

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CLARA CITY, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2019**

**SCHLENNER WENNER & CO.  
Certified Public Accountants  
& Business Consultants**

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CLARA CITY, MINNESOTA  
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**INTRODUCTORY  
SECTION**

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
BOARD OF EDUCATION AND ADMINISTRATION  
FOR THE YEAR ENDED JUNE 30, 2019**

**BOARD OF EDUCATION**

Term Expires

Lane Schwitters	Chairperson	December 31, 2022
Debra Brandt	Vice-Chairperson	December 31, 2022
Scott Ruitter	Treasurer	December 31, 2020
Julie Alsum	Clerk	December 31, 2020
Tate Mueller	Director	December 31, 2022
Carmel Thein	Director	December 31, 2020

**ADMINISTRATION**

Sherri Broderius	Superintendent
Kim Sandry	Business Manager

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITORS' REPORT

December 4, 2019

Members of the School Board  
Independent School District No. 2180  
Clara City, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 2180, Clara City, Minnesota (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to 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 No. 2180, Clara City, Minnesota as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule, Schedule of Changes in District's Net OPEB Liability, Schedule of District OPEB Contributions, Schedule of District's Proportionate Share of Net Pension Liability, and Schedule of District Pension Contributions 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 Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor governmental funds financial statements, and the Uniform Financial Accounting and Reporting Standards Compliance Table, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental funds financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of Independent School District No. 2180's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Independent School District No. 2180's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minnesota Statutes, we have also issued our report dated December 4, 2019, on our consideration of Independent School District No. 2180's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the 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.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

As management of Independent School District No. 2180 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,386,428. Of this amount, negative \$4,627,261 is considered unrestricted.
- The District's total net position increased \$1,898,874 as a result of current year operations.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,184,042, a decrease of \$378,950 in comparison with the prior year. Approximately 90 percent of this amount, \$2,872,400, is available for spending at the District's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,186,169, or 32 percent of total General Fund expenditures.
- The District's total long-term debt decreased by \$603,624 (11 percent) in the current fiscal year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

	Government-Wide	Fund Financial Statements
		Governmental Funds
<b>Scope</b>	Entire District	All of the activities of the District, such as regular instruction, special education, support services, building maintenance, food service and community education
<b>Required financial statements</b>	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
<b>Type of asset/deferred outflows/liability/deferred inflows information</b>	All assets, deferred outflows, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included
<b>Type of outflow/inflow information</b>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**Government-Wide Financial Statements**

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest and other fiscal charges. The District currently does not report any business-type activities.

The government-wide financial statements start on page 16 of this report.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Although governments often report multiple types of funds, all of the funds of the District are governmental funds.

**Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

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

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

The basic governmental fund financial statements start on page 18 of this report.

**Notes to the Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 22 of this report.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements as supplementary information. Combining fund statements start on page 59 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of \$5,386,428 at the close of the most recent fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (Continued)

**Net Position** (Continued)

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in 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.

**Net Position  
Table 1**

	Governmental Activities		
	2019	2018	Increase (Decrease)
Assets			
Current and Other Assets	\$ 6,287,336	\$ 6,493,412	\$ (206,076)
Capital Assets	<u>14,837,409</u>	<u>14,859,103</u>	<u>(21,694)</u>
Total Assets	21,124,745	21,352,515	(227,770)
Deferred Outflows of Resources	6,052,292	7,560,010	(1,507,718)
Liabilities			
Current and Other Liabilities	854,372	988,291	(133,919)
Noncurrent Liabilities	<u>11,119,570</u>	<u>20,253,755</u>	<u>(9,134,185)</u>
Total Liabilities	11,973,942	21,242,046	(9,268,104)
Deferred Inflows of Resources	<u>9,816,667</u>	<u>4,331,365</u>	<u>5,485,302</u>
Net Position			
Net Investment in Capital Assets	9,741,063	9,129,829	611,234
Restricted	272,626	354,902	(82,276)
Unrestricted	<u>(4,627,261)</u>	<u>(5,997,177)</u>	<u>1,369,916</u>
Total Net Position	<u>\$ 5,386,428</u>	<u>\$ 3,487,554</u>	<u>\$ 1,898,874</u>

An additional portion of the District's net position (\$272,626) represents resources that are subject to external restrictions on how they may be used. The remaining balance (unrestricted net position) is negative \$4,627,261 at year end.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

The District's net position increased \$1,898,874 during the most recent fiscal year. Key elements of this increase are as follows:

**Changes in Net Position**

**Table 2**

	Governmental Activities		
	2019	2018	Increase (Decrease)
Revenues			
Program Revenues:			
Charges for Services	\$ 526,856	\$ 475,812	\$ 51,044
Operating Grants and Contributions	1,494,388	1,302,159	192,229
Capital Grants and Contributions	512,642	-	512,642
General Revenues:			
Property Taxes	1,964,958	2,302,950	(337,992)
State Aid Not Restricted to Specific Programs	6,391,209	6,382,142	9,067
Local Aid Not Restricted to Specific Programs	78,393	68,372	10,021
Earnings on Investments	17,573	11,157	6,416
Gain on Disposal of Assets	-	4,061	(4,061)
Miscellaneous	208,655	278,390	(69,735)
Total Revenues	11,194,674	10,825,043	369,631
Expenses			
Administration	638,439	873,234	(234,795)
District Support Services	326,209	308,796	17,413
Regular Instruction	2,957,739	5,092,678	(2,134,939)
Vocational Instruction	64,497	105,025	(40,528)
Exceptional Instruction	1,079,279	1,686,762	(607,483)
Community Education and Services	341,793	584,713	(242,920)
Instructional Support Services	430,764	682,934	(252,170)
Pupil Support Services	1,426,939	1,362,536	64,403
Sites and Buildings	1,878,209	2,323,466	(445,257)
Fiscal and Other Fixed Costs Programs	45,349	43,352	1,997
Interest and Other Fiscal Charges	106,583	115,081	(8,498)
Total Expenses	9,295,800	13,178,577	(3,882,777)
Change in Net Position	1,898,874	(2,353,534)	4,252,408
Net Position - Beginning of Year	3,487,554	6,553,391	(3,065,837)
Change in Accounting Principle	-	(712,303)	712,303
Net Position - End of Year	<u>\$ 5,386,428</u>	<u>\$ 3,487,554</u>	<u>\$ 1,898,874</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (Continued)

**Changes in Net Position** (Continued)

Significant items to note include the following:

- The current year change in net position is an increase of \$4,252,408 compared to that of the prior year. This is a result of a 3.4 percent increase in revenues and a 29.5 percent decrease in expenses during fiscal year 2019.
- Property taxes decreased \$337,992, due to fluctuations in levies. Capital grants and contributions, on the other hand, increased \$512,642, primarily due to donations received for the tennis court project.
- Expenses related to regular instruction and exceptional instruction decreased \$2,134,939 and \$607,483, respectively, primarily due to fluctuations in pension expense.

**Total and Net Cost of Governmental Activities**

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

**Total and Net Costs of Services**

**Table 3**

	Total Cost of Services			Net Cost of Services		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Administration	\$ 638,439	\$ 873,234	\$ (234,795)	\$ 638,439	\$ 873,234	\$ (234,795)
District Support Services	326,209	308,796	17,413	324,377	307,176	17,201
Regular Instruction	2,957,739	5,092,678	(2,134,939)	2,655,979	4,752,243	(2,096,264)
Vocational Instruction	64,497	105,025	(40,528)	64,497	105,025	(40,528)
Exceptional Instruction	1,079,279	1,686,762	(607,483)	163,637	1,001,969	(838,332)
Community Education and Services	341,793	584,713	(242,920)	87,354	343,618	(256,264)
Instructional Support Services	430,764	682,934	(252,170)	400,913	682,437	(281,524)
Pupil Support Services	1,426,939	1,362,536	64,403	909,219	853,005	56,214
Sites and Buildings	1,878,209	2,323,466	(445,257)	1,365,567	2,323,466	(957,899)
Fiscal and Other Fixed Costs Program:	45,349	43,352	1,997	45,349	43,352	1,997
Interest and Other Fiscal Charges	106,583	115,081	(8,498)	106,583	115,081	(8,498)
<b>Totals</b>	<b><u>\$ 9,295,800</u></b>	<b><u>\$13,178,577</u></b>	<b><u>\$(3,882,777)</u></b>	<b><u>\$ 6,761,914</u></b>	<b><u>\$11,400,606</u></b>	<b><u>\$(4,638,692)</u></b>

Significant items to note include the following:

- The net cost of services related to Regular Instruction decreased \$2,096,264 due to the reasons outlined previously.
- The net cost of services related to Exceptional Instruction decreased \$838,332 due to reasons outlined previously, as well as increases in State aid applicable to this function.
- The net cost of services related to Sites and Buildings decreased by \$957,899 primarily due to various building repairs and updates done in the prior year.

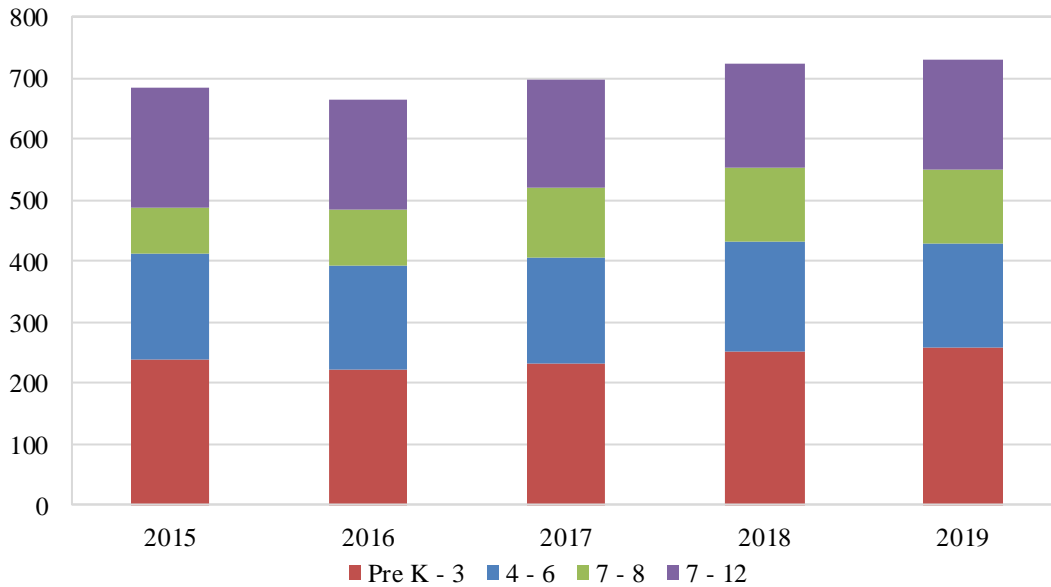
**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

	<b>Student Enrollment (Average Daily Membership)</b>				
	2015	2016	2017	2018	2019
Pre K - 3	240	222	231	251	258
4 - 6	172	171	174	180	170
7 - 8	76	92	116	121	123
7 - 12	197	181	175	170	179
Total Students for Aid	685	666	696	722	730
Percentage Change	0.10%	-2.77%	4.50%	3.74%	1.11%

**Student Enrollment (in ADM's)**



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

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,184,042, a decrease of \$378,950 in comparison with prior year. The following is a summary of the District's major funds:



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

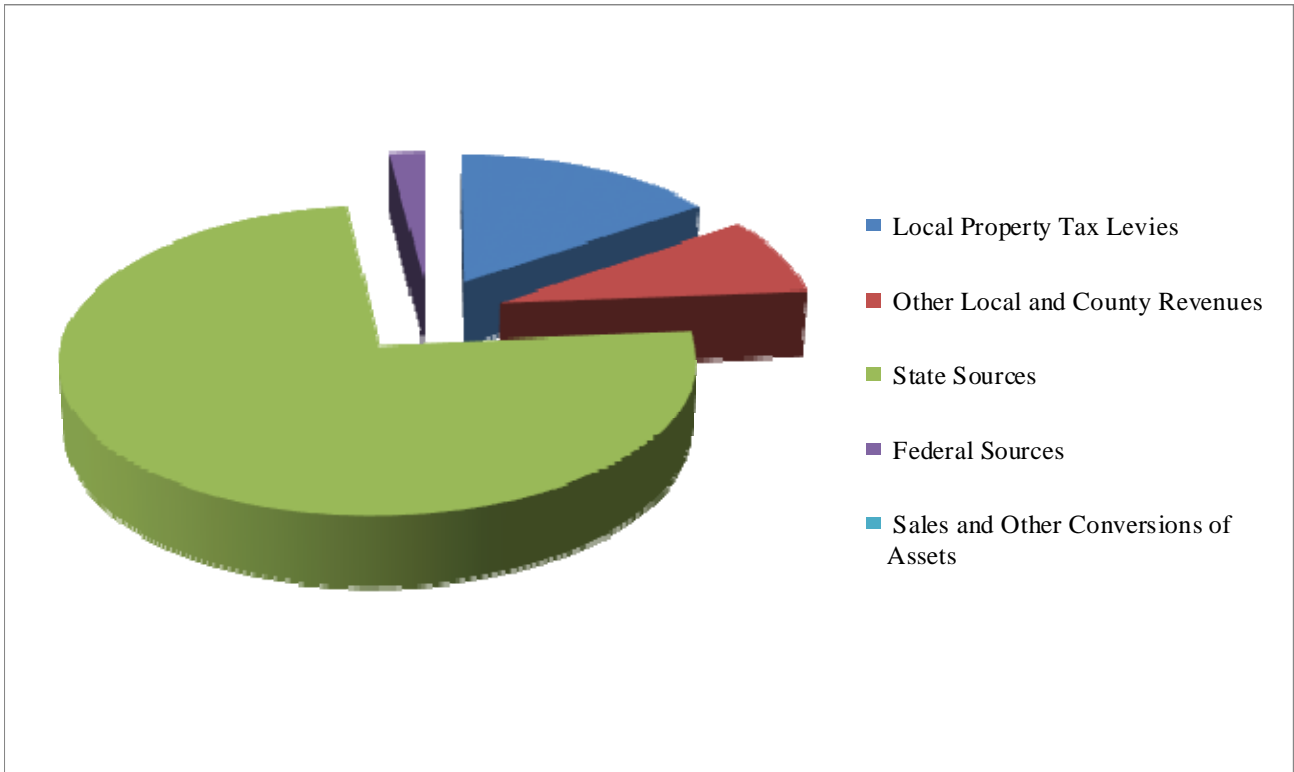
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

**Governmental Funds (Continued)**

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2019	2018	
<b>General</b>	\$ 3,293,069	\$ 3,564,788	\$ (271,719)

The fund balance of the General Fund decreased by \$271,719. Revenues increased approximately 4.6 percent from the prior year, while expenditures increased approximately 5.4 percent.

**General Fund Revenues**



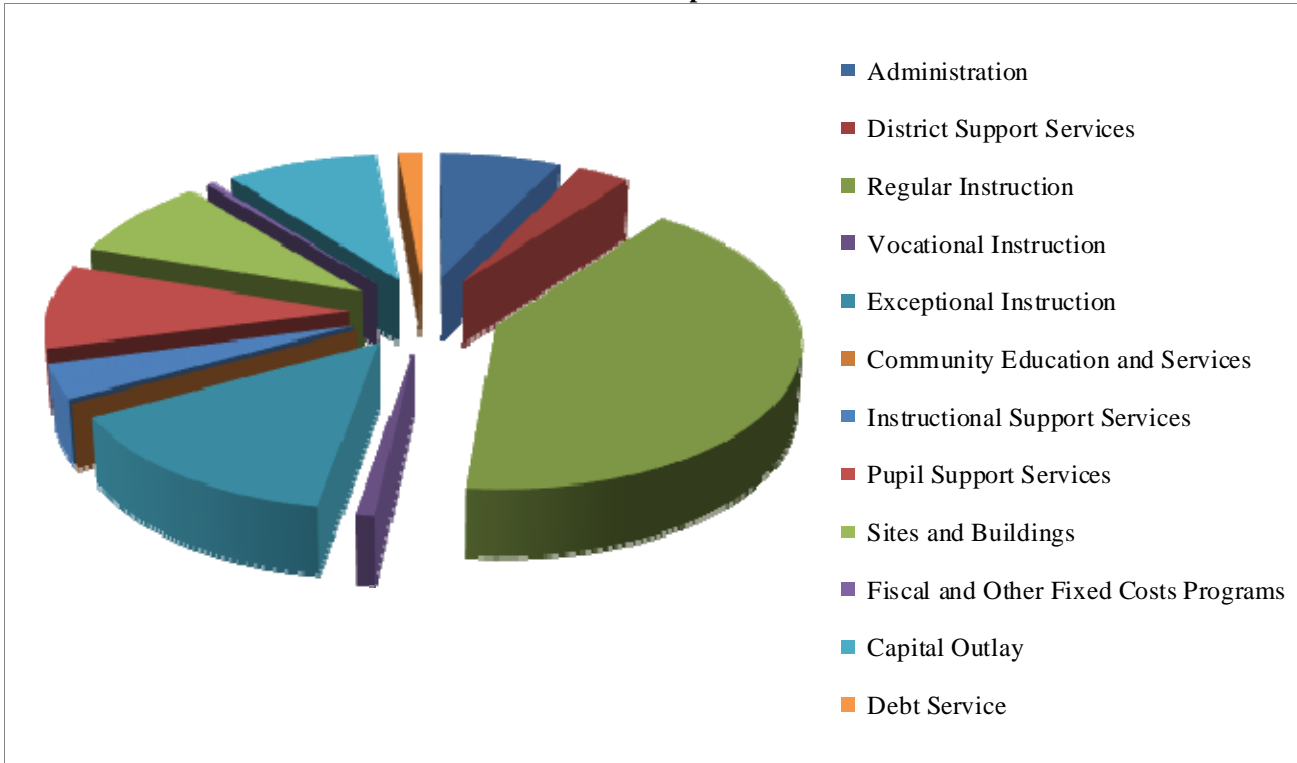
The District receives the vast majority of its funding in the General Fund from the State of Minnesota (74 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 15 percent of its General Fund revenues from local property tax levies.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

**Governmental Funds (Continued)**

**General Fund Expenditures**



A significant portion of the District's General Fund expenditures are used for regular, vocational and exceptional instruction (57 percent). Expenditures for various support services total 16 percent, and the remaining 27 percent consists of expenditures for administration, sites and buildings and other items.

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2019	2018	
<b>Debt Service</b>	\$ 42,429	\$ 40,492	\$ 1,937

The Debt Service fund balance increased \$1,937 during the year. Operations were comparable to that of the prior year.

**General Fund Budgetary Highlights**

The District's General Fund budget was amended during the year. The revenues budget was increased by \$27,256, and the expenditures budget was revised in several functions for an overall increase of \$534,581 from original to final. The final budget called for expenditures of \$9,765,762 and a decrease in fund balance of \$869,156. Actual General Fund expenditures of \$10,000,992 exceeded final budgeted expenditures by \$235,230.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$14,837,409 (net of accumulated depreciation). This investment in capital assets includes site improvements, buildings and improvements, equipment and vehicles. The total decrease in the District's investment in capital assets for the current fiscal year was approximately 0.15 percent.

Capital asset events during the current fiscal year included the construction of a tennis court and various roof updates, as well as various kitchen upgrades.

**Capital Assets Net of Depreciation**

**Table 4**

	Governmental Activities		
	2019	2018	Increase (Decrease)
Buildings and Improvements	\$ 14,582,432	\$ 14,620,098	\$ (37,666)
Equipment and Vehicles	254,977	239,005	15,972
Total	\$ 14,837,409	\$ 14,859,103	\$ (21,694)

Additional information on the District's capital assets can be found in Note 2.B. on page 30 of this report.

**Noncurrent Liabilities**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$5,125,650, excluding the District long-term net OPEB liability and net pension liability of \$778,647 and \$5,215,273, respectively. A summary of long-term debt activity for the year ended June 30, 2019 follows:

**Noncurrent Liabilities**

**Table 5**

	Governmental Activities		
	2019	2018	Increase (Decrease)
G.O. Alternative and Capital Facilities Bonds	\$ 3,968,023	\$ 4,502,027	\$ (534,004)
Capital Leases	1,128,323	1,227,247	(98,924)
Severance Liability	29,304	-	29,304
Total	\$ 5,125,650	\$ 5,729,274	\$ (603,624)

The District's total debt decreased by \$603,624 (11 percent) during the current fiscal year, not including the change in the noncurrent OPEB liability and noncurrent net pension liability recorded by the District. Additional information on the District's long-term debt can be found in Note 2.C. on page 31 of this report.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2019**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's appointed and elected officials considered many factors when setting the fiscal year 2020 budget. These factors included the following:

- The District's enrollment continues to increase.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in payroll, utility and food costs.
- The District has faced challenges when it comes to maintaining multiple sites. Subsequent to year end, the District has approved the issuance of debt, which will be utilized to construct and update the District into a one-site campus. In doing so, the District hopes to reduce repair and maintenance and other various expenditures incurred in maintaining multiple sites.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with 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, please contact the Business Manager, Kim Sandry, Independent School District No. 2180, P.O. Box 690, 711 Wolverine Drive, Clara City, MN 56222.

**BASIC FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 3,996,257
Property Tax Receivable	1,343,087
Accounts Receivable	6,137
Due from Other Minnesota School Districts	43,827
Due from Government Agencies	893,204
Inventory	4,824
Capital Assets Being Depreciated (Net)	<u>14,837,409</u>
<b>TOTAL ASSETS</b>	21,124,745
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB	72,740
Pensions	<u>5,979,552</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	6,052,292
<b>LIABILITIES</b>	
Accounts Payable	191,561
Salaries Payable	334,793
Payroll Deductions and Employer Contributions	281,380
Accrued Interest	46,638
Noncurrent Liabilities:	
Debt Due Within One Year	635,637
Debt Due After One Year	4,490,013
Net OPEB Liability	778,647
Net Pension Liability	<u>5,215,273</u>
<b>TOTAL LIABILITIES</b>	11,973,942
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Years	2,258,148
Pensions	<u>7,558,519</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>9,816,667</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	9,741,063
Restricted:	
General Fund State-Mandated Restrictions	104,833
Debt Service	10,304
Food Service	1,895
Community Service	155,594
Unrestricted	<u>(4,627,261)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 5,386,428</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Administration	\$ 638,439	\$ -	\$ -	\$ -	\$ (638,439)
District Support Services	326,209	1,832	-	-	(324,377)
Regular Instruction	2,957,739	121,603	180,157	-	(2,655,979)
Vocational Instruction	64,497	-	-	-	(64,497)
Exceptional Instruction	1,079,279	21,475	894,167	-	(163,637)
Community Education and Services	341,793	219,938	34,501	-	(87,354)
Instructional Support Services	430,764	-	29,851	-	(400,913)
Pupil Support Services	1,426,939	162,008	355,712	-	(909,219)
Sites and Buildings	1,878,209	-	-	512,642	(1,365,567)
Fiscal and Other Fixed Costs Programs	45,349	-	-	-	(45,349)
Interest and Other Fiscal Charges	106,583	-	-	-	(106,583)
<b>Total Governmental Activities</b>	<b>\$ 9,295,800</b>	<b>\$ 526,856</b>	<b>\$ 1,494,388</b>	<b>\$ 512,642</b>	<b>(6,761,914)</b>
General Revenues:					
Property Taxes					1,964,958
State Aid not Restricted to Specific Programs					6,391,209
Local Aid not Restricted to Specific Programs					78,393
Earnings on Investments					17,573
Miscellaneous					208,655
<b>Total General Revenues</b>					<b>8,660,788</b>
<b>CHANGE IN NET POSITION</b>					<b>1,898,874</b>
<b>NET POSITION - BEGINNING OF YEAR</b>					<b>3,487,554</b>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 5,386,428</b>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Temporary Investments	\$ 3,663,415	\$ 320,137	\$ 12,705	\$ 3,996,257
Property Taxes Receivable:				
Current	947,008	333,278	25,389	1,305,675
Delinquent	26,155	10,313	944	37,412
Accounts Receivable	6,035	-	102	6,137
Due from Other Funds	94,862	-	-	94,862
Due from Other Minnesota School Districts	39,507	-	4,320	43,827
Due from Government Agencies	868,351	21,363	3,490	893,204
Inventory	-	-	4,824	4,824
	<u>5,645,333</u>	<u>685,091</u>	<u>51,774</u>	<u>6,382,198</u>
<b>TOTAL ASSETS</b>	<b>\$ 5,645,333</b>	<b>\$ 685,091</b>	<b>\$ 51,774</b>	<b>\$ 6,382,198</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 177,196	\$ -	\$ 14,365	\$ 191,561
Salaries Payable	289,906	-	44,887	334,793
Payroll Deductions and Employer Contributions	281,380	-	-	281,380
Due to Other Funds	-	-	94,862	94,862
Total Liabilities	<u>748,482</u>	<u>-</u>	<u>154,114</u>	<u>902,596</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue:				
Delinquent Property Taxes	26,155	10,313	944	37,412
Property Taxes Levied for Subsequent Years	1,577,627	632,349	48,172	2,258,148
Total Deferred Inflows of Resources	<u>1,603,782</u>	<u>642,662</u>	<u>49,116</u>	<u>2,295,560</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	4,824	4,824
Restricted	104,833	42,429	157,489	304,751
Assigned	2,067	-	-	2,067
Unassigned	3,186,169	-	(313,769)	2,872,400
Total Fund Balances	<u>3,293,069</u>	<u>42,429</u>	<u>(151,456)</u>	<u>3,184,042</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 5,645,333</b>	<b>\$ 685,091</b>	<b>\$ 51,774</b>	<b>\$ 6,382,198</b>



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2019**

Total Fund Balances - Governmental Funds \$ 3,184,042

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

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:

Capital Assets	\$ 29,997,890	
Accumulated Depreciation	<u>(15,160,481)</u>	
Capital Assets (Net)		14,837,409

Long-term liabilities, including bonds and capital leases, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds:

Bond Principal Payable	(3,870,000)	
Bond Premium, Net of Accumulated Amortization	(98,023)	
Capital Lease Payable	(1,128,323)	
Severance Payable	<u>(29,304)</u>	
		(5,125,650)

The net pension liability and related outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the funds:

Net Pension Liability	(5,215,273)	
Deferred Outflows - Pensions	5,979,552	
Deferred Inflows - Pensions	<u>(7,558,519)</u>	
		(6,794,240)

The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and therefore are not reported in the funds:

Net OPEB Liability	(778,647)	
Deferred Outflows - OPEB	<u>72,740</u>	
		(705,907)

Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:

(46,638)

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:

37,412

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 5,386,428**

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,523,168	\$ 391,081	\$ 51,756	\$ 1,966,005
Other Local and County Revenues	826,251	-	220,039	1,046,290
State Sources	7,361,779	213,630	84,335	7,659,744
Federal Sources	195,761	-	271,798	467,559
Sales and Other Conversions of Assets	3,329	-	162,008	165,337
<b>TOTAL REVENUES</b>	<u>9,910,288</u>	<u>604,711</u>	<u>789,936</u>	<u>11,304,935</u>
<b>EXPENDITURES</b>				
Current:				
Administration	725,266	-	-	725,266
District Support Services	317,519	-	-	317,519
Regular Instruction	4,129,943	-	-	4,129,943
Vocational Instruction	94,525	-	-	94,525
Exceptional Instruction	1,442,698	-	-	1,442,698
Community Education and Services	-	-	466,068	466,068
Instructional Support Services	384,881	-	-	384,881
Pupil Support Services	923,413	-	542,947	1,466,360
Sites and Buildings	890,890	-	-	890,890
Fiscal and Other Fixed Costs Programs	45,349	-	-	45,349
Capital Outlay	906,332	-	71,104	977,436
Debt Service:				
Principal	98,924	520,000	-	618,924
Interest and Other Fiscal Charges	41,252	82,774	-	124,026
<b>TOTAL EXPENDITURES</b>	<u>10,000,992</u>	<u>602,774</u>	<u>1,080,119</u>	<u>11,683,885</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(90,704)	1,937	(290,183)	(378,950)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	181,015	181,015
Transfers Out	(181,015)	-	-	(181,015)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(181,015)</u>	<u>-</u>	<u>181,015</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(271,719)	1,937	(109,168)	(378,950)
<b>FUND BALANCES - BEGINNING</b>	<u>3,564,788</u>	<u>40,492</u>	<u>(42,288)</u>	<u>3,562,992</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,293,069</u>	<u>\$ 42,429</u>	<u>\$ (151,456)</u>	<u>\$ 3,184,042</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ (378,950)

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense:

Capital Outlay Capitalized	\$ 836,578	
Capital Assets Acquired via Contributions	142,642	
Depreciation Expense	<u>(1,000,914)</u>	(21,694)

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items:

Capital Lease Principal Payments	98,924	
Bond Principal Repayments	520,000	
Amortization of Bond Premium	<u>14,004</u>	632,928

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

3,439

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. This amount represents the change in deferred revenue for delinquent taxes in the current period:

Property Taxes		(1,047)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Change in Severance Payable		(29,304)
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Certain liabilities do not represent the impending use of current resources. Therefore, the changes in such liabilities and the related deferrals are not reported in the governmental funds:

Net Pension Liability and Deferred Outflows/Inflows of Resources	1,751,824	
Net OPEB Liability and Deferred Outflows of Resources	<u>(58,322)</u>	<u>1,693,502</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 1,898,874**

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. FINANCIAL REPORTING ENTITY**

Independent School District No. 2180 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six-member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. In accordance with Minnesota State Statutes, the District's Board has elected to control and exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

**1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations 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*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The financial statements of Independent School District No. 2180 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are classified by function for governmental activities.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**  
(Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to severance and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

Property taxes, intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

The District reports the following major governmental funds:

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

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

Additionally, the government reports the following nonmajor fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**1.D. 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 balances at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY**

**Deposits and Investments**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

**Property Taxes Receivable**

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

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

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

Taxes 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 deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

**Accounts Receivable**

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

**Due from Government Agencies**

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period.

**Inventory**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Capital Assets**

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 or more for capitalizing equipment and \$25,000 or more for buildings and improvements. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

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

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

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

**Accrued Payroll Liabilities**

Salaries pertaining to the school year ended June 30, 2019, which are payable in July and August 2019, are accrued as of June 30, 2019 and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

**Severance Payable**

Per employment agreements, teachers who have completed 15 years of allowable service with the District and are at least 55 years of age are eligible for severance. Eligible teachers, upon retirement will receive pay in the amount obtained by multiplying 10 percent of the unused number of sick leave days times the teacher's daily rate of pay (not to exceed 100 days).

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line 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.

**Postemployment Benefits Other Than Pensions (OPEB)**

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY (Continued)**

**Net Pension Liability**

The net pension liability represents the District's allocation of their pro-rata share of the Statewide General Employees Retirement Fund and Teachers Retirement Association net pension liabilities.

PERA

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TRA

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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.

**Interfund Transactions and Balances**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds in which District employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for pension and OPEB activities.



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND EQUITY** (Continued)

**Fund Balance**

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

**Nonspendable** – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balance at June 30, 2019 consists of inventory.

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

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

**Assigned** – Amounts that are neither restricted or committed but are constrained by the District’s intent to be used for specific purposes. The Board has delegated the authority to assign fund balances to the District’s Superintendent and Business Manager.

**Unassigned** – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 20% of the annual budget.

When both restricted and unrestricted resources are available for use, it is the District’s practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: restricted, committed, assigned and unassigned, in accordance with the District’s policy.

See Note 2.D. for additional disclosures.

**Net Position**

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

**Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring the capital assets.

**Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to consider restricted net position to its depletion before unrestricted net position is applied.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**2.A. DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. 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 or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States Government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

Minnesota Statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the District.

At June 30, 2019, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District's name.

**Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

**Investments (Continued)**

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in GASB Statement No. 72.

Investment balances at June 30, 2019 are as follows:

Type of Investments	Credit Rating	Segmented Time Distribution	Fair Value
Minnesota District Liquid Asset Fund	N/A	Less than 1 year	<u>\$ 3,622</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District's investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- Concentration of Credit Risk is the risk associated with the magnitude of the District's investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2019, the District does not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

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 has the following recurring fair value measurements as of June 30, 2019:

- Minnesota District Liquid Asset Fund valued at \$3,622 is valued using quoted market prices (Level 1).

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits and Temporary Investments Summary**

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the District follows:

Carrying Amount of Deposits	\$ 3,992,635
Investments (see Investments section)	<u>3,622</u>
 Total Cash and Temporary Investments	 <u><u>\$ 3,996,257</u></u>

**2.B. CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Being Depreciated				
Buildings and Improvements	\$ 28,238,949	\$ 908,486	\$ -	\$ 29,147,435
Equipment	<u>785,837</u>	<u>70,734</u>	<u>6,116</u>	<u>850,455</u>
 Total Capital Assets				
Being Depreciated	29,024,786	979,220	6,116	29,997,890
 Less Accumulated Depreciation for				
Buildings and Improvements	13,618,851	946,152	-	14,565,003
Equipment	<u>546,832</u>	<u>54,762</u>	<u>6,116</u>	<u>595,478</u>
 Total Accumulated Depreciation	<u>14,165,683</u>	<u>1,000,914</u>	<u>6,116</u>	<u>15,160,481</u>
 Governmental Activities				
Capital Assets, Net	<u>\$ 14,859,103</u>	<u>\$ (21,694)</u>	<u>\$ -</u>	<u>\$ 14,837,409</u>

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

Governmental Activities	
Administration	\$ 6,154
District Support Services	10,516
Regular Instruction	6,317
Pupil Support Services	15,284
Sites and Buildings	<u>962,643</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,000,914</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES**

**General Obligation (G.O.) Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2019 total \$120,587. Fund financial statement interest and fiscal charges for the year ended June 30, 2019 total \$124,026. Interest expenses included in direct program expenses total \$0; all bond interest and fees are included in interest and other fiscal charges.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
G.O. Alternative and Capital Facilities Bonds, Series 2013A	\$ 5,960,000	1.00-3.00%	2/1/2026	\$ 3,870,000

**Capital Lease**

In February 2013, the District signed a lease/purchase agreement to finance energy conservation upgrades. Additional information, including the outstanding balance on the lease/purchase agreement at June 30, 2019, is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
Equipment Lease	\$ 1,605,507	3.43%	8/15/2028	\$ 1,128,323

The carrying value of the assets acquired by the Equipment Lease is estimated to approximate the outstanding balance on the lease at June 30, 2019.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES**

**Debt Service Requirements**

At June 30, 2019, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2020	\$ 525,000	\$ 77,100	\$ 602,100
2021	530,000	71,850	601,850
2022	540,000	63,900	603,900
2023	550,000	55,800	605,800
2024	560,000	47,550	607,550
2025-2026	<u>1,165,000</u>	<u>52,650</u>	<u>1,217,650</u>
Total	<u>\$ 3,870,000</u>	<u>\$ 368,850</u>	<u>\$ 4,238,850</u>

At June 30, 2019, estimated annual debt service requirements to maturity for the capital lease are as follows:

Years Ending June 30,	Governmental Activities		
	Capital Lease		
	Principal	Interest	Total
2020	\$ 102,347	\$ 37,829	\$ 140,176
2021	105,887	34,289	140,176
2022	109,550	30,626	140,176
2023	113,340	26,836	140,176
2024	117,260	22,916	140,176
2025-2029	<u>579,938</u>	<u>50,854</u>	<u>630,792</u>
Total	<u>\$ 1,128,322</u>	<u>\$ 203,350</u>	<u>\$ 1,331,672</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

Noncurrent liability activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 4,390,000	\$ -	\$ (520,000)	\$ 3,870,000	\$ 525,000
Unamortized Premium	112,027	-	(14,004)	98,023	-
Capital Leases	1,227,247	-	(98,924)	1,128,323	102,347
Severance Payable	-	29,304	-	29,304	8,290
	<u>-</u>	<u>29,304</u>	<u>-</u>	<u>29,304</u>	<u>8,290</u>
Long-Term Liabilities	<u>\$ 5,729,274</u>	<u>\$ 29,304</u>	<u>\$ (632,928)</u>	<u>\$ 5,125,650</u>	<u>\$ 635,637</u>

Bonds payable are typically funded through the Debt Service Fund. Capital leases and severance payable are typically funded through the General Fund.

**2.D. FUND BALANCE CLASSIFICATIONS**

At June 30, 2019, governmental fund equity includes the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>				
Inventory	\$ -	\$ -	\$ 4,824	\$ 4,824
<i>Restricted for:</i>				
Staff Development	\$ 42,407	\$ -	\$ -	\$ 42,407
Disabled Accessibility	2,273	-	-	2,273
Achievement and Integration	5,259	-	-	5,259
Basic Skills Extended Time	19,844	-	-	19,844
Medical Assistance	35,050	-	-	35,050
Debt Service	-	42,429	-	42,429
Food Service	-	-	1,895	1,895
Community Education	-	-	61,432	61,432
Early Childhood and Family Education	-	-	94,162	94,162
	<u>-</u>	<u>-</u>	<u>94,162</u>	<u>94,162</u>
Total Restricted	<u>\$ 104,833</u>	<u>\$ 42,429</u>	<u>\$ 157,489</u>	<u>\$ 304,751</u>
<i>Assigned for:</i>				
Technology Repairs	\$ 2,067	\$ -	\$ -	\$ 2,067

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. FUND BALANCE CLASSIFICATIONS (Continued)**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deficit UFARS Restrictions:				
Safe Schools Levy	\$ (53,899)	\$ -	\$ -	\$ (53,899)
Long-Term Facility Maintenance	(249,014)	-	-	(249,014)
School Readiness	-	-	(16,156)	(16,156)
 Total Deficit UFARS Restrictions	 \$ (302,913)	 \$ -	 \$ (16,156)	 \$ (319,069)

At June 30, 2019, the Community Service Fund has a deficit fund balance of \$158,175. The deficit will be eliminated with future revenues or a transfer from the General Fund.

Restricted for Staff Development - This amount represents available resources restricted for the training and development of District staff.

Restricted for Disabled Accessibility - This amount represents restricted resources for improving the accessibility of the school for disabled individuals.

Restricted for Achievement and Integration - This amount represents restricted resources for achievement and integration expenses.

Restricted for Basic Skills – Extended Time - This amount represents resources available for basic skills extended time uses.

Restricted for Medical Assistance - This amount represents available resources restricted for medical assistance expenditures.

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

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

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

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for Safe Schools Levy - This amount represents restricted resources for funding programs designed to increase school safety and awareness. Amount also represents resources restricted to pay for the salaries of student counselors, security, and other personnel employed for the purpose of providing early responses to problems. This restricted fund balance is allowed to be negative.

Restricted for Long-Term Facility Maintenance - This amount represents restricted resources for long-term facility maintenance stipulated by the District’s long-term facility maintenance plan. This restricted fund balance is allowed to be negative.



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. FUND BALANCE CLASSIFICATIONS (Continued)**

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. This restricted fund balance is allowed to be negative.

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The District operates a single-employer defined benefit healthcare plan (the Plan), through which the District provides postemployment benefits to eligible retirees and their families. As of the most recent valuation date, there are 121 active employees and 9 retirees eligible to participate. The Plan does not issue a publicly available financial report.

**Benefits Provided**

The District offers continuing group health insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active service may continue their single or family coverage, at their expense, through the District plan if they retire after reaching the age of 55 with at least 3 years of uninterrupted service in the District. Benefits and eligibility provisions have been established through negotiations between the District and the union representing the District's teachers and are renegotiated every two-year bargaining period.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy."

This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

**Contributions**

The District has historically funded these liabilities on a pay-as-you-go basis, in amounts contractually required to satisfy the benefit terms discussed above. For the year ended June 30, 2019, the District contributed \$72,740, which includes an implicit subsidy of \$68,140 resulting from the arrangement described above.

**Net OPEB Liabilities, OPEB Expense and Deferred Outflows/Inflows of Resources**

At June 30, 2019, the District reported a net OPEB liability of \$778,647 for the District's plan. The net OPEB liability was measured as of July 1, 2018, as determined by an actuarial valuation as of that date.

For the year ended June 30, 2019, the District recognized OPEB expense of \$62,917. At June 30, 2019, the District reported deferred outflows of resources of \$72,740 related to OPEB, for District contributions to the Plan paid subsequent to the measurement date. Such contributions will be recognized in OPEB expense during the reporting period ending June 30, 2020.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Changes in the Net OPEB Liability**

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2019:

Changes in Total OPEB Liability (TOL)	
Balance at July 1st	\$ 796,025
Service Cost	35,982
Interest Cost	26,935
Benefit Payments	<u>(80,295)</u>
Net OPEB Liability - June 30th	<u>\$ 778,647</u>

**Actuarial Assumptions**

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information:	
Valuation Date	July 1, 2017
Measurement Date	July 1, 2018
Actuarial Cost Method	Entry Age Normal, level percentage of pay
Actuarial Assumptions:	
Discount Rate	3.40%
Salary Increases	3.00%
Inflation	2.50%
Bond Yield	3.40%
Medical Trend Rate	6.25% decreasing to 5.00% over 5 years

Mortality rates were based on the RP-2014 white collar mortality tables along with the MP-2016 Generational Improvement Scale.

There have been no significant changes in assumptions, benefit terms, and other inputs since the prior measurement date.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3    POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Net OPEB Liability Sensitivity**

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the District's net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Decrease in Discount Rate	4.40%	\$818,210
Current Discount Rate	3.40%	\$778,647
1% Increase in Discount Rate	2.40%	\$740,682

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Cost Trend Rate	
	Amounts
1% Decrease in Healthcare Trend Rates	\$719,448
Current Healthcare Trend Rates	\$778,647
1% Increase in Healthcare Trend Rates	\$847,702

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

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

General Employees Retirement Plan

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.

**Benefits Provided**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

General Employees Plan Benefits

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

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

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019, and the District was required to contribute 7.50 percent for the Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019 were \$116,221. The District's contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At June 30, 2019 the District reported a liability of \$1,228,791 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$40,302. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0222 percent at the end of the measurement period and 0.0200 percent for the beginning of the period.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

**Pension Costs (Continued)**

General Employees Fund Pension Costs (Continued)

District's proportionate share of the net pension liability:	\$1,228,791
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>\$40,302</u>
Total	<u>\$1,269,093</u>

For the year ended June 30, 2019, the District recognized pension expense of \$105,365 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$9,398 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 29,526	\$ 31,925
Changes in actuarial assumptions	104,562	128,951
Differences between projected and actual investment earnings	-	125,262
Changes in proportion	109,563	1,152
Contributions paid to PERA subsequent to the measurement date	<u>116,221</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 359,872</u>	<u>\$ 287,290</u>

The \$116,221 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense</u>
2020	\$ 68,796
2021	\$ (26,975)
2022	\$ (59,813)
2023	\$ (25,647)

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

**Actuarial Assumptions**

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

Assumptions	Rates
Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

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

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

The following changes in actuarial assumptions and plan provisions occurred in 2018:

General Employees Fund

Changes in Actuarial Assumptions:

- 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.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

**Actuarial Assumptions (Continued)**

General Employees Fund (Continued)

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

**Discount Rate**

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statute. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Pension Liability Sensitivity**

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

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
	Rates	Amounts
1% Lower	6.50%	\$1,996,943
Current Discount Rate	7.50%	\$1,228,791
1% Higher	8.50%	\$594,704

**Pension Plan Fiduciary Net Position**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B.    TEACHERS RETIREMENT ASSOCIATION**

**Plan Description**

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

Educators employed in Minnesota's public elementary and secondary schools, 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.

**Benefits Provided**

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

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

*Tier I Benefits*

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

With these provisions:

- (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



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

**Benefits Provided (Continued)**

*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.

**Contribution Rate**

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

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

The table on the following page 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.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE** (Continued)

**4.B.    TEACHERS RETIREMENT ASSOCIATION** (Continued)

**Contribution Rate** (Continued)

	<i>in thousands</i>
Employer contributions reported in TRA’s CAFR, Statement of Changes in Fiduciary Net Position	\$378,728
Add employer contributions not related to future contribution efforts	522
Deduct TRA’s contributions not included in allocation	<u>(471)</u>
Total employer contributions	\$378,779
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$414,367</u>

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

**Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
<u>Actuarial Information:</u>	
Valuation date	July 1, 2018
Experience study	June 5, 2015
Actuarial cost method	November 6, 2017 (economic assumptions) Entry Age Normal
<u>Actuarial Assumptions:</u>	
Investment rate of return	7.5%
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.
<u>Mortality Assumptions:</u>	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Allocations of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33%	36%	5.10%
International Equity	16%	17%	5.30%
Private Markets	25%	25%	5.90%
Fixed Income	16%	20%	0.75%
Treasuries	8%	0%	0.50%
Unallocated Cash	<u>2%</u>	<u>2%</u>	0.00%
Total	<u>100%</u>	<u>100%</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4**    **DEFINED BENEFIT PENSION PLANS – STATEWIDE** (Continued)

**4.B. TEACHERS RETIREMENT ASSOCIATION** (Continued)

**Actuarial Assumptions** (Continued)

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.

Changes in actuarial assumptions since the 2017 valuation:

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

**Discount Rate**

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

**Net Pension Liability**

On June 30, 2019, the District reported a liability of \$3,986,482 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 0.0635% at the end of the measurement period and 0.0624% for the beginning of the year.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

**Net Pension Liability (Continued)**

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

District's proportionate share of net pension liability	\$3,986,481
State's proportionate share of the net pension liability associated with the district	\$374,325

For the year ended June 30, 2019, the District recognized pension expense of (\$2,689,203). It also recognized (\$261,254) as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,675	\$ 79,165
Changes in actuarial assumptions	5,090,458	6,772,920
Differences between projected and actual investment earnings	-	304,647
Changes in proportion	192,345	114,497
Contributions paid to TRA subsequent to the measurement date	<u>294,202</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 5,619,680</u>	<u>\$ 7,271,229</u>

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2020	\$ 373,175
2021	\$ 235,088
2022	\$ (15,829)
2023	\$ (1,498,308)
2024	\$ (1,039,877)

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B.    TEACHERS RETIREMENT ASSOCIATION (Continued)**

**Pension Liability Sensitivity**

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

<u>1 percent decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 percent increase (8.50%)</u>
\$6,326,530	\$3,986,482	\$2,055,957

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

**Pension Plan Fiduciary Net Position**

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

**NOTE 5    OTHER INFORMATION**

**5.A.    COMMITMENTS AND CONTINGENCIES**

**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. However, management of the District expects such amounts, if any, to be immaterial.

**5.B.    RISK MANAGEMENT – CLAIMS AND JUDGMENTS**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 5 OTHER INFORMATION (Continued)**

**5.C. OTHER EMPLOYEE BENEFITS**

**Health Insurance**

The District has joined together with other school districts in Minnesota in the South Central - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium 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.

**Defined Contribution Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District's contributions to the plan total \$61,049 for the year ended June 30, 2019.

**5.D. SUBSEQUENT EVENT**

Subsequent to year end but prior to the issuance of these financial statements, the District approved School Building Bonds for the acquisition and betterment of school sites and facilities. Net proceeds of \$39,515,000 have been invested in Ehlers securities.

**REQUIRED SUPPLEMENTARY  
INFORMATION**



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts Budgetary	Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Over (Under)</u>
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,506,299	\$ 1,530,882	\$ 1,523,168	\$ (7,714)
Other Local and County Revenues	350,100	252,855	826,251	573,396
State Sources	6,964,869	7,106,984	7,361,779	254,795
Federal Sources	229,000	186,800	195,761	8,961
Sales and Other Conversions of Assets	97	100	3,329	3,229
<b>TOTAL REVENUES</b>	<u>9,050,365</u>	<u>9,077,621</u>	<u>9,910,288</u>	<u>832,667</u>
<b>EXPENDITURES</b>				
Current:				
Administration	661,225	641,398	725,266	83,868
District Support Services	306,035	304,485	317,519	13,034
Regular Instruction	4,061,175	4,045,001	4,129,943	84,942
Vocational Instruction	78,300	90,600	94,525	3,925
Exceptional Instruction	1,446,879	1,553,698	1,442,698	(111,000)
Instructional Support Services	371,341	402,271	384,881	(17,390)
Pupil Support Services	787,418	897,499	923,413	25,914
Site and Buildings	999,223	1,022,000	890,890	(131,110)
Fiscal and Other Fixed Costs Programs	104,803	111,000	45,349	(65,651)
Capital Outlay	274,607	557,635	906,332	348,697
Debt Service:				
Principal	106,010	106,010	98,924	(7,086)
Interest and Other Charges	34,165	34,165	41,252	7,087
<b>TOTAL EXPENDITURES</b>	<u>9,231,181</u>	<u>9,765,762</u>	<u>10,000,992</u>	<u>235,230</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(180,816)	(688,141)	(90,704)	597,437
<b>OTHER FINANCING USES</b>				
Transfers Out	-	(181,015)	(181,015)	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (180,816)</u>	<u>\$ (869,156)</u>	(271,719)	<u>\$ 597,437</u>
<b>FUND BALANCES - BEGINNING</b>			<u>3,564,788</u>	
<b>FUND BALANCES - ENDING</b>			<u>\$ 3,293,069</u>	

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

	Measurement Period	
	Ending June 30,	
	<u>2018</u>	<u>2017</u>
<b>Changes in Total OPEB Liability (TOL)</b>		
Balance at July 1st	\$ 796,025	\$ 796,230
Service Cost	35,982	34,934
Interest Cost	26,935	27,208
Benefit Payments	<u>(80,295)</u>	<u>(62,347)</u>
Net OPEB Liability - June 30th	<u>\$ 778,647</u>	<u>\$ 796,025</u>
Covered Payroll	<u>\$ 4,471,500</u>	<u>\$ 4,341,262</u>
Net OPEB Liability (Asset) / Covered Payroll	17.4%	18.3%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS**  
**LAST TEN YEARS** (Presented Prospectively)

For the Year Ended June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contribution as a Percentage of Covered Payroll
2019	\$ 72,740	\$ 72,740	\$ -	\$ 3,831,780	1.9%
2018	\$ 148,440	\$ 148,440	\$ -	\$ 4,471,500	3.4%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE**  
**SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS** (Presented Prospectively)

For the Measurement Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District'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
<b><i>Public Employees Retirement Association</i></b>							
2018	0.0222%	\$ 1,228,791	\$ 40,302	\$ 1,269,093	\$ 1,488,440	85.3%	79.5%
2017	0.0200%	\$ 1,277,630	\$ 16,044	\$ 1,293,674	\$ 1,276,880	101.3%	75.9%
2016	0.0197%	\$ 1,602,072	\$ 20,840	\$ 1,622,912	\$ 1,182,803	137.2%	68.9%
2015	0.0198%	\$ 1,026,139	\$ -	\$ 1,026,139	\$ 1,169,792	87.7%	78.2%
2014	0.0208%	\$ 977,080	\$ -	\$ 977,080	\$ 1,097,613	89.0%	78.7%
<b><i>Teachers Retirement Association</i></b>							
2018	0.0635%	\$ 3,986,482	\$ 374,325	\$ 4,360,807	\$ 3,411,115	127.8%	78.1%
2017	0.0624%	\$ 12,450,826	\$ 1,203,314	\$ 13,654,140	\$ 3,560,200	383.5%	51.6%
2016	0.0627%	\$ 14,966,994	\$ 1,502,418	\$ 16,469,412	\$ 3,281,731	501.9%	44.9%
2015	0.0637%	\$ 3,940,475	\$ 483,746	\$ 4,424,221	\$ 3,245,051	136.3%	76.8%
2014	0.0652%	\$ 3,004,369	\$ 211,135	\$ 3,215,504	\$ 3,053,730	105.3%	81.5%

Note: Schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2015 (June 30, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**LAST TEN YEARS** (Presented Prospectively)

For the Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>Publicl Employees Retirement Association</i></b>					
2019	\$ 116,221	\$ 116,221	\$ -	\$ 1,549,613	7.5%
2018	\$ 110,928	\$ 110,928	\$ -	\$ 1,479,040	7.5%
2017	\$ 95,766	\$ 95,766	\$ -	\$ 1,276,880	7.5%
2016	\$ 88,624	\$ 88,624	\$ -	\$ 1,182,803	7.5%
2015	\$ 86,523	\$ 86,523	\$ -	\$ 1,169,792	7.4%
<b><i>Teachers Retirement Association</i></b>					
2019	\$ 294,202	\$ 294,202	\$ -	\$ 3,815,850	7.7%
2018	\$ 267,015	\$ 267,015	\$ -	\$ 3,560,200	7.5%
2017	\$ 254,895	\$ 254,895	\$ -	\$ 3,398,600	7.5%
2016	\$ 245,806	\$ 245,806	\$ -	\$ 3,281,731	7.5%
2015	\$ 243,379	\$ 243,379	\$ -	\$ 3,245,051	7.5%

Note: Schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE 1 EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures in the General Fund of \$10,000,992 exceeded the final budgeted expenditures by \$235,230 for the current year end. This is primarily due to the increased costs of additional staffing for regular instruction, as well as unbudgeted capital outlay costs.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions

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

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION**

**2018 Changes**

Changes in Actuarial Assumptions

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

**2017 Changes**

Changes in Actuarial Assumptions

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

**2016 Changes**

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 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 form of annuity payment at retirement were made.

**2015 Changes**

Changes in Plan Provisions

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



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2019**

**NOTE 3    TEACHERS RETIREMENT ASSOCIATION (Continued)**

**2015 Changes (Continued)**

Changes in Actuarial Assumptions

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

**NOTE 4    OTHER POSTEMPLOYMENT BENEFIT PLAN**

**2019 Changes**

There have been no significant changes in assumptions, benefit terms, and other inputs since the prior measurement date.

**2018 Changes**

Changes in Plan Provisions

- A post-employment subsidized retirement benefit for Teachers hired prior to July 1, 1989 was added. The subsidy is a lump sum equal to years of service multiplied by \$200 paid to a HCSP.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50% to 3.40%.

**SUPPLEMENTARY INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and Temporary Investments	\$ 12,705	\$ -	\$ 12,705
Property Taxes Receivable:			
Current	-	25,389	25,389
Delinquent	-	944	944
Accounts Receivable	102	-	102
Due from Other Minnesota School Districts	-	4,320	4,320
Due from Government Agencies	-	3,490	3,490
Inventory	4,824	-	4,824
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 17,631</u>	<u>\$ 34,143</u>	<u>\$ 51,774</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 10,242	\$ 4,123	\$ 14,365
Salaries Payable	670	44,217	44,887
Due to Other Funds	-	94,862	94,862
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	10,912	143,202	154,114
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue:			
Delinquent Property Taxes	-	944	944
Property Taxes Levied for Subsequent Years	-	48,172	48,172
	<u>          </u>	<u>          </u>	<u>          </u>
Total Deferred Inflows of Resources	-	49,116	49,116
<b>FUND BALANCES</b>			
Nonspendable Inventory	4,824	-	4,824
Restricted:			
Food Service	1,895	-	1,895
Community Education	-	61,432	61,432
Early Childhood and Family Education	-	94,162	94,162
Unassigned	-	(313,769)	(313,769)
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balances	6,719	(158,175)	(151,456)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 17,631</u>	<u>\$ 34,143</u>	<u>\$ 51,774</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Local Property Tax Levies	\$ -	\$ 51,756	\$ 51,756
Other Local and County Revenues	101	219,938	220,039
State Sources	48,136	36,199	84,335
Federal Sources	271,798	-	271,798
Sales and Other Conversions of Assets	162,008	-	162,008
<b>TOTAL REVENUES</b>	<u>482,043</u>	<u>307,893</u>	<u>789,936</u>
<b>EXPENDITURES</b>			
Current:			
Community Education and Services	-	466,068	466,068
Pupil Support Services	542,947	-	542,947
Capital Outlay	71,104	-	71,104
<b>TOTAL EXPENDITURES</b>	<u>614,051</u>	<u>466,068</u>	<u>1,080,119</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(132,008)	(158,175)	(290,183)
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>-</u>	<u>181,015</u>	<u>181,015</u>
<b>NET CHANGE IN FUND BALANCES</b>	(132,008)	22,840	(109,168)
<b>FUND BALANCES - BEGINNING</b>	<u>138,727</u>	<u>(181,015)</u>	<u>(42,288)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 6,719</u>	<u>\$ (158,175)</u>	<u>\$ (151,456)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>01 GENERAL FUND</u>	Audited	UFARS	Difference	<u>06 BUILDING CONSTRUCTION</u>	Audited	UFARS	Difference
Total Revenue	9,910,288	9,910,286	2	Total Revenue	-	-	-
Total Expenditures	10,000,992	10,000,988	4	Total Expenditures	-	-	-
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	-	-	-	460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:				Restricted/Reserve:			
403 Staff Development	42,407	42,407	-	407 Capital Projects Levy	-	-	-
406 Health & Safety	-	-	-	413 Projects Funded by COP	-	-	-
407 Capital Projects Levy	-	-	-	467 LTFM	-	-	-
408 Cooperative Revenue	-	-	-	Restricted:			
413 Project Funded by COP	-	-	-	464 Restricted Fund Balance	-	-	-
414 Operating Debt	-	-	-	Unassigned:			
416 Levy Reduction	-	-	-	463 Unassigned Fund Balance	-	-	-
417 Taconite Building Maint	-	-	-				
423 Certain Teacher Programs	-	-	-	<u>07 DEBT SERVICE</u>			
424 Operating Capital	-	-	-	Total Revenue	604,711	604,712	(1)
426 \$25 Taconite	-	-	-	Total Expenditures	602,774	602,775	(1)
427 Disabled Accessibility	2,273	2,273	-	Non Spendable:			
428 Learning & Development	-	-	-	460 Non Spendable Fund Balance	-	-	-
434 Area Learning Center	-	-	-	Restricted/Reserve:			
435 Contracted Alt. Programs	-	-	-	425 Bond Refundings	-	-	-
436 St. Approved Alt. Program	-	-	-	433 Max Effort Loan	-	-	-
438 Gifted & Talented	-	-	-	451 QZAB Payments	-	-	-
440 Teacher Development & Eval	-	-	-	467 LTFM	-	-	-
441 Basic Skills Programs	-	-	-	Restricted:			
448 Achievement & Integration	5,259	5,259	-	464 Restricted Fund Balance	42,429	42,429	-
449 Safe Schools Levy	(53,899)	(53,899)	-	Unassigned:			
450 Prekindergarten	-	-	-	463 Unassigned Fund Balance	-	-	-
451 QZAB Payments	-	-	-				
452 OPEB Liab Not in Trust	-	-	-	<u>08 TRUST</u>			
453 Unfunded Sev. & Retirement	-	-	-	Total Revenue	-	-	-
459 Basic Skills Ext Time	19,844	19,844	-	Total Expenditures	-	-	-
467 LTFM	(249,014)	(249,014)	-	422 Net Assets	-	-	-
472 Medical Assistance	35,050	35,050	-				
Restricted:				<u>20 INTERNAL SERVICE</u>			
464 Restricted Fund Balance	-	-	-	Total Revenue	-	-	-
475 Title VII - Impact Aid	-	-	-	Total Expenditures	-	-	-
476 PILT	-	-	-	422 Net Assets	-	-	-
Committed:							
418 Committed for Separation	-	-	-	<u>25 OPEB REVOCABLE TRUST FUND</u>			
461 Committed Fund Balance	-	-	-	Total Revenue	-	-	-
Assigned:				Total Expenditures	-	-	-
462 Assigned Fund Balance	2,067	2,067	-	422 Net Assets	-	-	-
Unassigned:							
422 Unassigned Fund Balance	3,489,082	3,489,085	(3)	<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
				Total Revenue	-	-	-
<u>02 FOOD SERVICE</u>				Total Expenditures	-	-	-
Total Revenue	482,043	482,044	(1)	422 Net Assets	-	-	-
Total Expenditures	614,051	614,054	(3)				
Non Spendable:				<u>47 OPEB DEBT SERVICE FUND</u>			
460 Non Spendable Fund Balance	4,824	4,824	-	Total Revenue	-	-	-
Restricted/Reserve:				Total Expenditures	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	Non Spendable:			
Restricted:				460 Non Spendable Fund Balance	-	-	-
464 Restricted Fund Balance	1,895	1,894	1	Restricted:			
Unassigned:				425 Bond Refundings	-	-	-
463 Unassigned Fund Balance	-	-	-	464 Restricted Fund Balance	-	-	-
				Unassigned:			
				463 Unassigned Fund Balance	-	-	-
<u>04 COMMUNITY SERVICE</u>							
Total Revenue	307,893	307,893	-				
Total Expenditures	466,068	466,070	(2)				
Non Spendable:							
460 Non Spendable Fund Balance	-	-	-				
Restricted/Reserve:							
426 \$25 Taconite	-	-	-				
431 Community Education	61,432	61,432	-				
432 E.C.F.E.	94,162	94,162	-				
440 Teacher Development and Eval	-	-	-				
444 School Readiness	(16,156)	(16,156)	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
Restricted:							
464 Restricted Fund Balance	-	-	-				
Unassigned:							
463 Unassigned Fund Balance	(297,613)	(297,614)	1				

**OTHER REQUIRED  
REPORTS**

**INDEPENDENT AUDITORS' 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**

December 4, 2019

Members of the Board of Education  
Independent School District No. 2180  
Clara City, 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 No. 2180 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Independent School District No. 2180's basic financial statements and have issued our report thereon dated December 4, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent School District No. 2180'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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2016-001 and 2016-003.

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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2016-002.

## **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**

Independent School District No. 2180's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota



**INDEPENDENT AUDITORS' REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

December 4, 2019

Members of the Board of Education  
Independent School District No. 2180  
Clara City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 2180, Clara City, Minnesota (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated December 4, 2019.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statute Section 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 *Schedule of Findings and Responses* as finding 2019-001 and 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.

**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2016-002                    Financial Statement Preparation (Continued)**

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

The District will continue to have the auditor assist in preparation of the financial statements. The District will continue to document an annual review of the audited financial statements by having the auditor meet with the District personnel to review the financial statements and related footnote disclosures.

**Finding 2016-003                    Material Audit Adjustments**

*Condition:*

Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:*

The District is required to report financial information under the basis of accounting prescribed by Generally Accepted Accounting Principles.

*Cause:*

The District failed to adjust various accounts to their proper year-end balances.

*Effect:*

The misstatement in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*

We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions have been properly recorded.

*Views of Responsible  
Officials and Planned  
Corrective Action:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**LEGAL COMPLIANCE FINDINGS**

**Finding 2019-001                    Report of Outstanding Indebtedness**

*Condition:*

The District's Report of Outstanding Indebtedness was not filed on or before February 1, 2019 for the year ended December 31, 2018.

*Criteria:*

The District is required to report to the county auditor, on or before February 1 of each year, the total amount of outstanding obligations and the purpose for which it was issued, as of December 31 of the preceding year, in accordance with Minn. Stat. Section 471.70.

*Cause:*

The District failed to file their required report timely.

*Effect:*

The failure to file such report resulted in the District's noncompliance with Minnesota Statutes.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

**LEGAL COMPLIANCE FINDINGS (Continued)**

**Finding 2019-001                      Report of Outstanding Indebtedness (Continued)**

*Recommendation:*                      The District should make sure they file the Report of Outstanding Indebtedness before February 1 each year in order to be in compliance with Minnesota Statutes.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*                      Management agrees with the recommendation. See corresponding Corrective Action Plan.

**Finding 2019-002                      Municipal Contract Compliance**

*Condition:*                                      The District failed to obtain competing quotes for a municipal contract in excess of \$25,000.

*Criteria:*                                        In accordance with Minnesota Statute 471.345, subdivision 4, the District is required to obtain at least two quotes for municipal contracts in valuation between \$25,000 and \$175,000.

*Cause:*    The District employee charged with soliciting quotes and executing the contract was not familiar with the requirements of the Minnesota Statute referenced above.

*Effect:*    The failure to obtain competing quotes for the contract resulted in the District's noncompliance with Minnesota Statutes.

*Recommendation:*                      We recommend the District obtain at least two quotes for future municipal contracts with estimated costs ranging from \$25,000 to \$175,000, and ensure all individuals involved with the procurement process be familiar with the requirements of Minnesota Statutes.

*Views of Responsible  
Officials and Planned  
Corrective Action:*                      Management agrees with the recommendation. See corresponding Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001            Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
  
2. Actions Planned in Response to Finding  
The District currently has the following procedures in place:
  - o The Board of Education reviews the monthly invoices and approves the expenditures.
  - o A Region accountant assists the Business Manager with journal entries and the coding of receipts and disbursements.The District will review current procedures and implement additional controls where possible.
  
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
  
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
  
5. Plan to Monitor Completion  
The Board of Education will be monitoring the Corrective Action Plan.

**Finding 2016-002            Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
  
2. Actions Planned in Response to Finding  
The District may continue to have the auditor prepare the financial statements; however, the District will document the annual review of the financial statements and related footnote disclosures.
  
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
  
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
  
5. Plan to Monitor Completion  
The Board of Education will be monitoring the Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2016-003            Material Audit Adjustments**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will perform a thorough review of the trial balance and year-end adjustments to ensure their accuracy and completeness prior to the audit.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2019.
5. Plan to Monitor Completion  
The Board of Education will be monitoring the Corrective Action Plan.

**LEGAL COMPLIANCE FINDINGS**

**Finding 2019-001            Report of Outstanding Indebtedness**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will adopt a policy under which it requires a report of Outstanding Indebtedness to be filed timely.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2019.
5. Plan to Monitor Completion  
The Board of Education will be monitoring the Corrective Action Plan

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED JUNE 30, 2019**

**LEGAL COMPLIANCE FINDINGS (Continued)**

**Finding 2019-002            Municipal Contract Compliance**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will review current procedures and implement additional controls over contract compliance where possible.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2019.
5. Plan to Monitor Completion  
The Board of Education will be monitoring the Corrective Action Plan