018-001	Limited Segregation of Duties	Not Corrected	2018	See current year finding 2019-001
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Minnesota Legal Compliance Findings:

None

Federal Awards Findings:

None

STUDENT ACTIVITIES

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES

Members of the Board of Education, Advisors, and Students
Independent School District #347
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying Statements of Cash Receipts and Disbursements of the Student Activity Fund of Independent School District #347 for the year ended June 30, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the regulatory basis of accounting described in Note 1. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As described in Note 1, the financial statements are prepared by the Independent School District #347 in accordance with the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the Minnesota Department of Education.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably 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 accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District #347 as of June 30, 2019, and the respective changes in financial position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

We were unable to audit 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" 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 #347 as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the notes to the financial statements.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated October 14, 2019, on our consideration of the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 14, 2019

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
MIDDLE SCHOOL ACTIVITY FUND
YEAR ENDED JUNE 30, 2019

	<u>Balance July 1, 2018</u>	<u>Transfers and Receipts</u>	<u>Transfers and Disbursements</u>	<u>Balance June 30, 2019</u>
Pop Concert T-Shirts	\$ 87	\$ 2,301	\$ 2,241	\$ 147
Robotics		560		560
Student Council	<u>618</u>	<u>6,835</u>	<u>7,134</u>	<u>319</u>
Total	<u>\$ 705</u>	<u>\$ 9,696</u>	<u>\$ 9,375</u>	<u>\$ 1,026</u>

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 SENIOR HIGH ACTIVITY FUND
 YEAR ENDED JUNE 30, 2019

	Balance July 1, 2018	Transfers and Receipts	Transfers and Disbursements	Balance June 30, 2019
Cardettes	\$ 1,180	\$ 7,078	\$ 3,501	\$ 4,757
First Tech Challenge		730	730	
Culinary Club		5,138		5,138
F.F.A.	487	237	601	123
General Account (Bank Interest/Expenses)		500	500	
Cross Country	8,945	1,794	535	10,204
National Honor Society	1,143	1,115	1,083	1,175
Nordic Ski	40	3,392	2,770	662
Culture Club	168			168
Seventh Rendition	75,528	324,554	399,157	925
Student Council	6,515	7,039	6,791	6,763
"W" Fund	11,675	1,573	7,032	6,216
Wihisean	47	1,550	1,493	104
Orchestra	3,732	47	634	3,145
Willmar Athletics	5,711	34,624	34,260	6,075
Final Concessions	5,395	40,793	40,141	6,047
Knowledge Bowl	359		182	177
Art Club	477	921	804	594
High Mileage	530	752	359	923
Key Club	1,018	3,459	3,343	1,134
Gymnastics	6,085	6,444	9,196	3,333
Speech	1,252	5,359	3,972	2,639
Fastpitch Softball	1,051	1,860	2,012	899
Tennis	1,975	2,566	1,212	3,329
Volleyball	13,676	4,765	6,618	11,823
Track	5,965	4,703	1,193	9,475
Girls Soccer	1,137	1,635	424	2,348
Boys Soccer	1,541	759	839	1,461
Boys Swim	2,258	2,182	1,753	2,687
Girls Swim	4,869	6,816	2,285	9,400
Wrestling	1,634	6,687	7,186	1,135
Boys Basketball	787	2,732	2,149	1,370
Girls Basketball	737	2,788	2,266	1,259
Boys Hockey	422	1,879	1,502	799
Girls Hockey	1,950	2,209	1,542	2,617
Boys Baseball	2,371	2,737	3,539	1,569
Boys Golf	2,380	1,326	1,403	2,303
Girls Golf	1,806	780	661	1,925
Boys Tennis	185	4,470	4,447	208
Football	2,302	8,684	8,082	2,904
First Robotics	2,356	13,432	14,997	791
Special Needs	324			324
	<u>324</u>	<u>13,432</u>	<u>14,997</u>	<u>791</u>
Total	<u>\$ 180,013</u>	<u>\$ 520,109</u>	<u>\$ 581,194</u>	<u>\$ 118,928</u>

See Accompanying Notes and Auditor's Report on Student Activities

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE STUDENT ACTIVITY ACCOUNTS FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity fund transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. 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 other adult.

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

The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared, on the regulatory basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

NOTE 2. COLLATERAL

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

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

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

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INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students
Independent School District #347
Willmar, Minnesota

We have audited Independent School District #347's compliance with the types of compliance requirements described in the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49 for the year ended June 30, 2019. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the *Manual for Activity Fund Accounting*. Those standards and the *Manual for Activity Fund Accounting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District 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 with the *Manual for Activity Fund Accounting*. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Student Activity Fund for the year ended June 30, 2019, except those described in the accompanying Schedule of Student Activity Findings as Finding 2019-003.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
CPAS & ADVISORS
WILLMAR, MINNESOTA

October 14, 2019

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF STUDENT ACTIVITY FINDINGS
JUNE 30, 2019

I. FINDINGS RELATED TO STUDENT ACTIVITY COMPLIANCE

FINDING: 2019-003 *MANUAL FOR ACTIVITY FUND ACCOUNTING FOR MINNESOTA SCHOOL DISTRICTS (MAFA) NONCOMPLIANCE*

Condition: During review of the District's student activities, we noted the Board did not approve student activity fundraising in compliance with MAFA requirements.

Criteria: The MAFA indicates that school activity fundraising must have the approval of the Board and/or administration, either directly or through policy and procedures.

Cause: The District does not have policies or procedures in place to ensure compliance with these requirements of MAFA.

Effect: Noncompliance with the requirements of MAFA.

Recommendation: We recommend the District implement policies and procedures District-wide to ensure compliance with these MAFA requirements.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:
None

Actions Planned in Response to Finding:

The requirements of the MAFA will be reviewed with applicable personnel as a refresher training. All accounts will be monitored and new procedures will be developed to ensure compliance with MAFA requirements.

Official Responsible for Ensuring CAP:

Pam Harrington, Director of Business and Finance

Planned Completion Date for CAP:

June 30, 2020

Plan to Monitor Completion of CAP:

Board of Education