

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859**

**FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 2859
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INTRODUCTORY SECTION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2019**

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Jamie Alsleben	January 4, 2021	Chairperson
Jason Lindeman	January 2, 2023	Vice Chairperson
Kevin Kuester	January 4, 2021	Treasurer
Alicia Luckhardt	January 2, 2023	Clerk
Donna VonBerge	January 4, 2021	Director
Jonathan Lemke	January 2, 2023	Director

ADMINISTRATION

Christopher Sonju	Superintendent of Schools
Michelle Sander	Business Manager

District Office:	Independent School District No. 2859 Glencoe-Silver Lake Public Schools 1621 E. 16 th Street Glencoe, MN 55336 (320) 864-2491
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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 2859
Glencoe, 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. 2859 (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.

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

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

Opinions

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

Emphasis of Matters

During fiscal year ended June 30, 2019, the District restated the beginning fund balance of the general fund and capital projects fund. This restatement related to a portion of the prior year expenditures that are eligible to be coded to long-term facilities maintenance in the general fund. See the detail of the prior period adjustment and restatement in Note 12. Our auditors' opinion was not modified with respect to these restatements.

Other Matters

Report on Summarized Comparative Information

We have previously audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018, and we expressed unmodified opinions on those audited financial statements in our report dated September 20, 2018. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as required by Minnesota Department of Education, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards Compliance Table and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 2859's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
September 16, 2019

REQUIRED SUPPLEMENTARY INFORMATION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019**

This section of Glencoe-Silver Lake Public Schools – Independent School District No. 2859's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- The District has been able to maintain a positive fund balance in all funds.
- The Net Position of the District increased by \$4,785,749 during the year ended June 30, 2019.
- The fund balance in the General Fund increased to \$4,846,667 compared to \$4,695,629 at June 30, 2018. \$1,066,765 of this decrease related to a prior period adjustment to beginning fund balance in the General Fund and Capital Projects fund to recode part of the expenditures related to a project completed in the prior year.
- The ending fund balance within the General Fund remains above the fund balance policy set by the board.
- General Fund restricted accounts having fund balances at June 30, 2019 included Staff Development, Safe Schools, Teacher Development and Evaluation, and Operating Capital.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status of the Net Position of the District.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

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

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

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

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

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

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

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- *Internal Service funds* - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District had one internal service fund that accumulated resources for the future payment of other postemployment benefits that was closed out in fiscal year 2019.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- *Fiduciary Funds* – The District is a trustee, or fiduciary, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used for only their intended purposes and by those to whom the assets belong. All the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's *combined* Net Position was (\$3,207,851). This was a 60% increase from the prior year. (See Table A-1.)

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

	Governmental Activities as of June 30,		Percentage Change
	2019	2018	
Current and Other Assets	\$ 12,126,036	\$ 11,540,000	5.08 %
Capital Assets	31,385,216	32,076,490	(2.16)
Total Assets	43,511,252	43,616,490	(0.24)
Deferred Outflows of Resources	12,450,053	16,511,981	(24.60)
Current Liabilities	3,158,479	4,628,489	(31.76)
Long-Term Liabilities	36,228,222	54,956,062	(34.08)
Total Liabilities	39,386,701	59,584,551	(33.90)
Deferred Inflows of Resources	19,782,455	8,537,520	131.71
Net Position:			
Net Investment in Capital Assets	7,345,669	5,803,133	26.58
Restricted	1,410,335	1,535,878	(8.17)
Unrestricted	(11,963,855)	(15,332,611)	(21.97)
Total Net Position	\$ (3,207,851)	\$ (7,993,600)	(59.87)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$21,676,884 for the year ended June 30, 2019. Property taxes and state formula aid accounted for 71% of total revenues for the year. The remaining 29% came from other general revenues combined with investment earnings and program revenues.

**Table A-2
Change in Net Position**

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2019	2018	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,217,537	\$ 1,228,064	(0.86)%
Operating Grants and Contributions	4,259,975	4,501,334	(5.36)
Capital Grants and Contributions	501,144	433,408	15.63
<u>General Revenues</u>			
Property Taxes	3,457,359	3,515,095	(1.64)
Unrestricted State Aid	11,969,836	11,539,518	3.73
Investment Earnings	127,286	86,411	47.30
Other	143,747	212,206	(32.26)
Total Revenues	21,676,884	21,516,036	0.75
Expenses			
Administration	579,847	1,133,249	(48.83)
District Support Services	378,452	456,156	(17.03)
Regular Instruction	6,446,110	11,511,176	(44.00)
Vocational Education Instruction	170,154	384,160	(55.71)
Special Education Instruction	2,645,132	4,223,589	(37.37)
Instructional Support Services	725,445	846,919	(14.34)
Pupil Support Services	1,611,378	1,686,925	(4.48)
Sites and Buildings	1,633,104	2,866,301	(43.02)
Fiscal and Other Fixed Cost Programs	62,783	50,841	23.49
Food Service	1,008,390	1,004,538	0.38
Community Service	720,962	1,010,251	(28.64)
Interest and Fiscal Charges on Long-Term Liabilities	909,378	926,155	(1.81)
Total Expenses	16,891,135	26,100,260	(35.28)
Change in Net Position	4,785,749	(4,584,224)	
Beginning Net Position	(7,993,600)	(3,409,376)	
Ending Net Position	<u>\$ (3,207,851)</u>	<u>\$ (7,993,600)</u>	

Total revenues surpassed expenditures by \$4,785,749 mainly due to increases in fund balance in the governmental funds as well as the net effect of the changes in the District's pension related balance sheet items.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was \$16,891,135. The District's expenses are predominantly related to educating and caring for students.

- Some of the cost was paid by the users of the District's programs \$1,217,537.
- The federal and state governments subsidized certain programs with grants and contributions of \$4,259,975.
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$3,457,359 in property taxes and \$11,969,836 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$271,033 related to investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2019

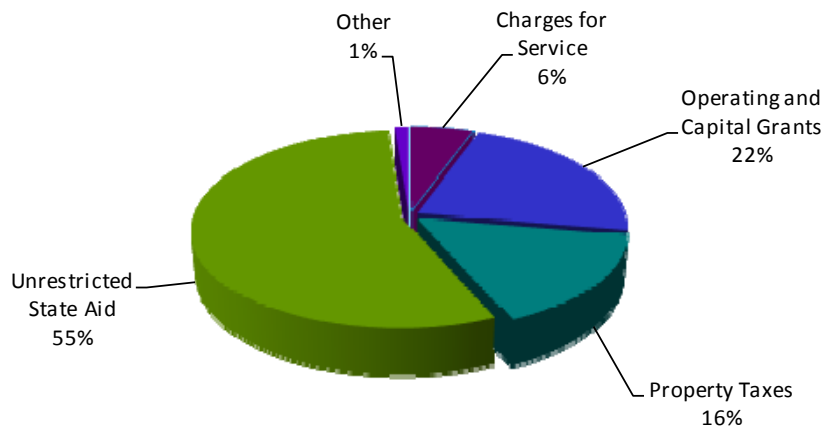
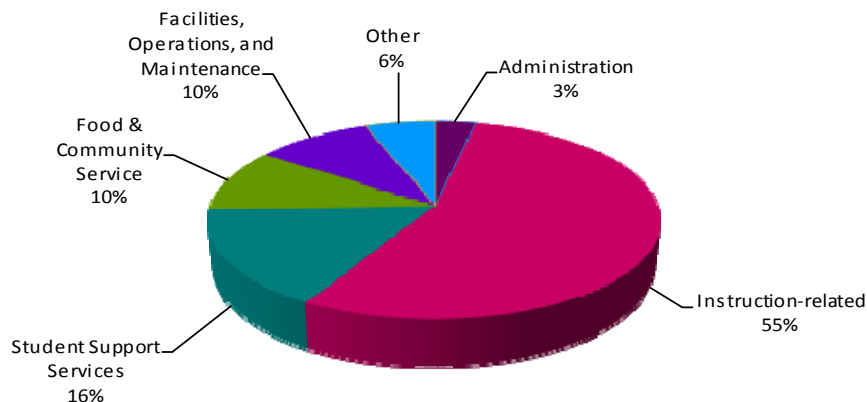


Figure A-2 District Expenses for Fiscal 2019



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Table A-3
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2019	2018		2019	2018	
Administration	\$ 579,847	\$ 1,133,249	(48.83)%	\$ 605,120	\$ 1,125,883	(46.25)%
District Support Services	378,452	456,156	(17.03)	377,090	456,156	(17.33)
Regular Instruction	6,446,110	11,511,176	(0.44)	4,829,414	9,561,120	(49.49)
Vocational Education Instruction	170,154	384,160	(55.71)	171,216	371,630	(53.93)
Special Education Instruction	2,645,132	4,223,589	(37.37)	481,444	2,278,188	(78.87)
Instructional Support Services	725,445	846,919	(14.34)	510,024	630,726	(19.14)
Pupil Support Services	1,611,378	1,686,925	(4.48)	1,527,102	1,603,411	(4.76)
Sites and Buildings	1,633,104	2,866,301	(43.02)	1,382,702	2,610,771	(47.04)
Fiscal and Other Fixed Cost Programs	62,783	50,841	23.49	62,783	50,841	23.49
Food Service	1,008,390	1,004,538	0.38	(882)	15,385	(105.73)
Community Service	720,962	1,010,251	(28.64)	57,088	307,188	(81.42)
Interest and Fiscal Charges on Long-Term Liabilities	909,378	926,155	(1.81)	909,378	926,155	(1.81)
Total	<u>\$ 16,891,135</u>	<u>\$ 26,100,260</u>	(35.28)	<u>\$ 10,912,479</u>	<u>\$ 19,937,454</u>	(45.27)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$6,709,234, which is more than last year's ending fund balance of \$3,578,987. This is due in part to adjustments made for TRA and PERA net pension liabilities related to GASB 68, deferred inflows and deferred outflows. In addition the District sold General Tax Obligation Abatement Bonds for \$1,035,000 of which, not all was spent as of the end of the year.

GENERAL FUND

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

Table A-4 and Figure A-3 show the average daily membership for the last five years.

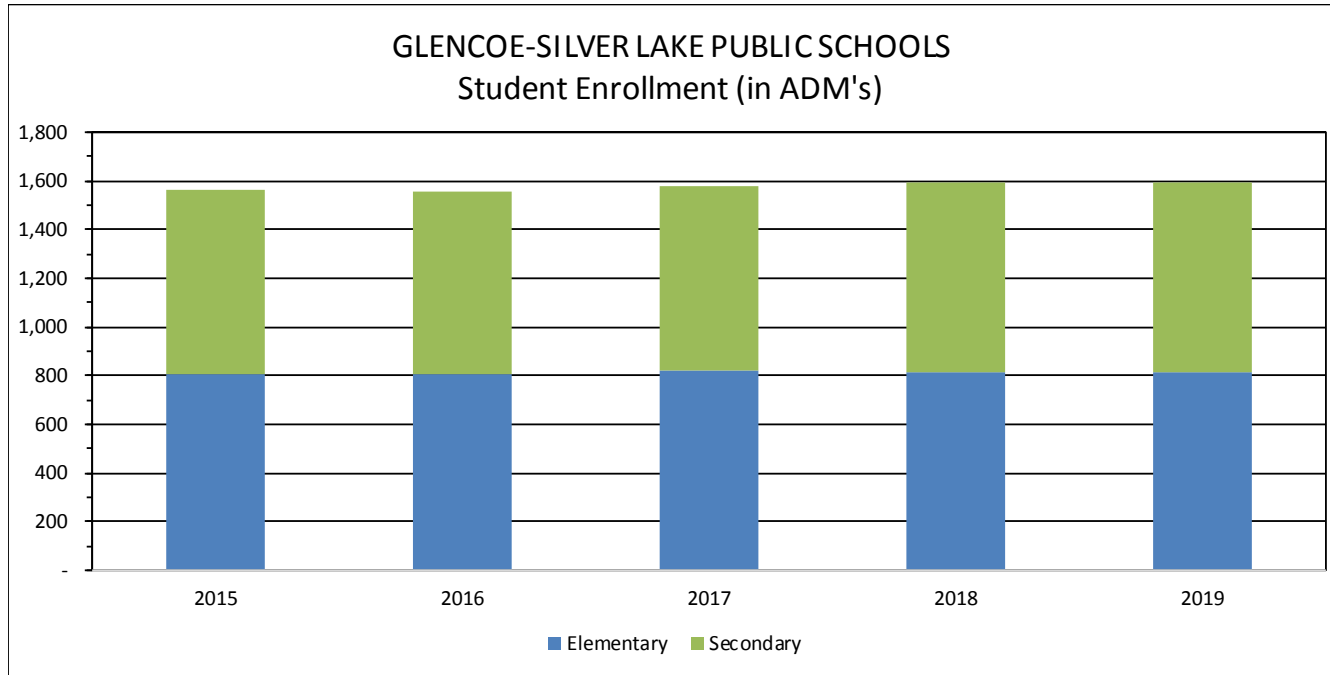
**Table A-4
Five-Year Enrollment Trend
Average Daily Membership (ADM)**

	2015	2016	2017	2018	2019
Elementary	806	808	818	811	813
Secondary	758	752	763	780	784
Total Students for Aid	<u>1,564</u>	<u>1,560</u>	<u>1,581</u>	<u>1,591</u>	<u>1,597</u>
Percent Change	-2.07%	-0.26%	1.35%	0.63%	0.38%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

GENERAL FUND (CONTINUED)

**Figure A-3
Five-Year Enrollment**



The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2019	June 30, 2018	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 2,187,023	\$ 1,981,765	\$ 205,258	10.4 %
Earnings on Investments	93,133	47,909	45,224	94.4
Other	562,795	587,790	(24,995)	(4.3)
State Sources	15,419,595	14,957,921	461,674	3.1
Federal Sources	678,638	556,260	122,378	22.0
Total General Fund Revenue	<u>\$ 18,941,184</u>	<u>\$ 18,131,645</u>	<u>\$ 809,539</u>	4.5

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

GENERAL FUND (CONTINUED)

Revenues from state and federal sources totaled \$16,098,233 a net increase of \$584,052. Total General Fund revenues increased by \$809,539, or 4.5%, from the previous year. Property tax revenue increased by \$205,258 or 10.4% from the prior year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues.

The \$461,674 increase in state sources for fiscal 2019 is mainly attributable to an increase in general education aid.

Federal funds increased by \$122,378 which is related to increased Special Education revenues.

The following Table A-6 represents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2019	June 30, 2018		
Salaries	\$ 9,910,699	\$ 9,753,467	\$ 157,232	1.6 %
Employee Benefits	2,902,409	2,740,599	161,810	5.9
Purchased Services	3,589,311	4,303,703	(714,392)	(16.6)
Supplies and Materials	829,166	995,194	(166,028)	(16.7)
Capital Expenditures	359,349	632,769	(273,420)	(43.2)
Debt Service Expenditures	268,120	224,508	43,612	19.4
Other Expenditures	166,495	165,165	1,330	0.8
Total General Fund Expenditures	<u>\$ 18,025,549</u>	<u>\$ 18,815,405</u>	<u>\$ (789,856)</u>	(4.2)

Total General Fund expenditures decreased by \$789,856 or 4.2% from the previous year.

Salaries and benefits fall in line with the contract settlements and the additional staff who were hired.

The increases in employee benefits falls in line with budgeted amounts. The total fund balance of the General Fund increased to \$4,846,667 at June 30, 2019 compared to \$3,628,864 at June 30, 2018, as restated, a total increase of \$1,217,803.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

GENERAL FUND (CONTINUED)

The School Board and administration have worked extremely hard in monitoring the budget and controlling the spending of the school district. The fund balance policy is reviewed annually by the Business Manager, Superintendent and School Board. The fund balance policy clarifies to ensure the financial strength and stability of the District. The Board will endeavor to maintain a minimum of 20% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned and unassigned fund balances.

The June 30, 2019 ending unassigned and nonspendable General Fund balance which includes Fund 01 and Fund 10 is \$3,694,094 and is at 22.9% of expenditures per MDE's statutory operating debt (SOD) calculation.

General Fund Budgetary Highlights

When budget changes are adopted by the Board they fall into one of the following categories:

- Adjusting for changes in pupil enrollment including revenue and potential staff additions.
- Adjustments for utility consumptions and costs or building repairs or maintenance.
- Transportation costs.
- Implementing budgets for specially funded projects (Health and Safety), and projects which include both federal and state grants.
- Special education.
- Legislative changes.

During fiscal year 2019, the General Fund revenues budgeted were \$18,339,189. Actual revenues received were \$18,941,184. During fiscal year 2019, General Fund revenues were over budgeted amounts by \$601,995. Some of the variances included increased interest earnings of \$58,133, additional state aid was \$69,485, TRA Pension adjustment of \$51,871, Third-Party Revenue was \$53,662 and \$440,197 adjustment transfer from the Capital projects from the prior year.

The expenditure budget was \$18,690,208. Actual expenditures in the General Fund were \$18,025,549. The General Fund expenditures were under budget by \$664,659 or 3.56%. To account for the difference, \$88,160 was related to salaries and benefits, and \$576,499 was related to supplies, purchased services, equipment, dues, and memberships.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

OTHER MAJOR FUNDS

Food Service Fund

The Food Service Fund experienced an increase of \$30,710 leaving the fund balance at \$308,829. The 2018-2019 school year was the tenth year that the food service program was outsourced to Compass Group, Inc. through its Chartwell's Food Service Division. The 2018-2019 school year was the second year of a three year contract with Chartwell's.

Chartwell's has worked extremely well with the District to increase our food service offerings as well as provide a healthy menu that meets the dietary requirements and stay within the budget. The District continues to offer a free breakfast program for all K-12 students, a milk and snack break for K-6 students and an after school snack program for students involved in an after school activity and a free 6 week summer food service program.

Community Service

The Community Service Fund fund balance increased from \$284,603 at June 30, 2018 to \$318,808 at June 30, 2019. From the standpoint of maintaining current operating expenditures within the range of annual revenues, the Community Service Fund continues to operate on a sound financial basis. The Community Service Fund consists of Community Education, School Readiness, Early Childhood Family Education, and Pre-School Screening and NonPublic Education. All of these programs are providing a service to varying levels of the community.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested \$42,292,091 in a broad range of capital assets, including school buildings, athletic facilities, vehicles; computer and audio-visual equipment (see Table A-7). Total depreciation expense for the year was \$976,175. The construction in progress amounts related to expenditures incurred to start the parking lot project. Most of the increase in equipment related to the purchase of auditorium sounds system equipment and inactive SMART boards. Overall accumulated depreciation increased due to the District having a full year of depreciation on the new school building.

**Table A-7
Capital Assets**

	2019	2018	Percentage Change
Land	\$ 130,000	\$ 130,000	-
Construction in Progress	188,149	-	N/A
Land Improvements	1,140,892	1,140,892	-
Buildings and Improvements	35,889,510	35,889,510	-
Equipment	4,943,540	4,877,282	1.4
Less: Accumulated Depreciation	(10,906,875)	(9,961,194)	9.5
Total District Capital Assets	<u>\$ 31,385,216</u>	<u>\$ 32,076,490</u>	(2.2)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Liabilities

At year-end, the District had \$23,405,000 in general obligation bonds, \$669,726 in lease purchase and \$244,408 in capital leases, as shown in Table A-8. The District also had \$318,609 in severance benefits payable at June 30, 2019. (More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.)

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

	2019	2018	Percentage Change
General Obligation Bonds	\$ 23,405,000	\$ 22,825,000	2.5 %
Net Bond Premium and Discount	740,493	576,824	28.4
Capital Leases Payable	244,408	144,643	69.0
Lease Purchase Payable	669,726	806,190	(16.9)
Compensated Absences Payable	318,609	335,548	(5.0)
Total Long-Term Liabilities	<u>\$ 25,378,236</u>	<u>\$ 24,688,205</u>	2.8
Long-Term Liabilities:			
Due Within One Year	\$ 809,381	\$ 610,237	
Due in More Than One Year	24,568,855	24,077,968	
Total	<u>\$ 25,378,236</u>	<u>\$ 24,688,205</u>	

The majority of the change in the long-term liabilities relates to the additional \$1.035M in 2019 tax abatement bonds and the related \$186K bond premium which were partially offset by principal payments being made on the general obligation bonds, the lease purchase payable, and the notes payable. Capital leases increased due to the district entering into a new Apple capital lease in fiscal year 2019.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- With the completion of the 2019 Legislative Session, the formula allowance per pupil unit was increased by 2% for each year going from \$6,312 to \$6,438 for 2019-2020 and \$6,567 for 2020-2021. These increases are also linked to other revenues that are linked to the formula allowance. Compensatory, sparsity aid, nonpublic transportation and ECFE. This increase will help the district in maintaining the fund balance policy.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- Compensatory funding – A percentage of total compensatory revenue must be used and reserved for extended time activities. For FY19 and FY20 and later – 3.5% or \$17,667 was set aside to help with the after school homework program.
- The Pathway II funding is continued for FY20 at the 2017 funding level. Established priority for children who have a parent under age 21 and who is pursuing a high school diploma, children that are in foster care or protective services and any child that is homeless. The amount the district receives is \$37,500 which is part of the School Readiness program in Fund 04.
- The ECFE funding increase that is linked to the general education formula allowance increases the allowance from \$145.18 in FY20 to \$151.04 for FY21.
- Allows districts to enter into a one-year contract with a food service management company with the option of up to three years for renewal. (Currently, districts were only allowed to renew the contract for up to two years.) The district will not have to enter into the bid process until 2020.
- School Building Bond Agriculture Credit – Agriculture classified land will receive a 40% credit on the property that is attributable to a school district's bonded debt for taxes payable beginning in 2018. The District started receiving the credits through the State IDEAS payment system after July 1, 2018 for the 2018-2019 school year. Legislators have now increased the Ag Credit to 50% with the Pay 2020 levy, 55% in Pay 21, 60% in Pay 22 and 70% in Pay 23 and after. This will have a huge tax relief impact on our agriculture property owners as it affects all of the districts building bond and abatement bond debt.
- Minnesota school districts are paid based on pupil units served, a decline or increase in enrollment results in variable revenue that is received for operations. The District enrollment for 2018-2019 ended at 1,597 Adjusted Pupil Units compared to 1,591 in 2017-2018. Preliminary enrollment for the 2019-2020 school year shows a slight decrease.
- The Administration and School Board continue to work on plans for improving the school facilities. In December of 2012, the School Board approved to move forward with building a 5,000 square foot Early Childhood Learning Center as an addition to the Lincoln Junior High Building. The Review and Comment Plan was submitted to the Minnesota Department of Education and final approval was received in June of 2013. The building houses the Early Childhood Special Education, (ECSE), the Early Childhood Family Education (ECFE) and the School Readiness (SR) programs. Along with office space, Director's office, Speech teacher office and a large motor room that could also be utilized as a classroom. Remodeling of the main level Lincoln restrooms and old kitchen area were included in the project plans. Total project costs are \$1,966,909. The Board moved forward with a 10-year lease levy option for \$1,375,000 that will be spread to the taxpayers over the 10-year period. The additional cost of the project was paid by district funds. The project was completed in January of 2014 and students and staff began using the facility at that time.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- After two failed building referendums in 2011, the School Board voted to hold a special election on May 12th, 2015 asking the voters to approve a building bond referendum for \$24,190,000. The ballot question was to authorize the District to issue bonds to provide funds to relocate grades K-2 to the existing Lincoln building, repurpose current program space, construction of new space between the current Lincoln and High school buildings and to complete window upgrades at the Lakeside building. The election was successful with 1,534 yes votes and 908 no votes. The election was successful in the Brownston, Glencoe, Plato and Silver Lake precincts and failed in the New Auburn precinct.
 - The District sold the bonds on July 13, 2015 with a closing date of August 13, 2015, in the amount of \$23,695,000 with a bond obligation of 29.5 years. \$24,111,934 was wired to Security Bank on behalf of the District and was invested in a guaranteed money market investment account at .77% earnings. Ehlers and Associates was the financial institute that handled the sale of the bonds. All transactions related to the building project were accounted for in Fund 06, Building Construction Fund to be in compliance with state, federal and UFARS accounting procedures.
 - The building construction project got underway in May of 2016. The project was divided into three separate bid packages. Bid package #1 was the civil package containing the ground and utility work, bid package #2 was the majority of the construction and bid package #3 was the boiler room equipment. The District utilized ARY Architects and Donlar Construction as the construction management company. All construction activity was tracked using Fund 06 and the debt for the project will be posted to Fund 07. The majority of the project was completed at the start of the 2018 school year. Additional punch list items continued until December of 2018. The project did come in over budget by \$1.8 million. The District will utilize a combination of LTFM, Operating Capital and Internal Service Funds to pay off the balance of the project after the construction checking account is depleted. As of June 30, 2018, \$1,815,234 was shown as a negative balance in the Fund 6 construction account. This amount accounts for all construction in progress and amounts payable.
 - At the close of FY19, June 30 the project was closed with only one possible outstanding invoice. Transfers were made utilizing the Operating Capital Fund, Internal Service Fund and LTFM Revenue to eliminate the negative fund balance in Fund 06.
 - At the September 14, 2015 School Board meeting, the Board also held a public hearing and approved a motion to move forward with the sale of the Helen Baker Building. The sale of the Helen Baker building was completed May 31, 2018. The building was sold for \$1.00 to a local contractor.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The November 2011 election results showed that the renewal of the operating referendum for \$727 per pupil unit was passed by the voters. There were 2,163 yes votes and 1,212 no votes. The passage of this operating referendum is for a period of seven years. The renewal of the referendum was essential to maintain the current level of funding that the District currently has. The successful election shows a positive statement of support from the taxpayers. With the new legislative changes from the 2013 legislative session, the impact to the votes could change dramatically when putting the question to the ballot when the referendum expires in 2020. Which would indicate an election would be held in 2019. The current operating referendum was for \$727 per pupil unit. When all the conversions are completed due to the legislative changes, the new amount of the referendum is \$900.88. The location equity revenue allowance of \$424 is then subtracted from the \$900.88, so the new referendum amount is \$476.88. If the Board moves forward with converting the \$300 of voter approved to Board approved referendum, the amount of the referendum available is \$176.88 without seeking an election. At this time, the School Board approved the \$300 Board levy authority at the August, 2018 Board meeting. A Resolution was also approved to move forward with a referendum election at the November 6, 2018 general Election. The ballot question will ask the voters to approve replacing the \$176.88 levy authority with \$460.00, which is an increase of \$283.12 per pupil unit. The proposed referendum language would include the inflationary language and would be effective for taxes payable beginning in 2020. The ballot question failed by 660 votes. A total of 2,190 Yes votes and 2,850 No votes were cast as part of the general election. The school board is proceeding with a Referendum Election on November 5, 2019 asking the voters for the exact same amount of \$460.00 including the inflationary language effective for taxed payable beginning in 2020. If this election fails, the district will lose approximately \$300,000 in revenue and will have to look at expenditure reductions to maintain the fund balance policy. This could affect staffing and programming moving forward until another election could be held.
- Because of the positive fund balance in both unassigned General Fund and operating capital, a number of building and grounds projects have been completed. The facility committee has been active in addressing the deferred maintenance, health and safety and operating capital plans and outlining the projects to be completed. Having a positive fund balance again has proven to be a very positive reinforcement for the District, the staff and the community. Facility upgrades will continue to take place as long as the projects stay within our budget means. A number of technology upgrades have also been taking place. Computer labs have been upgraded along with additional interactive boards in more classrooms. Technology upgrades will continue to happen as 21st Century Learning continues to focus more and more towards up to date technology capabilities. Along with the construction of the new facility, a number of high school and Lincoln building improvements were made in conjunction with the project.
- During the summer of 2012, the field house gym floors in gym 1 and gym 2 were completely replaced with a wood performance floor at a cost of \$120,000. The field house was also completely re-painted. The Board also approved the replacement of windows and doors on the Lincoln building and the north entrance doors and windows to the high school. The cost of this project was \$520,000.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- During the summer of 2013, additional projects were completed. In addition to the new Early Childhood Learning Center and remodeling that was started, an extension to the garage east of the high school was completed along with new cement and asphalt. A new track surface was installed at the Athletic Complex for \$124,900. Additional playing fields were added west of the Athletic Complex stadium at a cost of \$70,000.
- During the summer of 2014, a new tennis court complex was developed in the north athletic complex. The old 8 courts were demolished and 12 new courts were put in place at a cost of \$693,000. Along with the construction of the courts, lights were installed on the front three courts at a cost of \$61,000. This portion of the project was funded through the Panther Association over a five-year period. The District pursued a \$50,000 lease lighting agreement with the local Glencoe Light and Power similar to the agreement that had been worked out with the football field lights. The lease for the lights was paid off as of June 30, 2018. The football field light lease was paid in full in August of 2014. The football field lights were re-lamped during the summer of 2014 as part of the original warranty. A partial repair and replacement was made to the Field House roof along with new asphalt surfacing in the Lincoln parking lot.
- During the summer of 2015, the District started the replacement of the hallway hall tile at the high school. This project is part of the deferred maintenance schedule and will be phased in over a two or three-year plan. The first phase was \$25,346. During the summer of 2016, another section of hallway tile was completed for \$50,670. During the summer of 2017, another section of hallway tile was completed for \$49,502. In 2018 and 2019, two more sections of hallway tile were completed. As of June 1, 2019 only one section of hallway remains to be completed at the high school. Also completed in 2015 was a special education room remodel in the Lakeside Elementary building for \$48,115. This was funded using federal special education funds. Cement work at the Lakeside site was also completed at a cost of \$11,364. Tuck-pointing was completed at the high school for \$27,770 and \$24,800 was spent in tuck-pointing at the Lakeside building in 2016. The high school gym and hallways were painted in 2016 for a cost of \$9,840. The District spent \$48,470 in painting upgrades during the summer of 2017 in the Lincoln Elementary and at the High School. The District also spent \$44,000 to remodel a special education bathroom for the new Lincoln Elementary in the summer of 2017. The District continues to maintain a fund balance in the operating capital fund while addressing the needs of the District and the building sites.
- Part of the building project included window and door replacement on the Lakeside building. As part of that project, the District decided to move forward with the doors and the windows at the high school in conjunction with the Lakeside project to get better pricing and to get the high school project completed to match the new construction. The total cost of this project is \$511,600. \$260,000 will be paid out of the construction account with the remainder of the amount coming out of LTFMR and Operating Capital. This was completed in 2017.
- In June of 2019, the District sold \$1,035,000 in General Obligation Tax Abatement Bonds for the purpose of parking lot upgrades at the high school and at Lakeside Elementary in Silver Lake. The project was bid and awarded to Duinick Construction for a bid price of \$965,768.00. There were six bidders for the project. AJA (Anderson-Johnson Associates) was the design engineer for the project. Work was started in June of 2019 and completed in September of 2019. The project is recorded in Fund 06 – Construction Fund.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- During the summer of 2019, the pool at the school was drained for work to be completed in the pool including step replacements, replacement of the gaskets around the lights, acid washing the pool and painting of the poolroom walls and tile.
- Future LTFM projects will include, bathroom remodels at the high school and Lakeside, hallway lights and ceilings at Lakeside and ceiling lights and tile at the high school and at Lakeside. A new dust collection system will also be on the list for replacement in 2020.
- As of September 9 2019, all employee contracts are settled with the exception of Local 284. Negotiations for that contract are still in process.
- The District continues to contract with the South West/West Central Service Cooperative – Region 4 for a number of services including finance, payroll, and student assistance (MARRS) and Special Education. The Coop also offers a Special Education Level IV Program in Cosmos that our district is able to use for a limited number of students that require additional services when we are unable to meet their needs. This poses an additional transportation cost for the District but allows us to be in compliance with state and federal regulations regarding the individual learning plans for students. With all the changes in Special Education, including the statewide tuition billing, this continues to be a difficult area to monitor in the budget. The Coop continues to be a great resource for the District to be able to be a part of to assist in all of these areas of budget and financing.
- Glencoe-Silver Lake Public Schools is a very stable district with strong community support. The District provides a full range of public education services for Pre-school through grade 12. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood, school readiness along with adult learning opportunities. The public school also provides some shared time services for the nonpublic schools in the District. There is currently a K-8 Lutheran School in Glencoe.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report contact the District Office, Independent School District No. 2859, 1621 East 16th Street, Glencoe, MN 55336.

BASIC FINANCIAL STATEMENTS

GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF NET POSITION
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	\$ 8,297,735	\$ 7,730,664
Receivables:		
Property Taxes	1,858,382	1,856,138
Other Governments	1,901,755	1,886,282
Other	38,848	41,699
Inventories	29,316	25,217
Capital Assets:		
Land and Construction in Progress	318,149	130,000
Other Capital Assets, Net of Depreciation	31,067,067	31,946,490
Total Assets	43,511,252	43,616,490
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows - Pensions	12,351,837	16,419,865
Deferred Outflows - Other Postemployment Benefits	98,216	92,116
Total Deferred Outflows	12,450,053	16,511,981
LIABILITIES		
Salaries Payable	1,341,573	1,376,206
Accounts and Contracts Payable	616,026	2,240,163
Accrued Interest	376,603	383,207
Due to Other Governmental Units	151	191
Unearned Revenue	14,745	18,485
Long-Term Liabilities:		
Portion Due Within One Year	809,381	610,237
Portion Due in More Than One Year	24,568,855	24,077,968
Net Pension Liability	10,383,503	29,346,571
Other Postemployment Benefits Liability	1,275,864	1,531,523
Total Liabilities	39,386,701	59,584,551
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year	3,411,284	3,460,043
Deferred Inflows - Other Postemployment Benefits	255,050	-
Deferred Inflows - Pensions	16,116,121	5,077,477
Total Deferred Inflows of Resources	19,782,455	8,537,520
NET POSITION		
Net Investment in Capital Assets	7,345,669	5,803,133
Restricted for:		
General Fund Operating Capital Purposes	594,165	725,383
General Fund State-Mandated Reserves	158,408	245,529
Food Service	308,829	278,119
Community Service	348,933	286,847
Unrestricted	(11,963,855)	(15,332,611)
Total Net Position	\$ (3,207,851)	\$ (7,993,600)

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

2019

Functions	Expenses	Program Revenue:	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Administration	\$ 579,847	\$ 636	\$ (25,909)
District Support Services	378,452	-	1,362
Regular Instruction	6,446,110	202,390	1,159,245
Vocational Education Instruction	170,154	-	(1,062)
Special Education Instruction	2,645,132	-	2,163,688
Instructional Support Services	725,445	-	215,421
Pupil Support Services	1,611,378	-	84,276
Sites and Buildings	1,633,104	5,746	(1,427)
Fiscal and Other Fixed Cost Programs	62,783	-	-
Food Service	1,008,390	510,925	498,347
Community Service	720,962	497,840	166,034
Interest and Fiscal Charges on Long-Term Liabilities	909,378	-	-
Total School District	<u>\$ 16,891,135</u>	<u>\$ 1,217,537</u>	<u>\$ 4,259,975</u>

General Revenues

Property Taxes Levied for:
 General Purposes
 Community Service
 Debt Service
 State Aid Not Restricted to Specific Purposes
 Earnings on Investments
 Miscellaneous
 Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Basic Financial Statements.

		2018
	Net (Expense) Revenue and Change in Net Position	Net (Expense) Revenue and Change in Net Position
Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
\$ -	\$ (605,120)	\$ (1,125,883)
-	(377,090)	(456,156)
255,061	(4,829,414)	(9,561,120)
-	(171,216)	(371,630)
-	(481,444)	(2,278,188)
-	(510,024)	(630,726)
-	(1,527,102)	(1,603,411)
246,083	(1,382,702)	(2,610,771)
-	(62,783)	(50,841)
-	882	(15,385)
-	(57,088)	(307,188)
-	(909,378)	(926,155)
<u>\$ 501,144</u>	<u>(10,912,479)</u>	<u>(19,937,454)</u>

2,180,781	1,976,113
151,993	158,510
1,124,585	1,380,472
11,969,836	11,539,518
127,286	86,411
143,747	212,206
<u>15,698,228</u>	<u>15,353,230</u>
4,785,749	(4,584,224)
(7,993,600)	(3,409,376)
<u>\$ (3,207,851)</u>	<u>\$ (7,993,600)</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	Major Funds		
	General	Food Service	Community Service
ASSETS			
Cash and Investments	\$ 5,655,150	\$ 311,103	\$ 357,077
Receivables:			
Current Property Taxes	944,766	-	74,547
Delinquent Property Taxes	22,006	-	1,740
Accounts and Interest Receivable	37,153	1,500	195
Due from Other Minnesota School Districts	-	-	28,794
Due from Minnesota Department of Education	1,662,869	-	17,724
Due from Federal through Minnesota Department of Education	157,581	6,901	-
Inventory	10,595	18,721	-
Total Assets	\$ 8,490,120	\$ 338,225	\$ 480,077
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities:			
Salaries and Compensated Absences Payable	\$ 731,078	\$ -	\$ -
Payroll Deductions and Employer Contributions Payable	610,495	-	-
Accounts and Contracts Payable	493,838	14,651	1,383
Due to Other Governmental Units	151	-	-
Unearned Revenue	-	14,745	-
Total Liabilities	1,835,562	29,396	1,383
Deferred Inflows of Resources:			
Property Taxes Levied for Subsequent Year	1,785,885	-	158,146
Unavailable Revenue - Delinquent Property Taxes	22,006	-	1,740
Total Deferred Inflows of Resources	1,807,891	-	159,886
Fund Balance:			
Nonspendable:			
Inventory	10,595	18,721	-
Restricted for:			
Staff Development	87,750	-	-
Health and Safety	-	-	-
Operating Capital	594,165	-	-
Community Education	-	-	313,716
Early Childhood and Family Education	-	-	32,710
Teacher Development and Evaluation	17,067	-	-
School Readiness	-	-	(28,385)
Safe Schools Levy	53,591	-	-
Long-term Facilities Maintenance	-	-	-
Restricted for Other Purposes	-	290,108	767
Assigned for:			
Severance Benefits	400,000	-	-
Unassigned	3,683,499	-	-
Total Fund Balance	4,846,667	308,829	318,808
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 8,490,120	\$ 338,225	\$ 480,077

See accompanying Notes to Basic Financial Statements.

Capital Projects	Debt Service	Total Governmental Funds	
		2019	2018
\$ 1,095,971	\$ 878,434	\$ 8,297,735	\$ 6,905,770
-	806,046	1,825,359	1,815,107
-	9,277	33,023	41,031
-	-	38,848	41,699
-	-	28,794	29,936
-	27,886	1,708,479	1,777,709
-	-	164,482	78,637
-	-	29,316	25,217
<u>\$ 1,095,971</u>	<u>\$ 1,721,643</u>	<u>\$ 12,126,036</u>	<u>\$ 10,715,106</u>

\$ -	\$ -	\$ 731,078	\$ 675,452
-	-	610,495	700,754
106,154	-	616,026	2,240,163
-	-	151	191
-	-	14,745	18,485
<u>106,154</u>	<u>-</u>	<u>1,972,495</u>	<u>3,635,045</u>

-	1,467,253	3,411,284	3,460,043
-	9,277	33,023	41,031
-	1,476,530	3,444,307	3,501,074

-	-	29,316	25,217
-	-	87,750	119,159
-	-	-	(41,601)
-	-	594,165	725,383
-	-	313,716	238,738
-	-	32,710	27,568
-	-	17,067	20,024
-	-	(28,385)	18,297
-	-	53,591	39,048
-	-	-	67,298
989,817	245,113	1,525,805	398,343

-	-	400,000	-
-	-	3,683,499	1,941,513
<u>989,817</u>	<u>245,113</u>	<u>6,709,234</u>	<u>3,578,987</u>

<u>\$ 1,095,971</u>	<u>\$ 1,721,643</u>	<u>\$ 12,126,036</u>	<u>\$ 10,715,106</u>
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**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION – GOVERNMENTAL FUNDS
JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
Total Fund Balance for Governmental Funds	\$ 6,709,234	\$ 3,578,987
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	130,000	130,000
Construction in Progress	188,149	-
Land Improvements, Net of Accumulated Depreciation	766,738	823,563
Buildings and Improvements, Net of Accumulated Depreciation	28,801,523	29,476,153
Equipment, Net of Accumulated Depreciation	1,498,806	1,646,774
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 unavailable revenue in the funds.	33,023	41,031
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.	(376,603)	(383,207)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(10,383,503)	(29,346,571)
Deferred Inflows of Resources - Pensions	(16,116,121)	(5,077,477)
Deferred Outflows of Resources - Pensions	12,351,837	16,419,865
The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Other Postemployment Benefit Liability	(1,275,864)	(1,531,523)
Deferred Inflows of Resources - Other Postemployment Benefits	(255,050)	-
Deferred Outflows of Resources - Other Postemployment Benefits	98,216	92,116
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(23,405,000)	(22,825,000)
Unamortized Premiums	(740,493)	(576,824)
Capital Leases Payable	(244,408)	(144,643)
Lease Purchase Payable	(669,726)	(806,190)
Severance Benefits Payable	(318,609)	(335,548)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	-	824,894
Total Net Position of Governmental Activities	\$ (3,207,851)	\$ (7,993,600)

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	Major Funds		
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 2,187,023	\$ -	\$ 152,497
Earnings and Investments	93,133	6,179	5,566
Other	562,795	510,925	561,424
State Sources	15,419,595	61,137	177,369
Federal Sources	678,638	437,210	-
Total Revenues	18,941,184	1,015,451	896,856
EXPENDITURES			
Current:			
Administration	841,023	-	-
District Support Services	401,931	-	-
Elementary and Secondary Regular Instruction	8,204,607	-	-
Vocational Education Instruction	263,400	-	-
Special Education Instruction	3,545,135	-	-
Instructional Support Services	750,173	-	-
Pupil Support Services	1,675,781	-	-
Sites and Buildings	1,630,598	-	-
Fiscal and Other Fixed Cost Programs	85,432	-	-
Food Service	-	978,780	-
Community Service	-	-	852,253
Capital Outlay	359,349	5,961	7,756
Debt Service:			
Principal	234,917	-	2,026
Interest and Fiscal Charges	33,203	-	616
Total Expenditures	18,025,549	984,741	862,651
Excess (Deficiency) of Revenues Over (Under) Expenditures	915,635	30,710	34,205
OTHER FINANCING SOURCES (USES)			
Insurance Recovery	5,280	-	-
Sale of Bonds	-	-	-
Bond Premium	-	-	-
Issuance of Capital Lease	200,244	-	-
Transfers In	440,197	-	-
Transfers Out	(343,553)	-	-
Total Other Financing Sources (Uses)	302,168	-	-
Net Change in Fund Balance	1,217,803	30,710	34,205
FUND BALANCES			
Beginning of Year	4,695,629	278,119	284,603
Restatement of Fund Balance	(1,066,765)	-	-
Beginning of Year - Restated	3,628,864	278,119	284,603
End of Year	\$ 4,846,667	\$ 308,829	\$ 318,808

See accompanying Notes to Basic Financial Statements.

Capital Projects	Debt Service	Total Governmental Funds	
		2019	2018
\$ -	\$ 1,125,847	\$ 3,465,367	\$ 3,518,323
676	6,429	111,983	78,152
-	-	1,635,144	1,667,095
-	278,860	15,936,961	15,261,726
-	-	1,115,848	979,202
676	1,411,136	22,265,303	21,504,498
-	-	841,023	842,239
-	-	401,931	448,617
-	-	8,204,607	8,128,095
-	-	263,400	279,756
-	-	3,545,135	3,395,872
-	-	750,173	755,242
-	-	1,675,781	1,953,431
-	-	1,630,598	2,082,672
-	-	85,432	72,204
-	-	978,780	954,958
-	-	852,253	854,194
191,991	-	565,057	8,056,832
-	455,000	691,943	630,042
-	882,163	915,982	929,804
191,991	1,337,163	21,402,095	29,383,958
(191,315)	73,973	863,208	(7,879,460)
-	-	5,280	9,159
999,730	35,270	1,035,000	-
186,318	-	186,318	-
-	-	200,244	181,144
743,553	-	1,183,750	-
-	-	(343,553)	-
1,929,601	35,270	2,267,039	190,303
1,738,286	109,243	3,130,247	(7,689,157)
(1,815,234)	135,870	3,578,987	11,268,144
1,066,765	-	-	-
(748,469)	135,870	3,578,987	11,268,144
\$ 989,817	\$ 245,113	\$ 6,709,234	\$ 3,578,987

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN
FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019	2018
Net Change in Fund Balance - Total Governmental Funds	\$ 3,130,247	\$ (7,689,157)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	339,384	7,727,885
Gain (Loss) on Disposal of Capital Assets	(54,483)	(195,571)
Depreciation Expense	(976,175)	(743,192)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unearned in the governmental funds.	(8,008)	(3,228)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Issuance of Capital Lease	(200,244)	(181,144)
Change in Accrued Interest - Capital Leases	(874)	(3,043)
Principal Payments - Capital Leases	100,479	36,501
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	3,856,396	(4,096,660)
Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.	6,709	(48,121)
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	16,939	(20,468)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	(1,035,000)	-
Bond Premium or Discount	(186,318)	-
Repayment of Bond Principal	455,000	440,000
Repayment of Note Payable	-	22,850
Repayment of Lease Purchase Payable	136,464	132,265
Change in Accrued Interest - General Obligation Bonds	5,687	5,554
Change in Accrued Interest - Lease Purchase Payable	1,791	1,683
Amortization of Bond Premium	22,649	21,363
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.	(824,894)	8,259
Change in Net Position of Governmental Activities	\$ 4,785,749	\$ (4,584,224)

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 2,115,914	\$ 2,119,983	\$ 2,187,023	\$ 67,040
Earnings and Investments	20,000	35,000	93,133	58,133
Other	290,850	427,450	562,795	135,345
State Sources	14,916,293	15,161,118	15,419,595	258,477
Federal Sources	542,464	595,638	678,638	83,000
Total Revenues	17,885,521	18,339,189	18,941,184	601,995
EXPENDITURES				
Current:				
Administration	888,951	855,681	841,023	(14,658)
District Support Services	427,665	461,096	401,931	(59,165)
Elementary and Secondary Regular Instruction	7,914,077	8,229,750	8,204,607	(25,143)
Vocational Education Instruction	257,320	219,714	263,400	43,686
Special Education Instruction	3,512,574	3,592,921	3,545,135	(47,786)
Instructional Support Services	712,436	702,636	750,173	47,537
Pupil Support Services	1,964,026	2,030,904	1,675,781	(355,123)
Sites and Buildings	2,075,392	2,065,713	1,630,598	(435,115)
Fiscal and Other Fixed Cost Programs	98,300	133,000	85,432	(47,568)
Capital Outlay	349,000	170,000	359,349	189,349
Debt Service:				
Principal	136,464	204,464	234,917	30,453
Interest and Fiscal Charges	24,329	24,329	33,203	8,874
Total Expenditures	18,360,534	18,690,208	18,025,549	(664,659)
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(475,013)	(351,019)	915,635	1,266,654
OTHER FINANCING SOURCES (USES)				
Insurance Recovery	-	-	5,280	5,280
Issuance of Capital Lease	-	-	200,244	200,244
Transfers In	-	-	440,197	440,197
Transfers Out	-	-	(343,553)	(343,553)
Total Other Financing Sources (Uses)	-	-	302,168	302,168
NET CHANGE IN FUND BALANCE	<u>\$ (475,013)</u>	<u>\$ (351,019)</u>	1,217,803	<u>\$ 1,568,822</u>
FUND BALANCE				
Beginning of Year			4,695,629	
Restatement of Fund Balance			(1,066,765)	
Beginning of Year - Restated			<u>3,628,864</u>	
END OF YEAR			<u>\$ 4,846,667</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Earnings and Investments	\$ -	\$ -	\$ 6,179	\$ 6,179
Other - Primarily Meal Sales	504,283	504,283	510,925	6,642
State Sources	76,200	76,200	61,137	(15,063)
Federal Sources	354,561	354,561	437,210	82,649
Total Revenues	<u>935,044</u>	<u>935,044</u>	<u>1,015,451</u>	<u>80,407</u>
EXPENDITURES				
Current:				
Food Service	942,334	950,645	978,780	28,135
Capital Outlay	<u>4,500</u>	<u>4,500</u>	<u>5,961</u>	<u>1,461</u>
Total Expenditures	<u>946,834</u>	<u>955,145</u>	<u>984,741</u>	<u>29,596</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ (11,790)</u></u>	<u><u>\$ (20,101)</u></u>	<u>30,710</u>	<u><u>\$ 50,811</u></u>
FUND BALANCE				
Beginning of Year			<u>278,119</u>	
END OF YEAR			<u><u>\$ 308,829</u></u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Property Taxes	\$ 158,043	\$ 152,048	\$ 152,497	\$ 449
Earnings and Investments	-	2,000	5,566	3,566
Other - Primarily Tuition and Fees	489,310	475,210	561,424	86,214
State Sources	165,973	169,888	177,369	7,481
Total Revenues	813,326	799,146	896,856	97,710
EXPENDITURES				
Current:				
Community Service	817,702	816,603	852,253	35,650
Capital Outlay	15,350	11,850	7,756	(4,094)
Debt Service				
Principal	-	-	2,026	2,026
Interest	-	-	616	616
Total Expenditures	833,052	828,453	862,651	34,198
NET CHANGE IN FUND BALANCE	<u>\$ (19,726)</u>	<u>\$ (29,307)</u>	34,205	<u>\$ 63,512</u>
FUND BALANCE				
Beginning of Year			284,603	
END OF YEAR			<u>\$ 318,808</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF NET POSITION – PROPRIETARY FUND
JUNE 30, 2019**

	Governmental Activities - Internal Service Funds
	<u> </u>
ASSETS	
Cash and Investments	\$ <u> </u> -
NET POSITION	
Unrestricted	\$ <u> </u> -

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Funds
NONOPERATING INCOME (LOSS)	
Earnings on Investments	\$ 15,303
INCOME (LOSS) BEFORE TRANSFERS	
Transfers to other funds	<u>(840,197)</u>
CHANGE IN NET POSITION	(824,894)
Net Position - Beginning of Year	<u>824,894</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF CASH FLOWS –
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2019**

	Governmental Activities - Internal Service Funds
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers to Other Funds	\$ (840,197)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	15,303
NET INCREASE IN CASH AND CASH EQUIVALENTS	(824,894)
Cash and Cash Equivalents - Beginning of Year	824,894
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -
Total Cash and Investments per Statement of Net Position	\$ -

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	Private-Purpose Trust
ASSETS	
Cash and Investments	\$ 910,915
Interest Receivable	6,756
Total Assets	<u>\$ 917,671</u>
NET POSITION	
Restricted for Scholarships	<u>\$ 917,671</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2019**

	Private-Purpose Trust
ADDITIONS	
Gifts and Donations	\$ 16,914
Earnings on Investments	<u>15,580</u>
Total Additions	32,494
 DEDUCTIONS	
Scholarships Awarded	<u>26,700</u>
 CHANGE IN NET POSITION	5,794
 Net Position - Beginning of Year	<u>911,877</u>
 NET POSITION - END OF YEAR	<u><u>\$ 917,671</u></u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2859 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 2859 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the District. There are no other entities for which the District is financially accountable.

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

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the Fiduciary Fund. The Fiduciary Fund is only reported in the statement of fiduciary net position at the fund financial statement level.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

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

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

1. Revenue Recognition - Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenues.
2. Recording of Expenditures - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

Capital Projects – Building Construction Fund

The Building Construction Fund is used to account for financial resources restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities. The Fund was established for building construction activity authorized by specific voter-approved bond issues.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources restricted committed, or assigned to pay general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service.

Proprietary Fund

Internal Service Fund

The Internal Service Fund accounts for financing goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accumulated resources for the future payment of other postemployment benefits, but it was closed out in fiscal year 2019 due to inactivity.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued)

Fiduciary Fund

Private-Purpose Trust Fund

The Private-Purpose Trust Fund is used to account for money held by the District in the capacity of trustee or custodian, where both the principal and interest may be spent. The District uses these funds to give out scholarships to graduating seniors to be used to go towards college tuition.

E. Budgeting

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

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

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

Budgeted amounts include mid-year budget amendments that amended revenue and expenditure budgets as follows:

	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
<u>Revenues</u>			
General Fund	\$ 17,885,521	\$ 453,668	\$ 18,339,189
Special Revenue Funds:			
Community Service Fund	813,326	(14,180)	799,146
<u>Expenditures</u>			
General Fund	18,360,534	329,674	18,690,208
Special Revenue Funds:			
Food Service Fund	946,834	8,311	955,145
Community Service Fund	833,052	(4,599)	828,453

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "Statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances consist of interest bearing accounts, deposits in the Minnesota Trust Investment Shares Portfolio and negotiable certificates of deposit. 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 cash balance participation by each fund.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of wood shop supplies and paper in the General Fund and purchased food, supplies, and surplus commodities received from the federal government within the Food Service Fund. 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.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Expenses are allocated over the periods benefited.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

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

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$168,353 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

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 reported as a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2019, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. 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 acquisition value at the date of donation. The District maintains a threshold level of \$2,500 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, 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 purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land.

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

L. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time.

M. Long-Term Obligations

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Pensions

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

O. Accrued Employee Benefits

Vacation Pay

Since vacation pay does not vest to employees, no long-term portion of vacation liabilities are recorded in the financial statements.

Sick Pay

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

Severance and Health Benefits

Severance consist of lump sum early retirement incentive payments. Accounting policies for severance benefits are described below.

a. Early Retirement Incentive and Convertible Sick Leave

Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

Full-time employees, other than teachers, who have completed at least 15 years of continuous service with the District and who are at least 55 years of age are eligible for severance pay. Eligible employees, upon early retirement, receive as severance pay, an amount representing 66% of their unused accumulation of sick leave days.

During fiscal year 2019, the District's expenditures for early retirement incentive and convertible sick leave expenditures for convertible sick leave totaled \$43,356. At June 30, 2019, the long-term portion of the convertible sick leave liability is included as part of severance payable in the long-term debt.

b. Other Postemployment Benefits Payable

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay \$150 per month or \$250 per month, if the employee has 25 or more years of service and 34 or more years of teaching, toward the premium cost of the individual health insurance for 96 months. The employee pays the difference toward the full premium for any coverage elected. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75. See Note 8 for further information.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits.

R. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently doesn't report any committed fund balances. The Board of Education passed a resolution authorizing the Finance Committee and the Business Manager the ability to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum total of committed, assigned and unassigned fund balance in the General Fund as 20% of the District's operating budgeted expenditures.

S. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers demand deposit accounts and investments to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide, Proprietary Fund and Fiduciary Fund financial statements. Net investment in capital assets, consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

U. Summarized Comparative Information

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

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 955,145	\$ 984,741	\$ 29,596
Community Service Fund	828,453	862,651	34,198

These overages were considered by District management to be the result of necessary expenditures critical to operations.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments." In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's Board.

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

The District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen 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 banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

At June 30, 2019, the District had the following investments:

External Investment Pools –

	External Investment Pools
MN Trust Investment Shares Portfolio	<u>\$ 3,135,232</u>

Other Investments –

	Value
MN Trust Term Series	<u>\$ 1,200,000</u>

The MN Trust Term Series investment is held by PMA Financial Network as temporary investments of the District's available cash.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from the maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	Maturity Duration in Years	
		Less Than 1	1 to 2
MN Trust Term Series	\$ 1,200,000	\$ 1,200,000	\$ -
MN Trust Investments Shares Portfolio	3,135,232	3,135,232	-
Total	<u>\$ 4,335,232</u>	<u>\$ 4,335,232</u>	<u>\$ -</u>

Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that insurance of all balances held with each investment account. As of June 30, 2019, the investment balances were fully covered by insurance for each brokerage firm.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by *Moody's*.

Type	Rating
MN Trust Term Series	AAAM
MN Trust Investments Shares Portfolio	AAAM

C. Balance Sheet Presentation

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

Deposits	\$ 4,872,580
MN Trust Term Series	1,200,000
MN Trust Investments Shares Portfolio	3,135,232
Cash on Hand	838
Total Pooled Cash and Investments	<u>\$ 9,208,650</u>
 Cash and Investments - Statement of Net Position	 \$ 8,297,735
Cash and Investments - Statement of Fiduciary Net Position	910,915
Total Cash and Investments	<u>\$ 9,208,650</u>

D. Fair Value Measurement

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Negotiable Certificates of Deposit	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	-
Investments Measured at Amortized Cost				4,335,232
Total District Investments				\$ 4,335,232

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in Progress	-	188,149	-	188,149
Total Capital Assets, Not Being Depreciated	130,000	188,149	-	318,149
Capital Assets, Being Depreciated				
Land Improvements	1,140,892	-	-	1,140,892
Buildings and Improvements	35,889,510	-	-	35,889,510
Equipment	4,877,282	151,235	(84,977)	4,943,540
Total Capital Assets, Being Depreciated	41,907,684	151,235	(84,977)	41,973,942
Accumulated Depreciation for:				
Land Improvements	(317,329)	(56,825)	-	(374,154)
Buildings and Improvements	(6,413,357)	(674,630)	-	(7,087,987)
Equipment	(3,230,508)	(244,720)	30,494	(3,444,734)
Total Accumulated Depreciation	(9,961,194)	(976,175)	30,494	(10,906,875)
Total Capital Assets, Being Depreciated, Net	31,946,490	(824,940)	(54,483)	31,067,067
Governmental Activities Capital Assets, Net	<u>\$ 32,076,490</u>	<u>\$ (636,791)</u>	<u>\$ (54,483)</u>	<u>\$ 31,385,216</u>

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

Administration	\$ 13,427
District Support Services	299
Regular Instruction	801,302
Special Education Instruction	5,707
Community Ed & Services	10,111
Instructional Support Services	26,280
Pupil Support Services	19,256
Sites and Buildings	70,552
Food Service	29,241
Total Depreciation Expense, Governmental Activities	<u>\$ 976,175</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
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JUNE 30, 2019**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

Long-term liabilities consisted of the following at June 30, 2019:

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturity Date	Principal Outstanding	
					Due Within One Year	Total
8/13/2015	3.0% - 4.0%	2015A	\$ 23,695,000	2/1/2045	\$ 525,000	\$ 22,370,000
6/6/2019	5%	2019A	\$ 1,035,000	2/1/2029	-	1,035,000
Total General Obligation Bonds					525,000	23,405,000
Bond Premiums					-	740,493
Lease Purchase Payable					140,796	669,726
Capital Leases Payable					100,229	244,408
Severance Benefits Payable					43,356	318,609
Total					<u>\$ 809,381</u>	<u>\$ 25,378,236</u>

B. Future Minimum Debt Payments

Minimum annual principal and interest payments necessary to retire Bonds Payable and Lease Purchase Payable are as follows:

Year Ending June 30,	G.O. Building Bonds Series 2015A		Lease Purchase Payable	
	Principal	Interest	Principal	Interest
2020	\$ 525,000	\$ 868,038	\$ 140,796	\$ 19,996
2021	540,000	852,288	145,266	15,526
2022	555,000	836,088	149,878	10,914
2023	575,000	819,438	154,637	6,156
2024	590,000	802,188	79,149	1,247
2025-2029	3,330,000	3,636,938	-	-
2030-2034	4,045,000	2,916,338	-	-
2035-2039	4,910,000	2,051,925	-	-
2040-2044	5,960,000	1,001,800	-	-
2045-2049	1,340,000	53,600	-	-
Total	<u>\$ 22,370,000</u>	<u>\$ 13,838,641</u>	<u>\$ 669,726</u>	<u>\$ 53,839</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Future Minimum Debt Payments (Continued)

Year Ending June 30.	GO Tax Abatement Bonds		Total	
	2019A			
	Principal	Interest	Principal	Interest
2020	\$ -	\$ 33,781	\$ 665,796	\$ 921,815
2021	95,000	51,750	780,266	919,564
2022	100,000	47,000	804,878	894,002
2023	100,000	42,000	829,637	867,594
2024	110,000	37,000	779,149	840,435
2025-2029	630,000	97,500	3,960,000	3,734,438
2030-2034	-	-	4,045,000	2,916,338
2035-2039	-	-	4,910,000	2,051,925
2040-2044	-	-	5,960,000	1,001,800
2045-2049	-	-	1,340,000	53,600
Total	<u>\$ 1,035,000</u>	<u>\$ 309,031</u>	<u>\$ 24,074,726</u>	<u>\$ 14,201,511</u>

Description of Long-Term Liabilities

Lease Purchase Payable

On September 12, 2013, the District entered into a lease-purchase agreement for \$1,375,000. The debt was issued to help fund the construction of the new Early Childhood Center, along with necessary equipment and other site improvements. The District will use General Fund levy in future years to pay for the debt payments.

Capital Leases Payable

Capital leases are utilized by the District as a means to finance the Facility projects that are too small for issuing bonds and too large for the operating capital funds to cover the costs. These projects over the years have included modifications to the field house, equipment for the field house, technology throughout the District, stadium lights, and improvements to the Helen Baker Elementary. Total cost of assets capitalized and held under capital leases is \$181,144. Related accumulated depreciation of assets under capital leases at June 30, 2019 is \$54,343.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Future Minimum Debt Payments (Continued)

Description of Long-Term Liabilities (Continued)

Capital Leases Payable (Continued)

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2019:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 110,339
2021	110,341
2022	42,273
Total Minimum Lease Payments	262,953
Less: Amounts Representing Interest	(18,545)
Present Value of Net Minimum Lease Payments	<u>\$ 244,408</u>

General Obligation School Building Bonds, Series 2015A

On August 13, 2015, the District issued \$23,695,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of the issues will be used to finance the betterment of school facilities.

General Obligation Tax Abatement Bonds, Series 2019A

On June 6, 2019, the District issued \$1,035,000 of General Obligation Tax Abatement Bonds, Series 2019A. The proceeds of the issues will be used to finance the construction of and improvements to parking lots at Glencoe-Silver Lake Junior/Senior High School and Lakeside Elementary School as well as parking lot maintenance and improvements at school sites districtwide.

Severance Benefits Payable

Severance benefits payable consist of convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

C. Changes in Long-Term Liabilities

	June 30, 2018	Additions	Retirements	June 30, 2019
Bonds Payable	\$ 22,825,000	\$ 1,035,000	\$ 455,000	\$ 23,405,000
Bond Premiums	576,824	186,318	22,649	740,493
Lease Purchase Payable	806,190	-	136,464	669,726
Capital Leases Payable	144,643	200,244	100,479	244,408
Severance Benefits Payable	335,548	-	16,939	318,609
Total	<u>\$ 24,688,205</u>	<u>\$ 1,421,562</u>	<u>\$ 731,531</u>	<u>\$ 25,378,236</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTE 6 RESTRICTED FUND BALANCES

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

A. Restricted for Staff Development

Restricted for staff development represents general education aid resources to be expended for staff development programs.

B. Restricted for Health and Safety

Restricted for health and safety represents available resources to be used only to provide for the removal of hazardous substances and other state approved life/health safety projects. Under Minnesota Statutes, a deficit in this restriction generates specific future levy authority.

C. Restricted for Operating Capital

Restricted for operating capital represents available resources to be used only for operating capital purposes, including but not limited to the purchase, lease, repair and improvement of school buildings, and the purchase or lease of computers, vehicles, textbooks, and telecommunications equipment.

D. Restricted for Community Education Programs

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

E. Restricted for Early Childhood and Family Education Programs

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

F. Restricted for Teacher Development and Evaluation

The fund balance restriction represents accumulated resources available for teacher development and evaluation uses.

G. Restricted for School Readiness

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

H. Restricted for Safe Schools – Crime Levy

The fund balance restriction represents accumulated resources available to provide for safe schools programs in accordance with funding made available for that purpose.

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NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

I. Restricted for Long Term Facilities Maintenance (LTFM)

Represents available resources to be used for LTFM capital projects in accordance with the 10-year plan.

J. Restricted for Other Purposes

Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Other Restricted:

Restricted for Food Service	\$ 290,108
Restricted for Community Service	767
Restricted for Capital Projects	989,817
Restricted for Bond Payments	245,113
Total Other Restricted	<u>\$ 1,525,805</u>

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. 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) and Teachers Retirement Fund (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan)

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

2. Teachers Retirement Fund (TRA)

The Teacher's 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 University of Minnesota System).

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA and TRA provide 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.

1. 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% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a 1% increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

Tier 1 Benefits

Tier 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- (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) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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.

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were \$171,160. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.71% for the employer. Basic rates were 11.00% for the employee and 11.71% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2019 were \$613,512. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of \$1,825,157 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 to the fund in 2018. The State of Minnesota is considered a nonemployer 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 \$59,905, for a total net pension liability of \$1,885,062 associated with the District. 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

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.

At June 30, 2018, the District's proportionate share was .0329% which was a decrease of .0006% from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$37,653 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$13,970 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 48,309	\$ 53,232
Changes in Actuarial Assumptions	174,349	205,076
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	186,502
Changes in Proportion	-	82,451
District Contributions Subsequent to the Measurement Date	171,160	-
Total	<u>\$ 393,818</u>	<u>\$ 527,261</u>

\$171,160 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:

Year Ending June 30,	Pension Expense Amount
2020	\$ 19,440
2021	(128,193)
2022	(157,757)
2023	(38,093)
2024	-
Thereafter	-

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2019 the District reported a liability of \$8,558,346 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was .1363% at the end of the measurement period and .1363% at the beginning of the period.

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 8,558,346
State's Proportionate Share of the Net Pension Liability Associated with the District	804,291
Total	<u>\$ 9,362,637</u>

For the year ended June 30, 2019, the District recognized negative pension expense of \$3,114,938. It also recognized \$561,196 as a decrease to pension expense and negative grant revenue for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 91,285	\$ 172,578
Changes in Actuarial Assumptions	11,050,408	14,593,037
Net Difference Between Projected and Actual		
Earnings on Plan Investments	-	663,694
Changes in Proportion	202,814	159,551
District Contributions Subsequent to the Measurement Date	613,512	-
Total	<u>\$ 11,958,019</u>	<u>\$ 15,588,860</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. TRA Pension Costs (Continued)

\$613,512 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 Ending June 30.</u>	<u>Pension Expense Amount</u>
2020	\$ 736,318
2021	556,998
2022	14,225
2023	(3,238,167)
2024	(2,313,727)
Thereafter	-

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>General Employees Plan</u>	<u>TRA</u>
Inflation	2.50% per Year 11.25% after 1 year of service decreasing to 3.25% per year after 26 years	2.50% per Year 2.85% for 10 years and 3.25%, thereafter
Salary Growth		
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually for TRA.

TRA pre-retirement mortality rates were based on 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. Post-retirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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 for PERA occurred in 2018:

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

The following changes in actuarial assumptions for TRA occurred in 2018:

- 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 0% 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 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%.

The State Board of Investment, which manages the investments of PERA and TRA, 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
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NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were 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.

The discount rate used to measure the TRA pension liability was 7.50%. This is an increase from the discount rate at the prior measurement date of 5.12%. The projection of cash flows used to determine the discount rate assumed that employee contribution 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).

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NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 2,966,114	\$ 1,825,157	\$ 883,330
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 13,582,060	\$ 8,558,346	\$ 4,413,815

H. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

I. 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 contributions for the years ended June 30, 2019, 2018 and 2017 are \$128,350, \$114,700, and \$114,702, respectively. The related employee contributions were \$242,788, \$202,662, and \$192,114, for the years ended June 30, 2019, 2018 and 2017, respectively.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer postemployment defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 212 active participants and 12 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. Contribution requirements are negotiated between the District and union representatives. The District contributes \$150 per month or \$250 per month, with 25 years of service and 34 years of teaching, of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2019, the District contributed \$98,216 to the plan.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2018, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2018.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
20-Year Municipal Bond Yield	3.50%
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 6 Years

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on the MP-2017 Generational Improvement Scale and other adjustments.

The actuarial assumptions used in the July 1, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2016 to June 30, 2017.

The discount rate used to measure the total OPEB liability was 3.50%. The discount rate is based on the estimated yield of 20-year AA-rated bonds.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

Since the most recent GASB Statement No. 45 Other Postemployment Benefits valuation, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans postemployment was reduced from 30% to 25%.

D. Changes in the OPEB Liability

The following table shows the components of the changes in the District's OPEB Liability:

	Total OPEB Liability
Balances at July 1, 2017	\$ 1,531,523
Changes for the Year:	
Service Cost	80,751
Interest Cost	53,264
Differences Between Expected and Actual Experience	(272,029)
Assumption changes	(25,529)
Benefit Payments	(92,116)
Net Changes	<u>(255,659)</u>
Balances at July 1, 2018	<u>\$ 1,275,864</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. OPEB Liability Sensitivity

The following presents the OPEB liability if the District, as well as what the District's 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:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Net OPEB Liability (Asset)	\$ 1,353,053	\$ 1,275,864	\$ 1,201,401

The following presents the OPEB liability of the Districts, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.50% decreasing to 4.00% over 6 years) or 1% point higher (7.50% decreasing to 6.00% over 6 years) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.50% Decreasing to 4.00% over 6 Years)	Current Trend Rates (6.50% Decreasing to 5.00% over 6 Years)	1% Increase (7.50% Decreasing to 6.00% over 6 Years)
Net OPEB Liability (Asset)	\$ 1,166,060	\$ 1,275,864	\$ 1,403,679

F. OPEB Liability Costs

For the year ended June 30, 2019, the District recognized OPEB expense of \$91,507. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 233,168
Change of Assumptions	-	21,882
Contributions Between Measurement Date and Reporting Date	98,216	-
Total	<u>\$ 98,216</u>	<u>\$ 255,050</u>

At June 30, 2019, the District reported \$98,216 of deferred outflows of resources resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. OPEB Liability Costs (Continued)

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

<u>Year Ending June 30,</u>	<u>Future Recognition</u>
2020	\$ (42,508)
2021	(42,508)
2022	(42,508)
2023	(42,508)
2024	(42,509)
Thereafter	(42,509)
Total	<u>\$ (255,050)</u>

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

Outstanding Contracts

The District had commitments to pay contracts and retainage payable related to construction contracts in the amount of \$859,614 as of the end of the year.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 11 JOINTLY GOVERNED ORGANIZATION

Independent School District No. 2859 is a member of the Little Crow Special Education Cooperative. The Little Crow Special Education Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by 13 separate member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

NOTE 12 RESTATEMENT OF BEGINNING NET POSITION

During fiscal year ended June 30, 2019, the District restated the beginning fund balance of the general fund and capital projects fund. This restatement related to a portion of the prior year expenditures in the capital projects fund that should have been eligible to be coded to long-term facilities maintenance expenditures in the general fund.

As a result, the District's general fund and capital projects fund fund balances as of June 30, 2018 has been restated to reflect this as noted below:

Description	General Fund
Net Position, June 30, 2018, as Previously Reported	\$ 4,695,629
Cumulative Affect of Restatement of Beginning Balance of General Fund Balance and Accounts Payable for Prior Year Project Overages	(1,066,765)
Net Position, July 1, 2019 as Restated	<u>\$ 3,628,864</u>

Description	Capital Projects Fund
Net Position, June 30, 2018, as Previously Reported	\$ (1,815,234)
Cumulative Affect of Restatement of Beginning Balance of Capital Projects Fund Balance and Accounts Payable for Prior Year Project Overages	1,066,765
Net Position, July 1, 2019 as Restated	<u>\$ (748,469)</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 13 INTERFUND BALANCES

At June 30, 2019, the following were the interfund balances:

Interfund Transfers

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 440,197	\$ 343,553
Capital Projects Fund	743,553	-
Internal Service Fund	-	840,197
	<u>\$ 1,183,750</u>	<u>\$ 1,183,750</u>

During the year, the District closed the \$840,197 balance of the inactive Internal Service Fund via a \$400,000 transfer to the Capital Projects Fund to cover the costs of recent capital projects and a \$440,197 to the General Fund, of which \$400,000 was assigned in fund balance for severance benefits. The General Fund transferred \$343,553 to the Capital Projects Fund to cover the costs of recent capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2019**

Measurement Date	July 1, 2018	July 1, 2017
Total OPEB Liability		
Service Cost	\$ 80,751	\$ 88,740
Interest	53,264	51,497
Differences Between Expected and Actual Experience	(272,029)	-
Changes of Assumptions	(25,529)	-
Benefit Payments	(92,116)	(68,613)
Net Change in Total OPEB Liability	(255,659)	71,624
Total OPEB Liability - Beginning	1,531,523	1,459,899
Total OPEB Liability - Ending	\$ 1,275,864	\$ 1,531,523
Covered-Employee Payroll	\$ 9,450,394	\$ 9,373,030
District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	13.5%	16.3%

NOTE: The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30,				
	2018	2017	2016	2015	2014
PERA - General Employees Fund					
District's Proportion of the Net Pension Liability	0.0329%	0.0335%	0.0348%	0.0358%	0.0368%
District's Proportionate Share of the Net Pension Liability	\$ 1,825,157	\$ 2,138,618	\$ 2,825,587	\$ 1,855,342	\$ 1,728,680
State's Proportionate Share of the Net Pension Liability Associated with District	59,905	26,925	36,951	-	-
Total	<u>\$ 1,885,062</u>	<u>\$ 2,165,543</u>	<u>\$ 2,862,538</u>	<u>\$ 1,855,342</u>	<u>\$ 1,728,680</u>
District's Covered Payroll	\$ 2,197,067	\$ 2,143,213	\$ 2,137,885	\$ 2,142,717	\$ 1,933,600
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	83.07%	99.79%	132.17%	86.59%	89.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.45%	75.90%	68.90%	78.20%	78.20%
TRA					
District's Proportion of the Net Pension Liability	0.1363%	0.1363%	0.1336%	0.1322%	0.1480%
District's Proportionate Share of the Net Pension Liability	\$ 8,558,346	\$ 27,207,953	\$ 31,866,788	\$ 8,177,877	\$ 6,819,733
State's Proportionate Share of the Net Pension Liability Associated with District	804,291	2,630,533	3,198,377	1,002,989	479,724
Total	<u>\$ 9,362,637</u>	<u>\$ 29,838,486</u>	<u>\$ 35,065,165</u>	<u>\$ 9,180,866</u>	<u>\$ 7,299,457</u>
District's Covered Payroll	\$ 7,618,773	\$ 7,159,960	\$ 6,905,853	\$ 7,211,486	\$ 6,788,143
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	112.33%	380.00%	461.45%	113.40%	100.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	51.57%	44.90%	76.80%	81.50%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2019	2018	Fiscal Year Ending June 30,		2015	2014
			2017	2016		
PERA - General Employees Fund						
Statutorily Required Contribution	\$ 171,160	\$ 164,780	\$ 160,741	\$ 157,669	\$ 155,347	\$ 140,186
Contributions in Relation to the Statutorily Required Contribution	(171,160)	(164,780)	(160,741)	(157,669)	(155,347)	(140,186)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,282,133	\$ 2,197,067	\$ 2,143,213	\$ 2,137,885	\$ 2,142,717	\$ 1,933,600
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.38%	7.25%	7.25%
TRA						
Statutorily Required Contribution	\$ 613,512	\$ 571,408	\$ 536,997	\$ 517,939	\$ 504,804	\$ 475,170
Contributions in Relation to the Statutorily Required Contribution	(613,512)	(571,408)	(536,997)	(517,939)	(504,804)	(475,170)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 7,957,354	\$ 7,618,773	\$ 7,159,960	\$ 6,905,853	\$ 7,211,486	\$ 6,788,143
Contributions as a Percentage of Covered Payroll	7.71%	7.50%	7.50%	7.00%	7.00%	7.00%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

NOTE 1 CHANGES IN SIGNIFICANT OPEB PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

Since the most recent GASB Statement No. 45 Other Postemployment Benefits valuation, the following changes have been made:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans postemployment was reduced from 30% to 25%.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

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

2016

- 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, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2019**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2018

- 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 4 years, (7.92% in 2019, 8.13% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate was changed from 5.12% to 7.5%.

2017

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate was changed from 4.66% to 5.12%.

2016

- There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date.
- Post-retirement benefit adjustments are now assumed to stay level at 2.0% annually.
- The single discount rate was changed from 8.0% to 4.66%.

SINGLE AUDIT AND 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**

Board of Education
Independent School District No. 2859
Glencoe, 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. 2859 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs as item 2019-001, we identified a deficiency in internal control that we consider to be a material weakness.

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*.

The District's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.



CliftonLarsonAllen LLP

Austin, Minnesota
September 16, 2019



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

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 2859's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Independent School District No. 2859's major federal programs for the year ended June 30, 2019. Independent School District No. 2859's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 2859's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 2859's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent School District No. 2859's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 2859 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

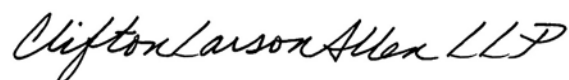
Management of Independent School District No. 2859 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2859's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2859's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-002 that we consider to be a significant deficiency.

Independent School District No. 2859's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Independent School District No. 2859's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 16, 2019

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Pass-Through Minnesota Department of Agriculture				
Noncash Assistance (Commodities):				
National School Lunch Program	# 10.555	1-2859-000	<u>\$ 67,254</u>	
Total Noncash Assistance			\$ 67,254	\$ -
Cash Assistance:				
School Breakfast Program	# 10.553	1-2859-000	65,027	
National School Lunch Program	# 10.555	1-2859-000	284,107	
After School Snack Program	# 10.555	1-2859-000	3,626	
Special Milk Program for Children	# 10.556	1-2859-000	1,355	
Summer Food Service Program for Children	# 10.559	1-2859-000	<u>15,846</u>	
Total Cash Assistance			369,961	-
Total Child Nutrition Cluster			<u>437,215</u>	-
Total U.S. Department of Agriculture			437,215	
U.S. Department of Education				
Pass-Through Minnesota Department of Education				
Cash Assistance:				
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A160023A	249,244	-
Title I, Part C - Migrant Education State Grant Program	84.011	4706	106,887	-
Perkins Basic State Grants	84.048	@	7,997	-
Title III - English Language Acq Grants	84.365	S365A160023A	15,311	-
Title II, Part A - Improving Teacher Quality	84.367	S367A160022	46,108	-
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	S424A180024	8,800	-
Pass-Through SW/WC Service Cooperative #991				
Special Education - Grants to States	& 84.027	83-0991-000	242,382	
Special Education - Preschool Incentive	& 84.173	83-0991-000	<u>1,874</u>	
Total Special Education Cluster			244,256	-
Total U.S. Department of Education			<u>678,603</u>	-
Total Federal Financial Assistance Expended			<u>\$ 1,115,818</u>	<u>\$ -</u>
# - Child Nutrition Cluster				
& - Special Education Cluster				
@ - Unknown Agency or Pass-Through Number				
The total of CFDA 10.555 is \$354,987.				

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2859. The reporting entity is defined in Note 1 to the financial statements. The District did not pass amounts to subrecipients.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Independent School District No. 2859's financial statements. The District has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 2859
Glencoe, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859, as of June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 16, 2019.

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for school districts, and miscellaneous provisions. 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 Questioned Costs as item 2019-003. 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, insofar as they relate to accounting matters.

The Independent School District No. 2859's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Austin, Minnesota
September 16, 2019

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

PART I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

Identification of Major Federal Programs

CFDA Number(s)

10.553, 10.555, 10.556, and 10.559
84.010

Name of Federal Program or Cluster

Child Nutrition Cluster
Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between
Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee pursuant
to Uniform Guidance?

 yes x no

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

FINDING: 2019-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Condition: The District has a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements.

Criteria: The District must be able to prevent or detect the omission of a material disclosure in the annual financial statements.

Effect: The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's controls.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

Recommendation: The District should continue to evaluate its internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

Corrective Action Planned

A corrective action plan is in place.

Anticipated Completion Date

June 30, 2020

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-002

Federal Agency: U.S. Department of Agriculture

Federal Program: Child Nutrition Cluster

CFDA Numbers: 10.553, 10.555, 10.556, and 10.559

Pass Through Agency: Minnesota Department of Agriculture

Pass Through Number: 1-2859-000

Award Periods: Year ended June 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: The District should have controls in place to ensure the accuracy of all cash management draws for the District's Child Nutrition Cluster program, made via the reporting of meal counts in CLiCS. These controls should be formally documented to ensure they have been properly implemented.

Condition: During cash management testing of 3 months of the District's CLiCS meal count reports, it was noted that none of the 3 months tested contained formal documentation of review and approval of District's CLiCS meal count reports prior to submission. It was able to be corroborated that the reports were being submitted via email to the individual that was designated to be completing the review via inquiry of the Business Manager and Food Service Secretary as well as the signature in the outbox of the Food Service Secretary. But there were not any clear responses indicating review and approval, and the email strings had not been maintained with the CLiCS reports to formally document that the review and approval was occurring.

Questioned Costs: None noted.

Cause: There was turnover at the District and at its food service provider.

Effect: Lack of proper documentation of controls over compliance with cash management requirements could result in errors or intentional misrepresentation of the meal counts being reported going undetected or not being detected in a timely manner.

Recommendation: We recommend that the District attaches formal documentation of review and approval of the CLiCS meal counts before they are submitted timely through CLiCS.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

Corrective Action Planned

The corrective action plan was implemented in August of 2019, before the first cash management report for fiscal year 2020 were submitted.

Anticipated Completion Date

August 31, 2019

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

PART IV: FINDINGS – MN LEGAL COMPLIANCE FINDINGS

Finding 2019-003 – General Disbursements

Criteria:	Minnesota Statute 471.425 Subdivision 2 notes that a district must pay each vendor obligation according to the terms of the contract or, if no contract terms apply, within the standard payment period unless the district in good faith disputes the obligation. Standard payment period is defined for the District as being within 35 days of the date of receipt of the invoice. Subdivision 4 of the same statute notes that if late payment is made interest should be paid upon the amount that is being paid late.
Condition:	It was noted that 1 of the 25 disbursements tested were not paid within the required payment period, and no interest was included in the late payment to the vendor.
Cause:	The invoice was received and sent to the department head for approval, but the department head did not return the approved invoice in a timely manner for the finance department to comply with this statute.
Effect:	The District was not in compliance with this statute during the fiscal year ending June 30, 2019.
Recommendation:	We recommend that the District put in place internal controls that will prevent any late payments from occurring going forward.
Management Response:	There is no disagreement with this finding. Management has also already reached out to the applicable vendor to get them to adjust the terms of the invoices.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2019**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 18,946,464	\$ 18,946,463	\$ 1	Total Revenue	\$ 676	\$ 676	\$ -
Total Expenditures	18,025,549	18,025,548	1	Total Expenditures	191,991	191,991	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	10,595	10,595	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
403 Staff Development	87,750	87,750	-	407 Capital Projects Levy	-	-	-
406 Health and Safety	-	-	-	409 Alternative Facility Program	-	-	-
407 Capital Project Levy	-	-	-	413 Projects Funded by COP	-	-	-
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	989,817	989,817	-
413 Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE			
424 Operating Capital	594,165	594,165	-	Total Revenue	1,411,136	1,411,135	1
426 \$25 Taconite	-	-	-	Total Expenditures	1,337,163	1,337,163	-
427 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
428 Learning and Development	-	-	-	460 Nonspendable Fund Balance	-	-	-
434 Area Learning Center	-	-	-	<i>Restricted:</i>			
435 Contracted Alternative Programs	-	-	-	425 Bond Refunding	-	-	-
436 State-Approved Alternative Programs	-	-	-	451 QZAB and QSCB Payments	-	-	-
438 Gifted and Talented	-	-	-	464 Restricted Fund Balance	245,113	245,113	-
440 Teacher Development and Evaluations	17,067	17,067	-	<i>Unassigned:</i>			
441 Basic Skills Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
448 Achievement and Integration	-	-	-	08 TRUST			
449 Safe Schools Crime Levy	53,591	53,591	-	Total Revenue	32,494	32,495	(1)
451 QZAB Payments	-	-	-	Total Expenditures	26,700	26,700	-
452 OPEB Liability Not Held in Trust	-	-	-	<i>Net Position:</i>			
453 Unfunded Severance & Retirement Levy	-	-	-	422 Net Position	917,671	917,671	-
467 LTFM	-	-	-				
464 Restricted Fund Balance	-	-	-	20 INTERNAL SERVICE			
<i>Committed:</i>				Total Revenue	15,303	15,304	(1)
418 Committed for Separation	-	-	-	Total Expenditures	-	-	-
461 Committed Fund Balance	-	-	-	<i>Net Position:</i>			
<i>Assigned:</i>				422 Net Position	-	-	-
462 Assigned Fund Balance	400,000	400,000	-				
<i>Unassigned:</i>				25 OPEB REVOCABLE TRUST			
422 Unassigned Fund Balance	3,683,499	3,683,499	-	Total Revenue	-	-	-
				Total Expenditures	-	-	-
02 FOOD SERVICE				<i>Net Position:</i>			
Total Revenue	1,015,451	1,015,451	-	422 Net Position	-	-	-
Total Expenditures	984,741	984,741	-				
<i>Nonspendable:</i>				45 OPEB IRREVOCABLE TRUST			
460 Nonspendable Fund Balance	18,721	18,721	-	Total Revenue	-	-	-
<i>Restricted:</i>				Total Expenditures	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	<i>Net Position:</i>			
464 Restricted Fund Balance	290,108	290,108	-	422 Net Position	-	-	-
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-	47 OPEB DEBT SERVICE			
				Total Revenue	-	-	-
04 COMMUNITY SERVICE				Total Expenditures	-	-	-
Total Revenue	896,856	896,856	-	<i>Nonspendable:</i>			
Total Expenditures	862,651	862,652	(1)	460 Nonspendable Fund Balance	-	-	-
<i>Nonspendable:</i>				<i>Restricted:</i>			
460 Nonspendable Fund Balance	-	-	-	425 Bond Refunding	-	-	-
<i>Restricted:</i>				464 Restricted Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	<i>Unassigned:</i>			
431 Community Education	313,716	313,716	-	463 Unassigned Fund Balance	-	-	-
432 E.C.F.E.	32,710	32,710	-				
440 Teacher Development and Evaluations	-	-	-				
444 School Readiness	(28,385)	(28,385)	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liability Not Held in Trust	-	-	-				
464 Restricted Fund Balance	767	767	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS



INDEPENDENT AUDITORS' REPORT

Board of Education, Advisors, and Students
Independent School District No. 2859
Glencoe, Minnesota

Report on the Financial Statement

We have audited the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 2859 as of June 30, 2019, and the related note to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis of accounting described in the Note to the financial statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 auditors' 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 Independent School District No. 2859's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

As described in the note to the financial statement, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statement is prepared by the Independent School District No. 2859 in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

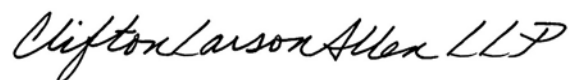
In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 2859 as of June 30, 2019, or changes in financial position for the year then ended.

Basis for Modified Opinion on Regulatory Basis of Accounting

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

Modified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the Basis for Modified Opinion on Regulatory Basis of Accounting paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of the Student Activity Funds Independent School District No. 2859 as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statements.



CliftonLarsonAllen LLP

Austin, Minnesota
September 16, 2019

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEAR ENDED JUNE 30, 2019**

Funds	Balance 06/30/18	Transfers and Receipts	Transfers and Disbursements	Balance 06/30/19
High School Yearbook	\$ 3,882	\$ 495	\$ 2,364	\$ 2,013
Art	2,570	2,096	2,604	2,062
Band	24,518	55,160	43,756	35,922
Business Professional Association (BPA)	2,839	17,019	15,282	4,576
Close-Up	1,133	22,835	22,748	1,220
Kindergarten Entertainment	-	415	415	-
Grade 1 Entertainment	-	596	596	-
Grade 2 Entertainment	-	713	713	-
Grade 3 Entertainment	-	853	853	-
Grade 4 Entertainment	-	702	702	-
Grade 5 Entertainment	-	338	338	-
Grade 6 Entertainment	-	690	690	-
FFA	3,928	31,847	33,652	2,123
History	144	28	17	155
Lincoln Student Council	3,871	1,826	1,381	4,316
LS Elementary Yearbooks	2,567	2,514	1,944	3,137
HS Student Government	-	-	257	(257)
Interest - Admin	64	66	-	130
LS Student Council	1,763	625	810	1,578
Nat'l Honor Society	881	747	618	1,010
Class of 2019	10,954	(435)	10,519	-
Class of 2020	2,929	15,739	9,410	9,258
Class of 2021	-	3,313	2,009	1,304
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 62,043	\$ 158,182	\$ 151,678	\$ 68,547

See accompanying Note to Financial Statement.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS
NOTE TO FINANCIAL STATEMENT
JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Student activity account transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by students, under the guidance of a staff member or other adult.

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

The accounts of the Student Activity Fund are maintained, and the accompanying financial statements have been prepared, on the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Student Activity bank deposits are covered by deposit insurance or were properly collateralized.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE MANUAL FOR ACTIVITY FUND ACCOUNTING

Board of Education, Advisors, and Students
Independent School District No. 2859
Glencoe, Minnesota

Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the Student Activity Funds of Independent School District No. 2859 as of and for the year ended June 30, 2019, and the related note to the financial statement, and have issued our report thereon dated September 16, 2019. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statement is prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

The Manual for Activity Fund Accounting, issued by the Minnesota Department of Education, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual.

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 *Manual for Activity Fund Accounting*. 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 relating to the provisions of the *Manual for Activity Fund Accounting* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

Austin, Minnesota
September 16, 2019