INDEPENDENT SCHOOL DISTRICT NO. 831
FOREST LAKE, MINNESOTA

Financial Statements
and Supplemental Information

Year Ended
June 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 831

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Board and Administration
Year Ended June 30, 2019

SCHOOL BOARD

	Board Position During 2018–2019
Robert Rapheal	Chairperson (President)
Jeff Peterson	Vice Chairperson (Vice President)
Jill Olson	Clerk
Julie Corcoran	Treasurer
Alex Keto	Director
Kate Luthner	Director
Gail Theisen	Director

ADMINISTRATION

Dr. Steven Massey	Superintendent
Lawrence Martini	Director of Business Services

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FINANCIAL SECTION

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MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 831
Forest Lake, 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. 831 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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OPINIONS

In our opinion, the financial statements referred to on the previous page 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 thereof, and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information (RSI), 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 RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other district information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the District. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements of the District.

The supplemental information, the Schedule of Expenditures of Federal Awards, and the UFARS Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

(continued)

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

Prior Year Comparative Information

We have previously audited the District's 2018 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated December 28, 2018. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 23, 2019

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This section of Independent School District No. 831's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by $36,322,200 (deficit net position). The District's total net position increased by $20,071,891 during the fiscal year ended June 30, 2019.

- Government-wide revenues totaled $91,910,996, and were $20,071,891 more than expenses of $71,839,105.

- The General Fund's total fund balance (under the governmental fund presentation) increased to $2,502,595, or $365,125 more than the prior year, compared to a balanced budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual financial statements consists of the following parts:

- Independent Auditor's Report;

- Management's discussion and analysis;

- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;

- Required supplementary information; and

- Supplemental information consisting of combining and individual fund statements and schedules.

The following explains the two types of statements included in the basic financial statements:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

In the government-wide financial statements, the District's activities are shown in one category titled "governmental activities." These activities, including regular and special education instruction, transportation, administration, food services, and community education, are primarily financed with state aids and property taxes.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*—focusing on its most significant or "major" funds, rather than the District as a whole. Funds (Food Service Special Revenue and Community Service Special Revenue) that do not meet the threshold to be classified as major funds are called "nonmajor" funds. Detailed financial information for nonmajor funds can be found in the supplemental information section.

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. For Minnesota schools, funds are established in accordance with Uniform Financial Accounting and Reporting Standards in accordance with Minnesota statutory requirements and accounting principles generally accepted in the United States of America. Some funds are required by state law and by bond covenants. The District can establish other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District maintains the following kinds of funds:

Governmental Funds – The District's basic services are included in governmental funds, which generally focus on: 1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, we provide additional information (reconciliation schedules) immediately following the governmental fund financial statements that explain the relationship (or differences) between these two types of financial statement presentations.

Proprietary Funds – The District maintains one type of proprietary fund. The internal service funds are used as an accounting device to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for the self-insurance activities of district employees' medical and dental claims. These services have been included within governmental activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to other organizations. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of 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 government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1 is a summarized view of the District's Statement of Net Position:

Table 1
Summary Statement of Net Position
as of June 30, 2019 and 2018

	2019	2018
Assets		
Current and other assets	$ 57,783,886	$ 88,161,889
Capital assets, net of depreciation	191,230,845	150,372,477
Total assets	$ 249,014,731	$ 238,534,366
Deferred outflows of resources		
Bond refunding deferments	$ 441,788	$ 480,347
OPEB plan deferments	253,405	46,867
Pension plan deferments	57,361,210	76,974,110
Total deferred outflows of resources	$ 58,056,403	$ 77,501,324
Liabilities		
Current and other liabilities	$ 19,845,772	$ 23,631,100
Long-term liabilities, including due within one year	217,322,784	302,874,992
Total liabilities	$ 237,168,556	$ 326,506,092
Deferred inflows of resources		
Bond refunding deferments	$ –	$ 143,323
OPEB plan deferments	719,004	258,013
Pension plan deferments	79,361,879	24,462,914
Property taxes levied for subsequent year	26,143,895	21,059,439
Total deferred inflows of resources	$ 106,224,778	$ 45,923,689
Net position		
Net investment in capital assets	$ 39,775,923	$ 36,766,733
Restricted	1,995,275	1,921,401
Unrestricted	(78,093,398)	(95,082,225)
Total net position	$ (36,322,200)	$ (56,394,091)

The District's financial position is the product of many factors. For example, the determination of the District's net investment in capital assets involves many assumptions and estimates, such as current and accumulated depreciation amounts. A conservative versus liberal approach to depreciation estimates, as well as capitalization policies, will produce a significant difference in the calculated amounts. The other major factor in determining net position as compared to fund balances is the liability for long-term severance, pension, and other post-employment benefits, which impacts the unrestricted portion of net position.

The District's increase in net investment in capital assets is due mostly to the relationship between the rate at which the District's capital assets are being added, depreciated, and how that compares to the rate at which the District is repaying the debt issued to purchase or construct those assets. The District's increase in net position restricted for food service and community service contributed to the increase in the restricted portion of net position. The change in the District's share of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) pension plans contributed to the change in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

Table 2 presents a summarized version of the District's Statement of Activities:

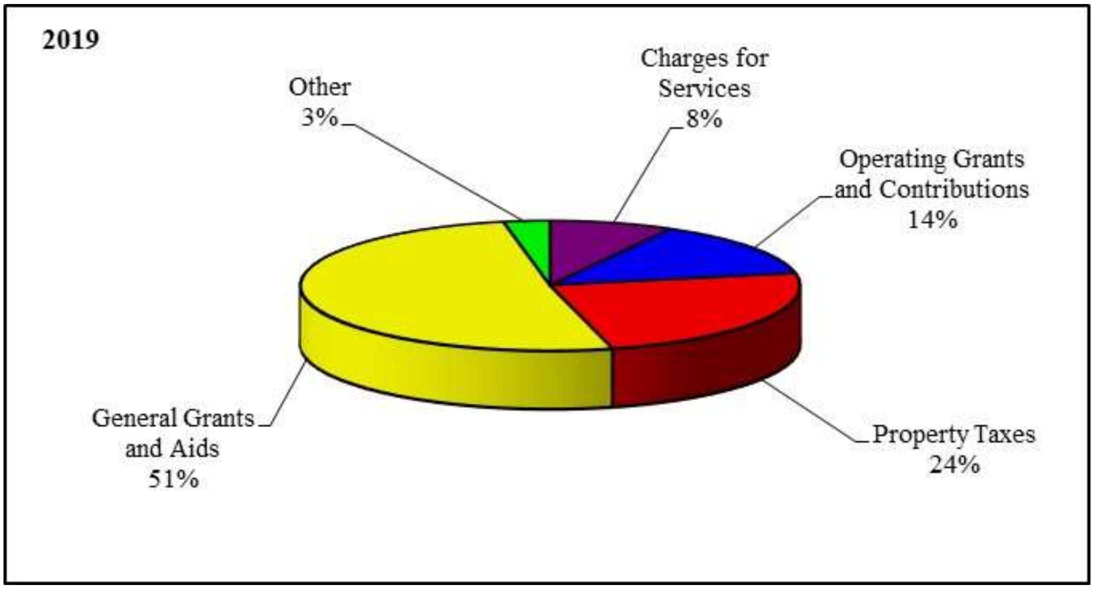
Table 2
Summary Statement of Activities
for the Years Ended June 30, 2019 and 2018

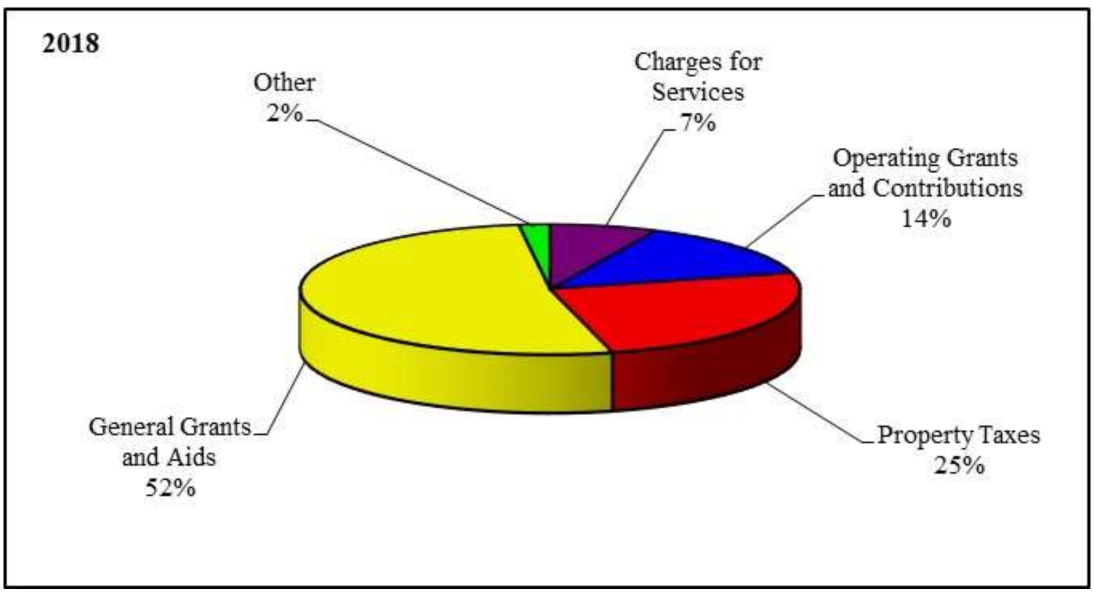
	2019	2018
Revenues		
Program revenues		
Charges for services	$ 6,891,345	$ 6,697,514
Operating grants and contributions	13,306,489	13,334,671
General revenues		
Property taxes	22,372,109	23,571,789
General grants and aids	46,735,121	48,177,917
Other	2,605,932	1,955,966
Total revenues	91,910,996	93,737,857
Expenses		
Administration	2,404,931	3,618,600
District support services	2,914,489	2,774,376
Elementary and secondary regular instruction	15,406,822	36,792,292
Vocational education instruction	551,470	1,604,135
Special education instruction	9,188,795	16,690,659
Instructional support services	3,770,996	6,380,709
Pupil support services	9,919,553	11,308,606
Sites and buildings	9,509,308	10,704,394
Fiscal and other fixed cost programs	520,000	635,768
Food service	3,642,072	3,775,043
Community service	4,447,056	4,956,962
Depreciation not allocated to other functions	4,393,215	2,946,179
Interest and fiscal charges	5,170,398	4,860,767
Total expenses	71,839,105	107,048,490
Change in net position	20,071,891	(13,310,633)
Net position – beginning	(56,394,091)	(43,083,458)
Net position – ending	$ (36,322,200)	$ (56,394,091)

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This statement includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal. The reduction in general grants and aids and significant decrease in expenses reflects the change in the PERA and the TRA multiple-employer defined benefit pension plans mentioned earlier. Tax revenues decreased from the prior year, consistent with the approved property tax levy.

Figure A shows further analysis of these revenue sources:

Figure A – Sources of Revenues for Fiscal Years 2019 and 2018



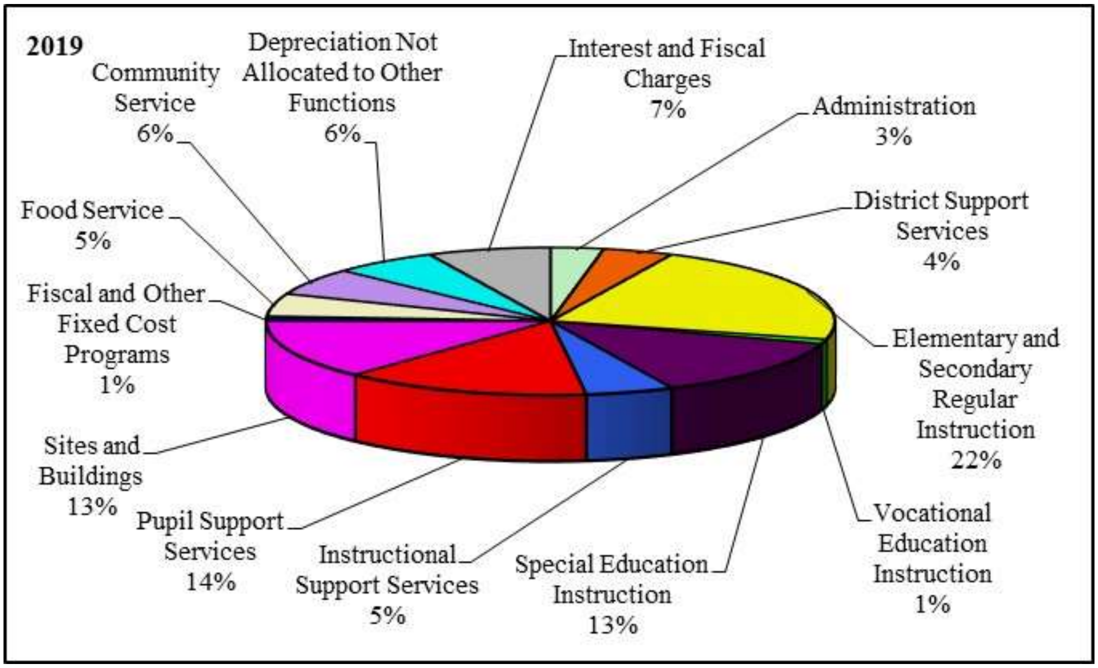


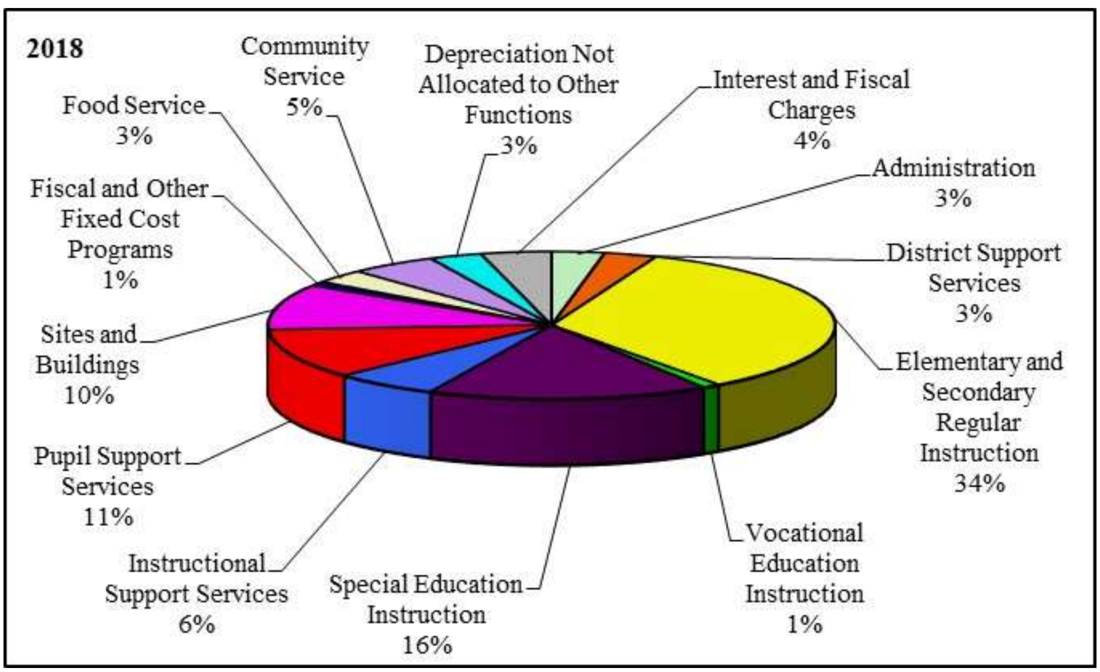
The largest share of the District's revenue is received from the state, including the general education aid formula and most of the operating grants.

Property taxes are generally the next largest source of funding. The level of revenue property tax sources provide is not only dependent on district taxpayers by way of operating and building referenda, but also by decisions made by the Legislature in the mix of state aid and local effort in a variety of funding formulas.

Figure B shows further analysis of the expense functions:

Figure B – Expenses for Fiscal Years 2019 and 2018





The District's expenses are predominately related to educating students. Programs (or functions) such as elementary and secondary regular instruction, vocational education instruction, special education instruction, and instructional support services are directly related to classroom instruction, while the rest of the programs support instruction and other necessary costs to operate the District.

The significant year-to-year change in the percentage of expenses incurred in several program areas shown above was attributable to the change in expenses related to the two state-wide pension plans, which caused greater fluctuations in program areas with a higher proportion of salaries.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is also reflected in its governmental funds. Table 3 shows the change in total fund balances of each of the District's governmental funds:

Table 3
Governmental Fund Balances
as of June 30, 2019 and 2018

	2019	2018	Increase (Decrease)
Major funds			
General Fund	$ 2,502,595	$ 2,137,470	$ 365,125
Capital Projects – Building Construction	4,934,642	37,362,764	(32,428,122)
Debt Service	1,524,501	1,174,606	349,895
Nonmajor funds			
Food Service Special Revenue	482,623	292,943	189,680
Community Service Special Revenue	1,100,004	821,795	278,209
Total governmental funds	$ 10,544,365	$ 41,789,578	$ (31,245,213)

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's School Board.

At June 30, 2019, the District's governmental funds reported combined fund balances of $10,544,365, a decrease of $31,245,213 in comparison with the prior year. Approximately 13.0 percent of this amount ($1,369,801) constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder of the fund balance is either nonspendable, restricted, or assigned to indicate that it is: 1) not in spendable form ($214,464), 2) restricted for particular purposes ($8,376,387), or 3) assigned for particular purposes ($583,713).

ANALYSIS OF THE GENERAL FUND

Table 4 summarizes the amendments to the General Fund budget:

Table 4
General Fund
Budget

	Original Budget	Final Budget	Increase	Percent Change
Revenue	$ 72,500,000	$ 73,100,000	$ 600,000	0.8 %
Expenditures and other financing uses	$ 72,500,000	$ 73,100,000	$ 600,000	0.8 %

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District amended the budget for known significant changes in circumstances such as: updated enrollment estimates, legislative changes, additional funding received from grants or other local sources, staffing changes, employee contract settlements, insurance premium changes, special education tuition changes, or for new debt issued.

Table 5 summarizes the operating results of the General Fund:

Table 5
General Fund
Operating Results

		Over (Under) Final Budget		Over (Under) Prior Year	
	2019 Actual	Amount	Percent	Amount	Percent
Revenue	$ 75,151,182	$ 2,051,182	2.8%	$ (14,898)	– %
Expenditures and other financing uses	74,786,057	$ 1,686,057	2.3%	$ 58,424	0.1 %
Net change in fund balances	$ 365,125				

The fund balance of the General Fund increased $365,125, compared to a balanced budget.

The largest revenue variance to budget occurred in state sources, which was $1,319,668 more than projected in the budget. Conservative budgeting for general education and special education revenue along with the pass-through of state funding for pensions contributed to state sources exceeding budget. The revenue decrease from the prior year was mainly in property taxes, which decreased $1,444,957, due to the decreased property tax levy for long-term facilities maintenance in the current year. This decrease in revenue was offset by an increase in state sources of $919,019, which was mainly due to improvements in the general education funding formula.

The expenditure and other financing uses budget variance was spread across several programs and object categories, with the largest variance in sites and buildings, which was $2,458,507 over budget, due to the timing of long-term facilities maintenance projects at year-end. The District recognized more spending for purchased services and capital expenditures, compared to amounts anticipated in the budget. Expenditures and other financing uses increased $58,424 from the prior year.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

Capital Projects – Building Construction Fund

The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities financed with voter-approved building bonds, and as authorized by the District's long-term facilities maintenance program as approved by the Minnesota Department of Education. At June 30, 2019, the District had a total fund balance of $4,934,642, which reflects a decrease of $32,428,122. This decrease is consistent with the approved budget, utilizing the proceeds from the 2016B General Obligation School Building Bonds and 2018A General Obligation Facilities Maintenance and Tax Abatement Bonds to finance district-wide projects.

Debt Service Fund

Debt Service Fund revenue and other financing sources exceeded expenditures by $349,895 in the current year, compared to a $95,000 fund balance decrease anticipated in the budget. The funding of the Debt Service Fund is largely controlled with each individual debt obligation's financing plan. The remaining fund balance of $1,524,501 at June 30, 2019 is available for meeting future debt service obligations.

Food Service Special Revenue Fund

The Food Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $189,680, compared to a planned fund balance increase of $45,184. This variance was primarily due to federal sources, which were $118,065 more than anticipated in the budget.

Community Service Special Revenue Fund

The Community Service Special Revenue Fund ended the year with revenues exceeding expenditures, increasing equity by $278,209, compared to a planned fund balance increase of $61,069, mainly due to more program participation than anticipated.

Internal Service Funds

Internal service funds are used to account for the financing of goods and services provided by one department or agency of a government to other departments or agencies on a cost-reimbursement basis. The District currently maintains two internal service funds used to account for the District's self-insured health and dental insurance functions.

Operating revenues for the internal service funds for fiscal 2019 totaled $9,381,054. Operating expenses totaled $9,684,733 for self-insured health and dental benefit claims. The internal service funds also reported $89,169 in investment earnings in the current year.

The net position for internal service funds as of June 30, 2019 totaled $3,464,398, which represents a decrease of $214,510 in net position from the prior year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

Table 6 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal years ended June 30, 2019 and 2018:

Table 6
Capital Assets

	2019	2018	Change
Land	$ 1,885,726	$ 1,885,726	$ –
Construction in progress	31,238,880	67,815,581	(36,576,701)
Buildings	78,308,059	77,684,188	623,871
Building and land improvements	134,565,593	55,657,392	78,908,201
Furniture and equipment	23,963,713	21,773,010	2,190,703
Intangibles	1,895,000	1,895,000	–
Less accumulated depreciation	(80,626,126)	(76,338,420)	(4,287,706)
Total	$ 191,230,845	$ 150,372,477	$ 40,858,368
Depreciation expense	$ 4,886,261	$ 3,177,397	$ 1,708,864

By the end of fiscal year 2019, the District had invested in a broad range of capital assets, including school buildings, athletic facilities, and other equipment for various instructional programs (see Table 6).

The changes presented in the table above reflect the ongoing activity of projects at district sites during fiscal year 2019, including the activity of the Capital Projects – Building Construction Fund.

The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year.

Additional details about capital assets can be found in the notes to basic financial statements.

Long-Term Liabilities

Table 7 illustrates the components of the District's long-term liabilities with changes from the prior year:

Table 7
Outstanding Long-Term Liabilities

	2019	2018	Change
General obligation bonds payable	$ 155,405,000	$ 151,000,000	$ 4,405,000
Certificates of participation payable	2,425,000	2,540,000	(115,000)
Unamortized premium/discount	3,639,955	3,125,777	514,178
Capital lease payable	–	74,234	(74,234)
Net pension liability	46,378,028	136,944,300	(90,566,272)
Net OPEB liability	7,012,087	6,542,468	469,619
Severance benefits payable	1,506,246	1,709,998	(203,752)
Compensated absences payable	956,468	938,215	18,253
Total	$ 217,322,784	$ 302,874,992	$ (85,552,208)

The change in general obligation bonds payable is due to the sale of facilities maintenance and tax abatement bonds offset by the scheduled principal payments in the current year. The decreases in certificates of participation payable and capital lease payable, are due to the planned principal payments made in fiscal 2019.

The difference in the net pension liability reflects the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

The state limits the amount of general obligation debt the District can issue to 15.0 percent of the market value of all taxable property within the District's corporate limits (see Table 8).

Table 8
Limitations on Debt

District's market value	$ 5,413,348,800
Limit rate	15.0%
Legal debt limit	$ 812,002,320

Additional details of the District's long-term debt activity can be found in the notes to basic financial statements.

FACTORS BEARING ON THE DISTRICT’S FUTURE

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

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The Legislature has added $126, or 2.0 percent, per pupil to the basic general education funding formula for fiscal year 2020, and an additional $129, or 2.0 percent, per pupil to the formula for fiscal year 2021.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Business Services Department at (651) 982-8125. The address is: Independent School District No. 831, 6100 North 210th Street, Forest Lake, Minnesota 55025.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	$ 35,316,780	$ 69,664,424
Receivables		
Current taxes	15,272,610	11,988,517
Delinquent taxes	379,987	416,941
Accounts and interest	377,386	551,514
Due from other governmental units	5,872,659	5,030,930
Due from fiduciary fund	350,000	267,136
Inventory	51,548	63,208
Prepaid items	162,916	179,219
Capital assets		
Not depreciated	33,124,606	69,701,307
Depreciated, net of accumulated depreciation	158,106,239	80,671,170
Total capital assets, net of accumulated depreciation	191,230,845	150,372,477
Total assets	249,014,731	238,534,366
Deferred outflows of resources		
Bond refunding deferments	441,788	480,347
OPEB plan deferments	253,405	46,867
Pension plan deferments	57,361,210	76,974,110
Total deferred outflows of resources	58,056,403	77,501,324
Total assets and deferred outflows of resources	$ 307,071,134	$ 316,035,690
Liabilities		
Salaries payable	$ 682,919	$ 776,512
Accounts and contracts payable	14,050,385	17,812,935
Accrued interest payable	2,500,558	2,222,222
Due to other governmental units	134,783	409,706
Unearned revenue	1,855,631	1,881,074
Claims incurred, but not reported	621,496	528,651
Long-term liabilities		
Due within one year	5,245,335	5,315,510
Due in more than one year	212,077,449	297,559,482
Total long-term liabilities	217,322,784	302,874,992
Total liabilities	237,168,556	326,506,092
Deferred inflows of resources		
Bond refunding deferments	–	143,323
OPEB plan deferments	719,004	258,013
Pension plan deferments	79,361,879	24,462,914
Property taxes levied for subsequent year	26,143,895	21,059,439
Total deferred inflows of resources	106,224,778	45,923,689
Net position		
Net investment in capital assets	39,775,923	36,766,733
Restricted for		
Capital asset acquisition	397,938	795,382
Food service	482,623	292,943
Community service	1,114,714	833,076
Unrestricted	(78,093,398)	(95,082,225)
Total net position	(36,322,200)	(56,394,091)
Total liabilities, deferred inflows of resources, and net position	$ 307,071,134	$ 316,035,690

See notes to basic financial statements

Statement of Activities
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	2019				2018
		Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	$ 2,404,931	$ –	$ –	$ (2,404,931)	$ (3,618,600)
District support services	2,914,489	–	–	(2,914,489)	(2,774,376)
Elementary and secondary regular instruction	15,406,822	1,093,382	1,261,295	(13,052,145)	(34,323,985)
Vocational education instruction	551,470	4,046	25,101	(522,323)	(1,566,432)
Special education instruction	9,188,795	162,079	9,553,368	526,652	(7,036,137)
Instructional support services	3,770,996	–	–	(3,770,996)	(6,356,842)
Pupil support services	9,919,553	–	190,708	(9,728,845)	(11,116,246)
Sites and buildings	9,509,308	65,170	–	(9,444,138)	(10,669,161)
Fiscal and other fixed cost programs	520,000	–	–	(520,000)	(635,768)
Food service	3,642,072	2,368,921	1,517,200	244,049	118,767
Community service	4,447,056	3,197,747	758,817	(490,492)	(1,230,579)
Depreciation not allocated to other functions	4,393,215	–	–	(4,393,215)	(2,946,179)
Interest and fiscal charges	5,170,398	–	–	(5,170,398)	(4,860,767)
Total governmental activities	$ 71,839,105	$ 6,891,345	$ 13,306,489	(51,641,271)	(87,016,305)
General revenues					
Taxes					
Property taxes for general purposes				12,009,508	13,354,770
Property taxes for community service				1,138,000	1,052,396
Property taxes for debt service				9,224,601	9,164,623
General grants and aids				46,735,121	48,177,917
Other general revenues				1,586,759	1,074,102
Investment earnings				1,019,173	881,864
Total general revenues				71,713,162	73,705,672
Change in net position				20,071,891	(13,310,633)
Net position – beginning				(56,394,091)	(43,083,458)
Net position – ending				$ (36,322,200)	$ (56,394,091)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Balance Sheet
Governmental Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	$ 12,062,390	$ 9,830,683	$ 5,319,269
Receivables			
Current taxes	9,420,572	–	5,161,727
Delinquent taxes	216,750	–	143,647
Accounts and interest	172,361	90,718	–
Due from other governmental units	5,702,225	–	10,735
Due from other funds	350,000	–	–
Inventory	–	–	–
Prepaid items	151,143	–	–
Total assets	$ 28,075,441	$ 9,921,401	$ 10,635,378
Liabilities			
Salaries payable	$ 565,924	$ –	$ –
Accounts and contracts payable	8,779,088	4,986,759	–
Due to other governmental units	133,892	–	–
Unearned revenue	2,089	–	–
Total liabilities	9,480,993	4,986,759	–
Deferred inflows of resources			
Property taxes levied for subsequent year	15,925,842	–	9,005,584
Unavailable revenue – delinquent taxes	166,011	–	105,293
Total deferred inflows of resources	16,091,853	–	9,110,877
Fund balances			
Nonspendable	151,143	–	–
Restricted	397,938	4,934,642	1,524,501
Assigned	583,713	–	–
Unassigned	1,369,801	–	–
Total fund balances	2,502,595	4,934,642	1,524,501
Total liabilities, deferred inflows of resources, and fund balances	$ 28,075,441	$ 9,921,401	$ 10,635,378

See notes to basic financial statements

Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
$ 2,137,990	$ 29,350,332	$ 63,400,110
690,311	15,272,610	11,988,517
19,590	379,987	416,941
78,622	341,701	540,119
159,699	5,872,659	5,030,930
–	350,000	267,136
51,548	51,548	63,208
11,773	162,916	179,219
$ 3,149,533	$ 51,781,753	$ 81,886,180
$ 116,995	$ 682,919	$ 776,512
81,901	13,847,748	17,496,579
891	134,783	409,706
139,940	142,029	129,280
339,727	14,807,479	18,812,077
1,212,469	26,143,895	21,059,439
14,710	286,014	225,086
1,227,179	26,429,909	21,284,525
63,321	214,464	242,427
1,519,306	8,376,387	40,539,561
–	583,713	461,114
–	1,369,801	546,476
1,582,627	10,544,365	41,789,578
$ 3,149,533	$ 51,781,753	$ 81,886,180

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Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds as of June 30, 2019 (With Partial Comparative Information as of June 30, 2018)

	2019	2018
Total fund balances – governmental funds	$ 10,544,365	$ 41,789,578
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.		
Cost of capital assets	271,856,971	226,710,897
Accumulated depreciation	(80,626,126)	(76,338,420)
Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.		
General obligation bonds payable	(155,405,000)	(151,000,000)
Certificates of participation payable	(2,425,000)	(2,540,000)
Unamortized premium/discount	(3,639,955)	(3,125,777)
Capital lease payable	–	(74,234)
Net pension liability	(46,378,028)	(136,944,300)
Net OPEB liability	(7,012,087)	(6,542,468)
Severance benefits payable	(1,506,246)	(1,709,998)
Compensated absences payable	(956,468)	(938,215)
Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.	(2,500,558)	(2,222,222)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	3,464,398	3,678,908
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	441,788	480,347
Deferred outflows of resources – OPEB plan deferments	253,405	46,867
Deferred outflows of resources – pension plan deferments	57,361,210	76,974,110
Deferred inflows of resources – bond refunding deferments	–	(143,323)
Deferred inflows of resources – OPEB plan deferments	(719,004)	(258,013)
Deferred inflows of resources – pension plan deferments	(79,361,879)	(24,462,914)
Deferred inflows of resources – unavailable revenue – delinquent taxes	286,014	225,086
Total net position – governmental activities	$ (36,322,200)	$ (56,394,091)

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Revenue			
Local sources			
Property taxes	$ 11,976,441	$ –	$ 9,200,169
Investment earnings	199,175	652,976	42,662
Other	2,911,436	–	–
State sources	58,120,768	–	107,239
Federal sources	1,943,362	–	–
Total revenue	75,151,182	652,976	9,350,070
Expenditures			
Current			
Administration	3,237,724	–	–
District support services	2,967,753	–	–
Elementary and secondary regular instruction	26,064,394	–	–
Vocational education instruction	1,059,116	–	–
Special education instruction	12,741,535	–	–
Instructional support services	5,286,816	–	–
Pupil support services	11,736,493	–	–
Sites and buildings	10,863,761	–	–
Fiscal and other fixed cost programs	520,000	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	42,122,856	–
Debt service			
Principal	189,234	–	3,845,000
Interest and fiscal charges	119,231	–	5,230,175
Total expenditures	74,786,057	42,122,856	9,075,175
Excess (deficiency) of revenue over expenditures	365,125	(41,469,880)	274,895
Other financing sources (uses)			
Debt issued	–	8,175,000	75,000
Premium on debt issued	–	866,758	–
Transfers in	–	–	–
Transfers (out)	–	–	–
Total other financing sources (uses)	–	9,041,758	75,000
Net change in fund balances	365,125	(32,428,122)	349,895
Fund balances			
Beginning of year	2,137,470	37,362,764	1,174,606
End of year	$ 2,502,595	$ 4,934,642	$ 1,524,501

See notes to basic financial statements

	Total Governmental Funds	
Nonmajor Funds	2019	2018
$ 1,134,571	$ 22,311,181	$ 23,653,474
35,191	930,004	834,182
5,566,668	8,478,104	7,771,616
974,073	59,202,080	58,218,439
1,301,944	3,245,306	3,315,212
9,012,447	94,166,675	93,792,923
–	3,237,724	3,305,470
–	2,967,753	2,794,017
–	26,064,394	27,505,436
–	1,059,116	1,228,503
–	12,741,535	12,505,873
–	5,286,816	5,258,752
–	11,736,493	10,874,254
–	10,863,761	10,193,913
–	520,000	635,768
3,671,166	3,671,166	3,700,468
4,776,430	4,776,430	4,525,699
96,962	42,219,818	52,257,229
–	4,034,234	4,012,235
–	5,349,406	5,875,740
8,544,558	134,528,646	144,673,357
467,889	(40,361,971)	(50,880,434)
–	8,250,000	–
–	866,758	–
–	–	114,709
–	–	(114,709)
–	9,116,758	–
467,889	(31,245,213)	(50,880,434)
1,114,738	41,789,578	92,670,012
$ 1,582,627	$ 10,544,365	$ 41,789,578

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INDEPENDENT SCHOOL DISTRICT NO. 831

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	2019	2018
Total net change in fund balances – governmental funds	$ (31,245,213)	$ (50,880,434)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	45,973,151	55,109,345
Depreciation expense	(4,886,261)	(3,177,397)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.	(228,522)	(30,376)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
General obligation bonds payable	(8,250,000)	–
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds payable	3,845,000	3,825,000
Certificates of participation payable	115,000	115,000
Capital lease payable	74,234	72,235
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(278,336)	407,534
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.	(514,178)	400,301
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Net pension liability	90,566,272	20,484,467
Net OPEB liability	(469,619)	(393,193)
Severance benefits payable	203,752	391,612
Compensated absences payable	(18,253)	109,748
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.	(214,510)	311,874
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – bond refunding deferments	(38,559)	(38,559)
Deferred outflows of resources – OPEB plan deferments	206,538	10,694
Deferred outflows of resources – pension plan deferments	(19,612,900)	(19,785,247)
Deferred inflows of resources – bond refunding deferments	143,323	245,697
Deferred inflows of resources – OPEB plan deferments	(460,991)	(258,013)
Deferred inflows of resources – pension plan deferments	(54,898,965)	(20,149,236)
Deferred inflows of resources – unavailable revenue – delinquent taxes	60,928	(81,685)
Change in net position – governmental activities	$ 20,071,891	$ (13,310,633)

See notes to basic financial statements

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2019

	Budgeted Amounts			Over (Under)
	Original	Final	Actual	Final Budget
Revenue				
Local sources				
Property taxes	$ 11,300,000	$ 11,800,000	$ 11,976,441	$ 176,441
Investment earnings	85,000	85,000	199,175	114,175
Other	2,213,900	2,513,900	2,911,436	397,536
State sources	57,101,100	56,801,100	58,120,768	1,319,668
Federal sources	1,800,000	1,900,000	1,943,362	43,362
Total revenue	72,500,000	73,100,000	75,151,182	2,051,182
Expenditures				
Current				
Administration	3,285,892	3,453,067	3,237,724	(215,343)
District support services	3,047,375	3,179,641	2,967,753	(211,888)
Elementary and secondary regular instruction	29,235,824	27,829,248	26,064,394	(1,764,854)
Vocational education instruction	923,621	988,024	1,059,116	71,092
Special education instruction	12,086,307	12,695,152	12,741,535	46,383
Instructional support services	4,408,070	4,198,216	5,286,816	1,088,600
Pupil support services	11,025,695	11,516,398	11,736,493	220,095
Sites and buildings	7,537,507	8,405,254	10,863,761	2,458,507
Fiscal and other fixed cost programs	520,000	520,000	520,000	–
Debt service				
Principal	190,000	190,000	189,234	(766)
Interest and fiscal charges	125,000	125,000	119,231	(5,769)
Total expenditures	72,385,291	73,100,000	74,786,057	1,686,057
Excess of revenue over expenditures	114,709	–	365,125	365,125
Other financing sources (uses)				
Transfers (out)	(114,709)	–	–	–
Net change in fund balances	$ –	$ –	365,125	$ 365,125
Fund balances				
Beginning of year			2,137,470	
End of year			$ 2,502,595	

See notes to basic financial statements

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Net Position
Internal Service Funds
as of June 30, 2019
(With Partial Comparative Information as of June 30, 2018)

	2019	2018
Assets		
Current assets		
Cash and temporary investments	$ 5,966,448	$ 6,264,314
Receivables		
Accounts and interest	35,685	11,395
Total current assets	6,002,133	6,275,709
Liabilities		
Current liabilities		
Accounts and contracts payable	202,637	316,356
Unearned revenue	1,713,602	1,751,794
Claims incurred, but not reported	621,496	528,651
Total current liabilities	2,537,735	2,596,801
Net position		
Unrestricted	$ 3,464,398	$ 3,678,908

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	2019	2018
Operating revenue		
Charges for services		
Contributions from governmental funds	$ 9,381,054	$ 9,618,118
Operating expenses		
Health benefit claims	9,181,479	8,836,541
Dental benefit claims	503,254	517,385
Total operating expenses	9,684,733	9,353,926
Operating income (loss)	(303,679)	264,192
Nonoperating revenue		
Investment earnings	89,169	47,682
Change in net position	(214,510)	311,874
Net position		
Beginning of year	3,678,908	3,367,034
End of year	$ 3,464,398	$ 3,678,908

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INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019
(With Partial Comparative Information for the Year Ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Contributions from governmental funds	$ 9,318,572	$ 9,622,703
Payment for health claims	(9,200,838)	(8,834,896)
Payment for dental claims	(504,769)	(520,565)
Net cash flows from operating activities	(387,035)	267,242
Cash flows from investing activities		
Investment income received	89,169	47,682
Net change in cash and cash equivalents	(297,866)	314,924
Cash and cash equivalents		
Beginning of year	6,264,314	5,949,390
End of year	$ 5,966,448	$ 6,264,314
Reconciliation of operating income (loss) to net cash flows from operating activities		
Operating income (loss)	$ (303,679)	$ 264,192
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts and interest receivable	(24,290)	12,944
Prepaid items	–	6,732
Accounts and contracts payable	(113,719)	151,566
Unearned revenue	(38,192)	(8,359)
Claims incurred, but not reported	92,845	(159,833)
Net cash flows from operating activities	$ (387,035)	$ 267,242

INDEPENDENT SCHOOL DISTRICT NO. 831

Statement of Fiduciary Net Position
as of June 30, 2019

		Post-Employment Benefits Trust Fund
Assets		
Cash and temporary investments	$	2,162,600
Investments		
MNTrust Investment Shares Portfolio		739
Accounts and interest receivable		30,433
Total assets		2,193,772
Liabilities		
Due to other funds		350,000
Net position		
Held in trust for employee benefits	$	1,843,772

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2019

		Post-Employment Benefits Trust Fund
Additions		
Investment earnings	$	35,861
Deductions		
Benefits paid to plan members and administrative fees		350,250
Change in net position		(314,389)
Net position		
Beginning of year		2,158,161
End of year	$	1,843,772

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 831 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The District's financial statements 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.

B. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in the District's basic financial statements.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and 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 funds. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated in the consolidation process to the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 internally directed revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are 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 revenues are recognized when all eligibility requirements imposed by the provider have been met.

For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. For capital assets that essentially serve all functional areas, depreciation expense is reported as "depreciation not allocated to other functions." Interest on debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

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. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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. For this purpose, the District generally considers revenues, including property taxes, to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

2. **Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

The proprietary (internal service) funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

Fiduciary funds are presented in the fiduciary fund financial statements by type, for which the District has one Post-Employment Benefits Trust Fund. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described earlier in these notes.

Description of Funds

The existence of the various district funds has been established by the Minnesota Department of Education (MDE). Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

Major Governmental Funds

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

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities and as authorized by the District's MDE-approved long-term facilities maintenance program.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and payment of general obligation debt principal, interest, and related costs. The regular debt service account is used for all general obligation debt service except for the financial activities of the other post-employment benefits (OPEB) debt service account. The OPEB debt service account is used for the taxable OPEB bond issues.

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is used to record financial activities of the District's child nutrition program.

Community Service Special Revenue Fund – The Community Service Special Revenue Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Proprietary Funds

Internal Service Funds – Internal service funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. The District's internal service funds are used to account for dental and health insurance benefits offered by the District to its employees as a self-insured plan.

Fiduciary Fund

Post-Employment Benefits Trust Fund – The Post-Employment Benefits Trust Fund is used to administer resources received and held by the District as the trustee for others. The Post-Employment Benefits Trust Fund includes assets held in an irrevocable trust to fund post-employment insurance benefits of eligible employees.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Information

The School Board adopts an annual budget for all governmental funds prepared on the same basis of accounting as the fund financial statements. Legal budgetary control is at the fund level. Budgeted appropriations lapse at year-end. Expenditures in the General, Food Service Special Revenue, Community Service Special Revenue, and Capital Projects – Building Construction Funds exceeded budgeted appropriations by $1,686,057, $15,440, $210,793, and $8,122,856, respectively, during the year ended June 30, 2019. Revenues in excess of budget, along with available fund balance, financed these variances.

F. Cash and Temporary Investments

Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Bond proceeds recorded in the Capital Projects – Building Construction Fund are not pooled, and earnings on these proceeds are allocated directly to the fund.

In the Post-Employment Benefits Trust Fund, assets were contributed to an irrevocable trust established to finance the District's liability for post-employment insurance benefits. Earnings from the investments of this trust are allocated directly to this fund.

For purposes of the Statement of Cash Flows, the District considers all highly liquid debt instruments with an original maturity from the time of purchase by the District of three months or less to be cash equivalent. The Proprietary Fund's equity in the government-wide cash and investment management pool is considered to be cash equivalent.

Investments are generally stated at fair value, except for certain investments in external investment pools, which are stated at amortized cost. Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptance, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less may also be reported at amortized cost. Investment income is accrued at the Balance Sheet date.

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

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

See Note 2 for the District's recurring fair value measurements as of year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are delinquent property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food and surplus commodities received from the federal government. Purchased food inventory is recorded at cost on a first-in, first-out basis. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid items are recorded as expenditures/expenses at the time of consumption.

J. Property Taxes

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes $1,055,724 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as they are collected.

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 (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets that are purchased or constructed by the District are recorded at historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of $5,000 or more, which benefit more than one fiscal year. 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 government-wide financial statements, but are not reported in the governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and building and land improvements, 5 to 15 years for furniture and equipment, and 10 to 20 years for intangible assets. Land and construction in progress are not depreciated.

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

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively.

M. Compensated Absences

Under the terms of collectively bargained contracts, eligible employees accrue vacation and sick leave at varying rates, portions of which may be carried over to future years. Employees are reimbursed for unused, accrued vacation to the limit specified in their labor contract or School Board policy upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued when earned in the government-wide financial statements. Compensated absences are accrued in the governmental fund financial statements only to the extent they have been used or otherwise matured prior to year-end, due to employee termination or similar circumstances.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The severance benefit is calculated by converting a portion of unused accumulated sick leave. No individual can receive severance benefits in excess of one year’s salary. Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance or retirement benefit due to an individual is reduced by the total matching contributions made by the District to such a plan over the course of that individual’s employment.

Severance benefits payable are recorded as a liability in the government-wide financial statements as they are earned and it becomes probable they will vest at some point in the future. Severance benefits payable are accrued in the governmental fund financial statements as the liability matures, due to employee termination.

O. State-Wide Pension Plans

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 the Teachers Retirement Association (TRA) and additions to/deductions from the PERA's and the TRA's fiduciary net positions have been determined on the same basis as they are reported by the PERA and the 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.

The TRA has a special funding situation created by direct aid contributions made by the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into the TRA in 2006. A second direct aid source is from the state of Minnesota for the merger of the Duluth Teachers Retirement Fund Association in 2015.

The PERA has a special funding situation created by a direct aid contribution made by the state of Minnesota. The direct aid is a result of the merger of the Minneapolis Employees Retirement Fund into the PERA on January 1, 2015.

P. Other Post-Employment Benefits (OPEB) Plan

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources, and OPEB expense, information about the fiduciary net position of the District's OPEB Plan and additions to/deductions from the District's fiduciary net position have been determined on the same basis as they are reported by the District. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and certain investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Q. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report separate sections for deferred outflows or inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) or an inflow of financial resources (revenue) until then.

The District reports deferred outflows of resources related to bond refunding deferments in the government-wide Statement of Net Position. A bond refunding deferment results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The District also reports deferred outflows and inflows of resources related to pensions and OPEB in the government-wide Statement of Net Position. These deferred outflows and inflows result from differences between expected and actual economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings on pension and OPEB Plan investments, changes in proportion, and contributions to the plan subsequent to the measurement date and before the end of the reporting period. These amounts are deferred and amortized as required under pension and OPEB standards.

Property taxes levied for subsequent years, which represents property taxes received or reported as a receivable before the period for which the taxes are levied, are reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied, and in the governmental fund financial statements during the year for which they are levied, if available.

Unavailable revenue from property taxes arises under a modified accrual basis of accounting and is reported only in the governmental funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available.

R. Net Position

In the government-wide and internal service fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is displayed in three components:

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

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

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

S. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

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

- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

When committed, assigned, or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

T. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements during the reporting period. Actual results could differ from those estimates.

U. Risk Management and Self-Insurance

1. **General Insurance** – 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 for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in the current year.

2. **Self-Insurance** – The District has established two internal service funds to account for and finance its self-insured risk of loss for respective employee dental and health insurance plans. Under these plans, the internal service funds provide coverage to participating employees and their dependents for various dental and healthcare costs as described in the plans.

   The District makes premium payments, that include both employer and employee contributions to the internal service funds on behalf of program participants based on rates determined by insurance company estimates of monthly claims paid for each coverage class, plus the stop-loss health insurance premium costs and administrative service charges.

   District claim liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred, but not reported. Because actual claim liabilities depend on complex factors such as inflation, changes in legal doctrines, and damage awards, the process used in computing a claim liability does not necessarily result in an exact amount. Claim liabilities are evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the balance of dental claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2018	$ 10,547	$ 517,385	$ 522,098	$ 5,834
2019	$ 5,834	$ 503,254	$ 498,423	$ 10,665

Changes in the balance of health claim liabilities for the past two years were as follows:

	Balance – Beginning of Year	Charges and Changes in Estimates	Claim Payments	Balance – End of Year
2018	$ 677,937	$ 8,836,541	$ 8,991,661	$ 522,817
2019	$ 522,817	$ 9,181,479	$ 9,093,465	$ 610,831

V. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's prior year financial statements, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	$	7,964,616
Investments		29,515,503
Total deposits and investments	$	37,480,119

Cash and investments are included on the basic financial statements as follows:

Statement of Net Position		
Cash and temporary investments	$	35,316,780
Statement of Fiduciary Net Position		
Cash and temporary investments		2,162,600
Investments – MNTrust Investment Shares Portfolio		739
Total deposits and investments	$	37,480,119

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The District's deposit policies do not further limit depository choices.

At year-end, the carrying amount of the District's deposits was $7,964,616, while the balance on the bank records was $10,774,314. At June 30, 2019, all deposits were fully covered by federal deposit insurance, surety bonds, or by collateral held by the District's agent in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Investments

The District has the following investments at year-end:

Deposits/Investments	Credit Risk Rating	Credit Risk Agency	Fair Value Measurements Using	Interest Risk – Maturity Duration in Years: Less Than 1	Interest Risk – Maturity Duration in Years: 1 to 5	Total
U.S. treasury securities	AA	S&P	Level 2	$ 499,637	$ –	$ 499,637
U.S. agency securities	AA	S&P	Level 2	$ 1,198,303	$ –	1,198,303
State and local bonds	AA	S&P	Level 2	$ 249,730	$ –	249,730
State and local bonds	AA	Moody's	Level 2	$ 1,282,819	$ –	1,282,819
Negotiable certificates of deposit	N/R	N/A	Level 2	$ 3,494,000	$ 1,481,673	4,975,673
Investment pools/mutual funds						
Minnesota School District Liquid Asset Fund	AAA	S&P	N/A	N/A	N/A	107,764
MNTrust Investment Shares Portfolio	AAA	S&P	N/A	N/A	N/A	3,552,393
MNTrust Term Series	N/R	N/A	N/A	$ 2,500,000	$ –	2,500,000
Wells Fargo Federal Treasury Obligation I	AAA	S&P	Level 1	N/A	N/A	15,149,184
Total investments						$ 29,515,503

N/R – Not Rated
N/A – Not Applicable

The District's investments include investment pools managed by MNTrust and the Minnesota School District Liquid Asset Fund (MSDLAF), which are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MNTrust Investment Shares Portfolio or MSDLAF Liquid Class investment pools. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions. MNTrust Term Series Portfolios are intended to be held until maturity; a participant's withdrawal prior to maturity will require seven-days' notice of redemption and will likely carry a penalty which could be substantial in that it would be intended to allow the MNTrust Term Series Portfolio to recoup any associated penalties, charges, losses or other costs associated with the early redemption of the investments therein.

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in investment pools and money markets are not evidenced by securities that exist in physical or book entry form and, therefore, are not subject to custodial credit risk disclosures. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Concentration Risk – This is the risk associated with investing a significant portion of the District's investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District's investment policies do not address concentration risk.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The District's investment policies do not limit the maturities of investments; however, when purchasing investments, the District considers such things as interest rates and cash flow needs.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to 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 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. For assets held in the Post-Employment Benefits Trust Fund, the investment options available to the District are expanded to include the investment types specified in Minnesota Statutes § 356A.06, Subd. 7. The District's investment policies do not further restrict investing in specific financial instruments.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year is as follows:

	Beginning Balance	Additions	Deletions	Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	$ 1,885,726	$ –	$ –	$ –	$ 1,885,726
Construction in progress	67,815,581	42,495,298	(7,330)	(79,064,669)	31,238,880
Total capital assets, not depreciated	69,701,307	42,495,298	(7,330)	(79,064,669)	33,124,606
Capital assets, depreciated					
Buildings	77,684,188	46,693	–	577,178	78,308,059
Building and land improvements	55,657,392	1,322,812	–	77,585,389	134,565,593
Furniture and equipment	21,773,010	2,108,348	(819,747)	902,102	23,963,713
Intangibles	1,895,000	–	–	–	1,895,000
Total capital assets, depreciated	157,009,590	3,477,853	(819,747)	79,064,669	238,732,365
Less accumulated depreciation for					
Buildings	(49,536,719)	(1,546,759)	–	–	(51,083,478)
Building and land improvements	(10,829,531)	(2,154,166)	–	–	(12,983,697)
Furniture and equipment	(15,766,891)	(1,041,967)	598,555	–	(16,210,303)
Intangibles	(205,279)	(143,369)	–	–	(348,648)
Total accumulated depreciation	(76,338,420)	(4,886,261)	598,555	–	(80,626,126)
Net capital assets, depreciated	80,671,170	(1,408,408)	(221,192)	79,064,669	158,106,239
Total capital assets, net	$ 150,372,477	$ 41,086,890	$ (228,522)	$ –	$ 191,230,845

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following governmental functions:

Administration	$	28,073
District support services		40,300
Elementary and secondary regular instruction		127,298
Vocational education instruction		2,670
Special education instruction		5,548
Instructional support services		32,142
Pupil support services		252,075
Community service		4,940
Depreciation not allocated to other functions		4,393,215
Total depreciation expense	$	4,886,261

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds Payable

The District currently has the following general obligation bonds payable outstanding:

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
School building bonds	05/05/2016	2.00–5.00%	$ 75,000,000	02/01/2046	$ 75,000,000
School building bonds	12/15/2016	3.00–5.00%	$ 67,070,000	02/01/2046	67,070,000
Taxable OPEB refunding bonds	12/15/2016	1.25–3.35%	$ 5,365,000	02/01/2030	5,085,000
Facilities maintenance and tax abatement bonds	08/16/2018	3.00–5.00%	$ 8,250,000	02/01/2029	8,250,000
Total general obligation bonds payable					$ 155,405,000

These bonds were issued to finance acquisition, construction, and/or improvements of capital facilities; to finance the retirement (refunding) of prior bond issues; or to finance OPEB obligations. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

B. Certificates of Participation Payable

Issue	Issue Date	Interest Rate	Face/Par Value	Final Maturity	Principal Outstanding
Certificates of participation	02/25/2014	1.20–5.35%	$ 3,000,000	02/01/2034	$ 2,425,000

On February 25, 2014, the District issued $3,000,000 of Certificates of Participation, Series 2014A. The proceeds were used to purchase the Forest Lake Area Athletic Association (FLAAA) Sports Center and Ice Arena. The District has a nominal ground lease agreement with the City of Forest Lake for the land where the FLAAA Sports Center and Ice Arena are located. The certificates of participation are paid by the General Fund.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

C. Capital Lease Payable

On December 15, 2014, the District entered into a $355,257 capital lease agreement to finance the acquisition of telephone and communications technology equipment. This lease had an effective interest rate of 2.735 percent and required annual principal and interest payments of $76,288 through June 2019. The lease was paid by the General Fund. The leased assets were recorded at $410,064, which includes the asset and labor costs (the present value of future minimum lease payments as of the inception date of the lease). Total accumulated depreciation on these assets at year-end was $205,032.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including pensions, severance benefits, compensated absences, and OPEB. The details of these various benefit liabilities are discussed elsewhere in these notes. Such benefits are financed primarily from the General Fund. The District has also established an Employee Benefits Trust Fund to finance OPEB obligations.

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans for the current year:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	$ 12,071,556	$ 2,786,043	$ 3,820,709	$ 230,192
TRA	34,306,472	54,575,167	75,541,170	(15,100,658)
Total	$ 46,378,028	$ 57,361,210	$ 79,361,879	$ (14,870,466)

E. Minimum Debt Payments

Minimum annual principal and interest payments to maturity for general obligation bonds and certificates of participation are as follows:

Year Ending	General Obligation Bonds		Certificates of Participation	
June 30,	Principal	Interest	Principal	Interest
2020	$ 3,855,000	$ 5,573,542	$ 120,000	$ 114,360
2021	4,195,000	5,222,749	125,000	110,760
2022	4,385,000	5,040,799	125,000	106,573
2023	4,595,000	4,833,286	130,000	101,885
2024	4,745,000	4,681,629	140,000	96,685
2025–2029	26,760,000	20,367,121	785,000	383,468
2030–2034	25,655,000	16,162,991	1,000,000	165,310
2035–2039	29,995,000	11,810,400	–	–
2040–2044	35,330,000	6,473,945	–	–
2045–2046	15,890,000	834,900	–	–
	$ 155,405,000	$ 81,001,362	$ 2,425,000	$ 1,079,041

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

F. Changes in Long-Term Liabilities

0	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
General obligation bonds payable	$ 151,000,000	$ 8,250,000	$ 3,845,000	$ 155,405,000	$ 3,855,000
Certificates of participation payable	2,540,000	–	115,000	2,425,000	120,000
Unamortized premium/discount	3,125,777	866,758	352,580	3,639,955	–
Total bonds and certificates payable	156,665,777	9,116,758	4,312,580	161,469,955	3,975,000
Capital lease payable	74,234	–	74,234	–	–
Net pension liability	136,944,300	1,108,980	91,675,252	46,378,028	–
Net OPEB liability	6,542,468	738,512	268,893	7,012,087	–
Severance benefits payable	1,709,998	–	203,752	1,506,246	583,713
Compensated absences payable	938,215	704,875	686,622	956,468	686,622
	$ 302,874,992	$ 11,669,125	$ 97,221,333	$ 217,322,784	$ 5,245,335

NOTE 5 – FUND BALANCES

The following is a breakdown of equity components of governmental funds, which are defined earlier in the report. When applicable, certain restrictions, which have an accumulated deficit balance at June 30, are included in unassigned fund balance in the District's financial statements in accordance with accounting principles generally accepted in the United States of America. A description of these deficit balance restrictions is included herein since the District has specific authority to future resources for such deficits.

Classifications

At June 30, 2019, a summary of the District's governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	$ –	$ –	$ –	$ 51,548	$ 51,548
Prepaid items	151,143	–	–	11,773	162,916
Total nonspendable	151,143	–	–	63,321	214,464
Restricted					
Operating capital	397,938	–	–	–	397,938
Capital projects	–	4,934,642	–	–	4,934,642
Debt service	–	–	1,524,501	–	1,524,501
Food service	–	–	–	421,992	421,992
Community education programs	–	–	–	273,851	273,851
Early childhood family education programs	–	–	–	353,549	353,549
School readiness	–	–	–	445,714	445,714
Community service	–	–	–	24,200	24,200
Total restricted	397,938	4,934,642	1,524,501	1,519,306	8,376,387
Assigned					
Severance	583,713	–	–	–	583,713
Unassigned					
Long-term facilities maintenance restricted account deficit	(552,980)	–	–	–	(552,980)
Unassigned	1,922,781	–	–	–	1,922,781
Total unassigned	1,369,801	–	–	–	1,369,801
Total	$ 2,502,595	$ 4,934,642	$ 1,524,501	$ 1,582,627	$ 10,544,365

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

The PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

2. Teachers Retirement Association (TRA)

The 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. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees 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 Public Schools or Minnesota State Colleges and Universities (MnSCU)). Educators first hired by MnSCU may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan within one year of eligible employment.

B. Benefits Provided

The PERA and the TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statutes and can only be modified by the State Legislature.

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

1. GERF Benefits

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

Benefit increases are provided to benefit recipients each January. GERF benefit recipients receive a future annual increase equal to 50.0 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

The 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 Statutes 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 the TRA's Coordinated and Basic Plan members. Members first employed before July 1, 1989, receive the greater of the Tier I or Tier II benefits as described.

Tier I Benefits

Step-Rate Formula	Percentage per Year
Basic Plan	
First 10 years of service	2.2 %
All years after	2.7 %
Coordinated Plan	
First 10 years if service years are up to July 1, 2006	1.2 %
First 10 years if service years are July 1, 2006 or after	1.4 %
All other years of service if service years are up to July 1, 2006	1.7 %
All other years of service if service years are up to July 1, 2006 or after	1.9 %

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) Three percent per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule of 90 (age plus allowable service equals 90 or more).

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Tier II Benefits

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

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

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

C. Contributions

Minnesota Statutes set the rates for employer and employee contributions. Contribution rates can only be modified by the State Legislature.

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2019, were $1,084,088. The District's contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

Minnesota Statutes, Chapter 354 sets the rates for employer and employee contributions. Rates for each fiscal year were:

	Year Ended June 30,					
	2017		2018		2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic Plan	11.00 %	11.50 %	11.00 %	11.50 %	11.00 %	11.71 %
Coordinated Plan	7.50 %	7.50 %	7.50 %	7.50 %	7.50 %	7.71 %

The District's contributions to the TRA for the plan's fiscal year ended June 30, 2019, were $2,262,283. The District's contributions were equal to the required contributions for each year as set by state statutes.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The following is a reconciliation of employer contributions in the TRA's Comprehensive Annual Financial Report (CAFR) Statement of Changes in Fiduciary Net Position to the employer contributions used in the Schedule of Employer and Nonemployer Pension Allocations:

		in thousands
Employer contributions reported in the TRA's CAFR Statement of Changes in Fiduciary Net Position	$	378,728
Add employer contributions not related to future contribution efforts		522
Deduct the TRA's contributions not included in allocation		(471)
Total employer contributions		378,779
Total nonemployer contributions		35,588
Total contributions reported in the Schedule of Employer and Nonemployer Pension Allocations	$	414,367

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2019, the District reported a liability of $12,071,556 for its proportionate share of the GERF'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 received by the 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 the PERA's participating employers. The District's proportionate share was 0.2176 percent at the end of the measurement period and 0.2318 percent for the beginning of the period.

The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of $16 million. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The amounts recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 12,071,556
State's proportionate share of the net pension liability associated with the District	$ 396,078

For the year ended June 30, 2019, the District recognized pension expense of $137,868 for its proportionate share of the GERF's pension expense. In addition, the District recognized an additional $92,324 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the GERF.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 339,431	$ 368,902
Changes in actuarial assumptions	1,208,253	1,416,954
Differences between projected and actual investment earnings	–	1,266,861
Changes in proportion	154,271	767,992
District's contributions to the GERF subsequent to the measurement date	1,084,088	–
Total	$ 2,786,043	$ 3,820,709

A total of $1,084,088 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 ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	$ 208,523
2021	$ (830,709)
2022	$ (1,244,614)
2023	$ (251,954)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of $34,306,472 for its proportionate share of the 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 the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District's proportionate share was 0.5462 percent at the end of the measurement period and 0.6119 percent for the beginning of the period.

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

District's proportionate share of the net pension liability	$ 34,306,472
State's proportionate share of the net pension liability associated with the District	$ 3,223,106

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

For the year ended June 30, 2019, the District recognized negative pension expense of $12,851,145. It also recognized $2,249,513 as a decrease to pension expense (and 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 437,842	$ 765,383
Changes in actuarial assumptions	46,938,300	59,966,545
Difference between projected and actual investment earnings	–	2,864,137
Changes in proportion	4,936,742	11,945,105
District's contributions to the TRA subsequent to the measurement date	2,262,283	–
Total	$ 54,575,167	$ 75,541,170

A total of $2,262,283 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	$ 2,898,360
2021	$ 877,995
2022	$ (1,009,222)
2023	$ (14,538,119)
2024	$ (11,457,300)

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:

Assumptions	GERF	TRA
Inflation	2.50%	2.50%
Wage growth rate		2.85% for 10 years, and 3.25% thereafter
Active member payroll	3.25%	2.85% to 8.85% for 10 years, and 3.25% to 9.25% thereafter
Investment rate of return	7.50%	7.50%

Salary increases were based on a service-related table. 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. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GERF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually for the TRA.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Actuarial assumptions used in the June 30, 2018 valuations were based on the results of actuarial experience studies. The most recent experience studies were completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent 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 2.50 percent if the funded ratio was at least 90.00 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent 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 changed from 5.12 percent to 7.50 percent.

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (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	– %
Total	100 %	

F. Discount Rate

1. GERF

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

2. TRA

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

G. Pension Liability Sensitivity

The following table presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 19,617,824	$ 12,071,556	$ 5,842,327
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 54,444,233	$ 34,306,472	$ 17,692,953

H. Pension Plan Fiduciary Net Position

Detailed information about the GERF's fiduciary net position is available in a separately issued PERA financial report. That report may be obtained on the PERA website at www.mnpera.org; by writing to the PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103; or by calling (651) 296-7460 or (800) 652-9026.

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

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. Plan Description

The District provides post-employment benefits to certain eligible employees through the OPEB Plan, a single-employer defined benefit plan administered by the District. Management of the plan is vested with the School Board of the District. All post-employment benefits are based on contractual agreements with employee groups. Eligibility for these benefits is based on years of service and/or minimum age requirements. These contractual agreements do not include any specific contribution or funding requirements.

The District administers a defined benefit Post-Employment Benefits Trust Fund. The assets of the plan are reported in the District's financial report in the Post-Employment Benefits Trust Fund, established by the District to finance these obligations. The plan assets may be used only for the payment of benefits of the plan, in accordance with the terms of the plan. The plan does not issue a publicly available financial report.

B. Benefits Provided

All retirees of the District upon retirement have the option under state law to continue their medical insurance coverage through the District. For members of certain employee groups, the District pays for all or part of the eligible retiree's premiums for medical and/or dental insurance from the time of retirement until the employee reaches the age of eligibility for Medicare. Benefits paid by the District differ by bargaining unit and date of hire, with some contracts specifying a certain dollar amount per month, and some covering premium costs as defined within each collective bargaining agreement. Retirees not eligible for these district-paid premium benefits must pay the full district premium rate for their coverage.

The District is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District's younger and statistically healthier active employees.

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District has established the Post-Employment Benefits Trust Fund to finance these obligations. The District's contributions in the current year totaled $14,440 as required on a pay-as-you-go basis to finance current year benefits as described in the previous section.

D. Membership

Membership in the plan consisted of the following as of the most recent study:

Retirees and beneficiaries receiving benefits	81
Active plan members	721
Total members	802

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

E. Net OPEB Liability of the District

The District's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The components of the net OPEB liability of the District at year-end were as follows:

Total OPEB liability	$ 8,855,859
Plan fiduciary net position	(1,843,772)
District's net OPEB liability	$ 7,012,087
Plan fiduciary net position as a percentage of the total OPEB liability	20.8%

F. Actuarial Method and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the entry-age method, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.10%
Expected long-term investment return	2.40% (net of investment expenses)
20-year municipal bond yield	3.10%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.50%, grading to 5.00% over 6 years
Dental trend rate	4.00%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies.

The District's policy in regard to the allocation of invested assets is established and may be amended by the School Board by a majority vote of its members. It is the policy of the School Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes allowable under state statutes.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

The long-term expected rate of return on OPEB Plan investments was set based on the plan's target investment allocation described below, along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered.

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Fixed income	95.00 %	2.50 %
Cash	5.00	1.00 %
Total	100.00 %	2.40 %

G. Rate of Return

For the current year ended, the annual money-weighted rate of return on investments, net of investment expense, was 1.66 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

H. Discount Rate

The discount rate used to measure the total OPEB liability was 3.10 percent. The projection of cash flows used to determine the discount rate was determined by projecting forward the fiduciary net position (assets) as of the valuation date, increasing by the investment return assumption, and reducing by benefit payments in each period until assets are exhausted. Expected benefit payments by year were discounted using the expected asset return assumptions for the years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. The contribution and benefit payment history, as well as the funding policy, have also been taken into account. The District discount rate used in the prior measurement date was 3.50 percent.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

I. Changes in the Net OPEB Liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning balance	$ 8,700,629	$ 2,158,161	$ 6,542,468
Changes for the year			
Service cost	499,612	–	499,612
Interest	315,686	–	315,686
Assumption changes	233,741	–	233,741
Plan changes	25,530	–	25,530
Employer contributions	–	14,440	(14,440)
Net investment income	–	51,796	(51,796)
Differences between expected and actual experience	(554,899)	(15,935)	(538,964)
Benefit payments	(364,440)	(364,440)	–
Administrative expenses	–	(250)	250
Total net changes	155,230	(314,389)	469,619
Ending balance	$ 8,855,859	$ 1,843,772	$ 7,012,087

Plan changes since the prior measurement date include the following:

- Unused sick days over 100 but limited to 50 days, times the daily rate of pay, is being held by the District to pay medical premiums for the superintendent, who retired during 2017. This benefit was not valued in the prior valuation.

Assumption changes since the prior measurement date include the following:

- The healthcare 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 3.50 percent to 3.10 percent.
- The trend on estimated post-age 65 premiums, which are assumed to be withdrawn from unused sick leave balances held by the District, was changed from being the same as the healthcare trend rates noted above, to 4.00 percent per year.
- For current and future retirees, except directors, we previously assumed the full pre- and post-age 65 premium amounts would be withdrawn from unused sick leave balances each year. This valuation we are assuming 50.00 percent of these amounts will be withdrawn each year. For directors, we are assuming $5,000 (increasing 4.00 percent per year) will be withdrawn each year, starting after the 10 years of district-paid premiums ends. This is the same assumption used in the prior valuation.

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

J. Net OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
OPEB discount rate	2.10%	3.10%	4.10%
Net OPEB liability	$ 7,619,907	$ 7,012,087	$ 6,437,187

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
OPEB healthcare trend rate	5.50% decreasing to 4.00% over 6 years	6.50% decreasing to 5.00% over 6 years	7.50% decreasing to 6.00% over 6 years
OPEB dental trend rate	3.00%	4.00%	5.00%
Net OPEB liability	$ 6,216,520	$ 7,012,087	$ 7,947,143

K. OPEB Expense and Related Deferred Outflows of Resources and Deferred Inflows of Resources

For the current year ended, the District recognized OPEB expense of $738,512. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ –	$ 493,243
Changes in actuarial assumptions	207,769	225,761
Differences between projected and actual investment earnings	45,636	–
Total	$ 253,405	$ 719,004

NOTE 7 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (CONTINUED)

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

Year Ending June 30,		OPEB Expense Amount
2020	$	(50,770)
2021	$	(50,773)
2022	$	(59,816)
2023	$	(64,749)
2024	$	(67,936)
Thereafter	$	(171,555)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has a cafeteria plan (the Plan) established under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pretax dollars to be contributed to the Plan during the year. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the Plan, whether or not such contributions have been made.

The Plan is administered by the District for child care, medical expense reimbursements, and health insurance premiums. The District withholds amounts from employee payroll checks equal to the amount of the health insurance premiums owing and makes the premium payments when due. These payments are recorded in the General Fund. The medical reimbursement and dependent care activity in the financial statements is accounted for in the General Fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – HEALTHCARE REIMBURSEMENT PLAN

The District also maintains a healthcare reimbursement plan (the Healthcare Plan) under § 105 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Participants may use the funds contributed by the District to be reimbursed for uninsured health expenses paid, additional costs associated with health insurance coverage, or insurance premiums paid under a spouse or dependent plan.

All assets of the Healthcare Plan are held by the District. The Healthcare Plan is administered by an independent contract administrator and is included in the financial statements in the various district funds.

All property of the Healthcare Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the Healthcare Plan are equal to those of general creditors of the District in an amount equal to the eligible healthcare expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 10 – INTERFUND TRANSACTIONS

A. Interfund Receivables and Payables

The District's General Fund has an interfund receivable from the fiduciary Post-Employment Benefits Trust Fund relating to post-employment benefit costs of $350,000 to be reimbursed as of June 30, 2019.

NOTE 11 – OPERATING LEASES

The District has operating bus leases for student transportation. The leases have monthly payments ranging from $1,120 to $31,940, and expire at various times through July 2023. Operating lease expenditures for the year ended June 30, 2019 were $986,471.

The District is currently utilizing space under an operating lease agreement for the Step Program. The lease has monthly payments ranging from $12,553 to $13,931, and will expire in November 2024. Operating lease expenditures for the year ended June 30, 2019 were $154,227.

Future commitments on these leases are as follows:

Year Ending June 30,	Bus Leases	Space Lease
2020	$ 2,159,797	$ 156,536
2021	1,539,601	158,889
2022	257,616	161,272
2023	415,248	163,691
2024	365,328	166,145
2025	–	69,657
	$ 4,737,590	$ 876,190

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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 funds. The amount, if any, of funds that may be disallowed by the agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

B. Legal Claims

The District has the usual and customary types of miscellaneous legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. Although the outcomes of these claims are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

C. Construction Contracts

At June 30, 2019, the District had commitments totaling $8,458,045 under various construction contracts for which the work was not yet completed.

D. Guaranteed Energy Savings Commitment

During fiscal year 2016, the District entered into a guaranteed energy savings agreement with APEX under Minnesota Statutes, Section 471.345, Subd. 13, not to exceed 20 years. This agreement is for the purpose of implementing comprehensive utility cost-saving measures to improve the energy efficiency of school district facilities. As of June 30, 2019, the District has recorded $1,895,000 as an intangible asset related to this energy savings contract. Total accumulated depreciation on these intangible assets at year-end was $348,648. The District is also required to purchase the energy generated by the solar panels owned by the provider that are installed on various buildings of the District.

E. Purchase Power Commitment

During fiscal year 2018, the District entered into five community solar garden subscription agreements with SoCore Sherburne LLC. The District is committed to purchasing up to 36.94 percent of the annual delivered energy of three solar systems, 29.77 percent of the annual delivered energy of one solar system, and 34.25 percent of the annual delivered energy of one solar system for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2018, the District entered into two community solar garden subscription agreements with New Energy Equity LLC. The District is committed to purchasing up to 23.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of December 31, 2017 to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into one community solar garden subscription agreement with New Energy Equity LLC. The District is committed to purchasing up to 40.00 percent of the annual delivered energy for a period of 25 years from the commercial operation starting date to receive bill credits associated with the energy production.

During fiscal year 2019, the District entered into two community solar garden subscription agreements with WGL Energy Systems, Inc. The District is committed to purchasing up to 36.00 percent of the annual delivered energy for a period of 25 years from the commercial operation date of September 30, 2018 to receive bill credits associated with the energy production.

NOTE 13 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, *Fiduciary Activities*, is intended to enhance consistency and comparability of fiduciary activity reporting by state and local governments. It is also meant to improve the usefulness of fiduciary activity information primarily for assessing the accountability of governments in their roles as fiduciaries.

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The MDE has also issued guidance for implementing this standard, which will impact the reporting of extracurricular student activity accounts previously not under School Board control, beginning in the 2019–2020 fiscal year. This new guidance provided by the MDE will require the activities currently presented separately in this financial statement to be operated under School Board control and reported as part of the District's General Fund for the year ending June 30, 2020.

REQUIRED SUPPLEMENTARY INFORMATION

Public Employees Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2019

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.2504%	$ 11,762,537	$ –	$ 11,762,537	$ 13,148,109	89.46%	78.70%
06/30/2016	06/30/2015	0.2348%	$ 12,168,555	$ –	$ 12,168,555	$ 13,777,131	88.32%	78.20%
06/30/2017	06/30/2016	0.2280%	$ 18,512,470	$ 241,803	$ 18,754,273	$ 14,132,795	130.99%	68.90%
06/30/2018	06/30/2017	0.2318%	$ 14,797,960	$ 186,086	$ 14,984,046	$ 14,933,242	99.09%	75.90%
06/30/2019	06/30/2018	0.2176%	$ 12,071,556	$ 396,078	$ 12,467,634	$ 14,645,936	82.42%	79.50%

Public Employees Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2019

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 1,018,736	$ 1,018,736	$ –	$ 13,777,131	7.39%
06/30/2016	$ 1,060,550	$ 1,060,550	$ –	$ 14,132,795	7.50%
06/30/2017	$ 1,120,066	$ 1,120,066	$ –	$ 14,933,242	7.50%
06/30/2018	$ 1,096,981	$ 1,096,981	$ –	$ 14,645,936	7.49%
06/30/2019	$ 1,084,088	$ 1,084,088	$ –	$ 14,467,360	7.49%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Teachers Retirement Association Pension Benefits Plan
Schedule of District's and Nonemployer Proportionate Share of Net Pension Liability
Year Ended June 30, 2019

District Fiscal Year-End	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.6615%	$ 30,481,444	$ 2,144,221	$ 32,625,665	$ 30,196,677	100.94%	81.50%
06/30/2016	06/30/2015	0.6052%	$ 37,437,605	$ 4,591,853	$ 42,029,458	$ 30,724,443	121.85%	76.80%
06/30/2017	06/30/2016	0.5824%	$ 138,916,297	$ 13,944,490	$ 152,860,787	$ 30,285,682	458.69%	44.88%
06/30/2018	06/30/2017	0.6119%	$ 122,146,340	$ 11,808,367	$ 133,954,707	$ 32,939,487	370.82%	51.57%
06/30/2019	06/30/2018	0.5462%	$ 34,306,472	$ 3,223,106	$ 37,529,578	$ 30,174,216	113.69%	78.07%

Teachers Retirement Association Pension Benefits Plan
Schedule of District Contributions
Year Ended June 30, 2019

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	$ 2,304,333	$ 2,304,333	$ –	$ 30,724,443	7.50%
06/30/2016	$ 2,271,426	$ 2,271,426	$ –	$ 30,285,682	7.50%
06/30/2017	$ 2,470,228	$ 2,470,228	$ –	$ 32,939,487	7.50%
06/30/2018	$ 2,267,163	$ 2,267,163	$ –	$ 30,174,216	7.51%
06/30/2019	$ 2,262,283	$ 2,262,283	$ –	$ 29,353,536	7.71%

Note: The District implemented GASB Statement No. 68 in fiscal 2015 (using a June 30, 2014 measurement date). This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net
OPEB Liability and Related Ratios
Year Ended June 30, 2019

	District Fiscal Year-End Date		
	2017	2018	2019
Total OPEB liability			
Service cost	$ 492,508	$ 458,783	$ 499,612
Interest	245,576	257,179	315,686
Assumption changes	–	(290,265)	233,741
Plan changes	–	–	25,530
Differences between expected and actual experience	–	–	(554,899)
Benefit payments	(340,848)	(267,136)	(364,440)
Net change in total OPEB liability	397,236	158,561	155,230
Total OPEB liability – beginning of year	8,144,832	8,542,068	8,700,629
Total OPEB liability – end of year	8,542,068	8,700,629	8,855,859
Plan fiduciary net position			
Employer contributions	–	–	14,440
Net investment income	19,917	32,754	51,796
Differences between expected and actual experience	–	–	(15,935)
Benefit payments	(340,848)	(267,136)	(364,440)
Administrative expenses	(250)	(250)	(250)
Net change in plan fiduciary net position	(321,181)	(234,632)	(314,389)
Plan fiduciary net position – beginning of year	2,713,974	2,392,793	2,158,161
Plan fiduciary net position – end of year	2,392,793	2,158,161	1,843,772
Net OPEB liability	$ 6,149,275	$ 6,542,468	$ 7,012,087
Fiduciary net position as a percentage of the total OPEB liability	28.0%	24.8%	20.8%
Covered-employee payroll	$ 39,738,394	$ 40,930,546	$ 37,903,982
Net OPEB liability as a percentage of covered-employee payroll	15.5%	16.0%	18.5%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

Other Post-Employment Benefits Plan
Schedule of Investment Returns
Year Ended June 30, 2019

Year	Annual Money-Weighted Rate of Return Net of Investment Expense
2017	0.70%
2018	1.40%
2019	1.66%

Note: The District implemented GASB Statement Nos. 74 and 75 in fiscal 2017. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

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PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to zero percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio, to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and nonvested deferred members. The revised CSA loads are now zero percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years, to 1.00 percent per year through 2044, and 2.50 percent per year thereafter.

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035, and 2.50 percent per year thereafter, to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth, and 2.50 percent for inflation.

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030, and 2.50 percent per year thereafter, to 1.00 percent per year through 2035, and 2.50 percent per year thereafter.

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on 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 2.50 percent if the funded ratio was at least 90.00 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.

- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent 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 changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.

- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.

- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.

- The investment return assumption was changed from 8.00 percent to 7.50 percent.

- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.

- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

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

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

- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

- The single discount rate was changed from 8.00 percent to 4.66 percent.

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.

- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

OTHER POST-EMPLOYMENT BENEFITS PLAN

2019 PLAN CHANGES

- Unused sick days over 100 but limited to 50 days, times the daily rate of pay, is being held by the District to pay medical premiums for the superintendent, who retired during 2017. This benefit was not valued in the prior valuation.

2019 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare 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 3.50 percent to 3.10 percent.

- The trend on estimated post-age 65 premiums, which are assumed to be withdrawn from unused sick leave balances held by the District, was changed from being the same as the healthcare trend rates noted above to 4.00 percent per year.

- For current and future retirees, except directors, we previously assumed the full pre- and post-age 65 premium amounts would be withdrawn from unused sick leave balances each year. This valuation we are assuming 50.00 percent of these amounts will be withdrawn each year. For directors, we are assuming $5,000 (increasing 4.00 percent per year) will be withdrawn each year, starting after the 10 years of district-paid premiums ends. This is the same assumption used in the prior valuation.

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 2.90 percent to 3.50 percent.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Balance Sheet
as of June 30, 2019

	Special Revenue Funds		
	Food Service	Community Service	Total
Assets			
Cash and temporary investments	$ 547,471	$ 1,590,519	$ 2,137,990
Receivables			
Current taxes	–	690,311	690,311
Delinquent taxes	–	19,590	19,590
Accounts and interest	4,567	74,055	78,622
Due from other governmental units	38,703	120,996	159,699
Inventory	51,548	–	51,548
Prepaid items	9,083	2,690	11,773
Total assets	$ 651,372	$ 2,498,161	$ 3,149,533
Liabilities			
Salaries payable	$ 10,724	$ 106,271	$ 116,995
Accounts and contracts payable	21,995	59,906	81,901
Due to other governmental units	–	891	891
Unearned revenue	136,030	3,910	139,940
Total liabilities	168,749	170,978	339,727
Deferred inflows of resources			
Property taxes levied for subsequent year	–	1,212,469	1,212,469
Unavailable revenue – delinquent taxes	–	14,710	14,710
Total deferred inflows of resources	–	1,227,179	1,227,179
Fund balances			
Nonspendable	60,631	2,690	63,321
Restricted	421,992	1,097,314	1,519,306
Total fund balances	482,623	1,100,004	1,582,627
Total liabilities, deferred inflows of resources, and fund balances	$ 651,372	$ 2,498,161	$ 3,149,533

INDEPENDENT SCHOOL DISTRICT NO. 831

Nonmajor Governmental Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2019

	Special Revenue Funds		
	Food Service	Community Service	Total
Revenue			
Local sources			
Property taxes	$ –	$ 1,134,571	$ 1,134,571
Investment earnings	8,935	26,256	35,191
Other	2,368,921	3,197,747	5,566,668
State sources	218,130	755,943	974,073
Federal sources	1,299,070	2,874	1,301,944
Total revenue	3,895,056	5,117,391	9,012,447
Expenditures			
Current			
Food service	3,671,166	–	3,671,166
Community service	–	4,776,430	4,776,430
Capital outlay	34,210	62,752	96,962
Total expenditures	3,705,376	4,839,182	8,544,558
Net change in fund balances	189,680	278,209	467,889
Fund balances			
Beginning of year	292,943	821,795	1,114,738
End of year	$ 482,623	$ 1,100,004	$ 1,582,627

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 12,062,390	$ 9,936,429
Receivables		
Current taxes	9,420,572	6,220,527
Delinquent taxes	216,750	247,895
Accounts and interest	172,361	37,402
Due from other governmental units	5,702,225	4,897,148
Due from other funds	350,000	267,136
Prepaid items	151,143	170,007
Total assets	$ 28,075,441	$ 21,776,544
Liabilities		
Salaries payable	$ 565,924	$ 648,372
Accounts and contracts payable	8,779,088	7,827,270
Due to other governmental units	133,892	408,591
Unearned revenue	2,089	–
Total liabilities	9,480,993	8,884,233
Deferred inflows of resources		
Property taxes levied for subsequent year	15,925,842	10,621,897
Unavailable revenue – delinquent taxes	166,011	132,944
Total deferred inflows of resources	16,091,853	10,754,841
Fund balances (deficits)		
Nonspendable for prepaid items	151,143	170,007
Restricted for operating capital	397,938	626,446
Restricted for long-term facilities maintenance	–	168,936
Assigned for severance	583,713	461,114
Unassigned – long-term facilities maintenance restricted account deficit	(552,980)	–
Unassigned	1,922,781	710,967
Total fund balances	2,502,595	2,137,470
Total liabilities, deferred inflows of resources, and fund balances	$ 28,075,441	$ 21,776,544

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 11,800,000	$ 11,976,441	$ 176,441	$ 13,421,398
Investment earnings	85,000	199,175	114,175	80,894
Other	2,513,900	2,911,436	397,536	2,508,241
State sources	56,801,100	58,120,768	1,319,668	57,201,749
Federal sources	1,900,000	1,943,362	43,362	1,953,798
Total revenue	73,100,000	75,151,182	2,051,182	75,166,080
Expenditures				
Current				
Administration				
Salaries	2,289,974	2,169,649	(120,325)	2,186,755
Employee benefits	984,734	978,479	(6,255)	1,017,436
Purchased services	64,100	25,005	(39,095)	29,716
Supplies and materials	15,744	8,574	(7,170)	11,621
Other expenditures	98,515	56,017	(42,498)	59,942
Total administration	3,453,067	3,237,724	(215,343)	3,305,470
District support services				
Salaries	1,251,266	1,247,231	(4,035)	1,092,724
Employee benefits	664,523	592,789	(71,734)	555,798
Purchased services	1,095,814	1,000,063	(95,751)	1,023,694
Supplies and materials	114,329	116,995	2,666	113,894
Other expenditures	53,709	10,675	(43,034)	7,907
Total district support services	3,179,641	2,967,753	(211,888)	2,794,017
Elementary and secondary regular instruction				
Salaries	18,712,919	17,144,774	(1,568,145)	18,211,456
Employee benefits	7,419,282	6,956,249	(463,033)	7,602,386
Purchased services	897,780	1,042,397	144,617	933,088
Supplies and materials	765,267	782,279	17,012	606,844
Capital expenditures	12,000	–	(12,000)	4,142
Other expenditures	22,000	138,695	116,695	147,520
Total elementary and secondary regular instruction	27,829,248	26,064,394	(1,764,854)	27,505,436

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	659,033	714,513	55,480	822,948
Employee benefits	273,956	276,522	2,566	317,245
Purchased services	16,270	28,973	12,703	30,721
Supplies and materials	28,765	32,566	3,801	36,148
Capital expenditures	10,000	1,970	(8,030)	16,760
Other expenditures	–	4,572	4,572	4,681
Total vocational education instruction	988,024	1,059,116	71,092	1,228,503
Special education instruction				
Salaries	9,017,214	8,330,262	(686,952)	8,650,005
Employee benefits	3,381,217	3,029,730	(351,487)	3,073,146
Purchased services	261,921	1,162,289	900,368	626,664
Supplies and materials	8,000	58,147	50,147	47,218
Capital expenditures	22,000	104,788	82,788	50,487
Other expenditures	4,800	56,319	51,519	58,353
Total special education instruction	12,695,152	12,741,535	46,383	12,505,873
Instructional support services				
Salaries	2,808,750	3,890,224	1,081,474	3,862,285
Employee benefits	989,012	1,024,298	35,286	1,045,067
Purchased services	267,764	233,504	(34,260)	209,990
Supplies and materials	109,090	108,184	(906)	108,155
Capital expenditures	1,000	–	(1,000)	761
Other expenditures	22,600	30,606	8,006	32,494
Total instructional support services	4,198,216	5,286,816	1,088,600	5,258,752
Pupil support services				
Salaries	5,199,367	4,951,046	(248,321)	4,835,825
Employee benefits	2,005,517	2,078,298	72,781	2,003,444
Purchased services	2,721,714	2,869,120	147,406	2,684,731
Supplies and materials	915,245	896,100	(19,145)	813,296
Capital expenditures	674,440	921,549	247,109	522,920
Other expenditures	115	20,380	20,265	14,038
Total pupil support services	11,516,398	11,736,493	220,095	10,874,254

(continued)

General Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual (continued)
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	2,264,076	2,248,638	(15,438)	2,111,494
Employee benefits	1,053,145	1,122,459	69,314	1,117,176
Purchased services	2,756,612	2,967,737	211,125	2,542,722
Supplies and materials	504,661	411,245	(93,416)	402,223
Capital expenditures	1,821,160	4,105,027	2,283,867	4,013,931
Other expenditures	5,600	8,655	3,055	6,367
Total sites and buildings	8,405,254	10,863,761	2,458,507	10,193,913
Fiscal and other fixed cost programs				
Purchased services	520,000	520,000	–	635,768
Debt service				
Principal	190,000	189,234	(766)	187,235
Interest and fiscal charges	125,000	119,231	(5,769)	123,703
Total debt service	315,000	308,465	(6,535)	310,938
Total expenditures	73,100,000	74,786,057	1,686,057	74,612,924
Excess of revenue over expenditures	–	365,125	365,125	553,156
Other financing (uses)				
Transfers (out)	–	–	–	(114,709)
Net change in fund balances	$ –	365,125	$ 365,125	438,447
Fund balances				
Beginning of year		2,137,470		1,699,023
End of year		$ 2,502,595		$ 2,137,470

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 547,471	$ 361,626
Receivables		
Accounts and interest	4,567	–
Due from other governmental units	38,703	27,207
Inventory	51,548	63,208
Prepaid items	9,083	2,545
Total assets	$ 651,372	$ 454,586
Liabilities		
Salaries payable	$ 10,724	$ 13,118
Accounts and contracts payable	21,995	25,740
Unearned revenue	136,030	122,785
Total liabilities	168,749	161,643
Fund balances		
Nonspendable for inventory	51,548	63,208
Nonspendable for prepaid items	9,083	2,545
Restricted for food service	421,992	227,190
Total fund balances	482,623	292,943
Total liabilities and fund balances	$ 651,372	$ 454,586

INDEPENDENT SCHOOL DISTRICT NO. 831

Food Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ –	$ 8,935	$ 8,935	$ –
Other – primarily meal sales	2,351,159	2,368,921	17,762	2,303,717
State sources	202,956	218,130	15,174	231,603
Federal sources	1,181,005	1,299,070	118,065	1,358,490
Total revenue	3,735,120	3,895,056	159,936	3,893,810
Expenditures				
Current				
Salaries	1,337,337	1,306,059	(31,278)	1,377,710
Employee benefits	426,059	441,026	14,967	406,564
Purchased services	157,299	157,924	625	171,835
Supplies and materials	1,705,439	1,764,567	59,128	1,740,987
Other expenditures	2,402	1,590	(812)	3,372
Capital outlay	61,400	34,210	(27,190)	15,108
Total expenditures	3,689,936	3,705,376	15,440	3,715,576
Excess of revenue over expenditures	45,184	189,680	144,496	178,234
Other financing sources				
Transfers in	–	–	–	114,709
Net change in fund balances	$ 45,184	189,680	$ 144,496	292,943
Fund balances				
Beginning of year		292,943		–
End of year		$ 482,623		$ 292,943

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 1,590,519	$ 1,355,850
Receivables		
Current taxes	690,311	628,524
Delinquent taxes	19,590	20,768
Accounts and interest	74,055	45,007
Due from other governmental units	120,996	104,446
Prepaid items	2,690	6,667
Total assets	$ 2,498,161	$ 2,161,262
Liabilities		
Salaries payable	$ 106,271	$ 115,022
Accounts and contracts payable	59,906	69,194
Due to other governmental units	891	121
Unearned revenue	3,910	6,495
Total liabilities	170,978	190,832
Deferred inflows of resources		
Property taxes levied for subsequent year	1,212,469	1,137,354
Unavailable revenue – delinquent taxes	14,710	11,281
Total deferred inflows of resources	1,227,179	1,148,635
Fund balances		
Nonspendable for prepaid items	2,690	6,667
Restricted for community education programs	273,851	142,368
Restricted for early childhood family education programs	353,549	259,855
Restricted for school readiness	445,714	369,048
Restricted for community service	24,200	43,857
Total fund balances	1,100,004	821,795
Total liabilities, deferred inflows of resources, and fund balances	$ 2,498,161	$ 2,161,262

INDEPENDENT SCHOOL DISTRICT NO. 831

Community Service Special Revenue Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	$ 1,093,641	$ 1,134,571	$ 40,930	$ 1,057,526
Investment earnings	–	26,256	26,256	10,310
Other – primarily tuition and fees	2,926,086	3,197,747	271,661	2,959,658
State sources	666,807	755,943	89,136	763,801
Federal sources	2,924	2,874	(50)	2,924
Total revenue	4,689,458	5,117,391	427,933	4,794,219
Expenditures				
Current				
Salaries	3,082,352	3,081,461	(891)	2,906,058
Employee benefits	959,946	974,919	14,973	955,493
Purchased services	371,133	527,322	156,189	476,702
Supplies and materials	185,025	189,194	4,169	178,426
Other expenditures	5,633	3,534	(2,099)	9,020
Capital outlay	24,300	62,752	38,452	3,605
Total expenditures	4,628,389	4,839,182	210,793	4,529,304
Net change in fund balances	$ 61,069	278,209	$ 217,140	264,915
Fund balances				
Beginning of year		821,795		556,880
End of year		$ 1,100,004		$ 821,795

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Comparative Balance Sheet
as of June 30, 2019 and 2018

	2019	2018
Assets		
Cash and temporary investments	$ 9,830,683	$ 46,477,348
Receivables		
Accounts and interest	90,718	457,710
Total assets	$ 9,921,401	$ 46,935,058
Liabilities		
Accounts and contracts payable	$ 4,986,759	$ 9,571,300
Due to other governmental units	–	994
Total liabilities	4,986,759	9,572,294
Fund balances (deficit)		
Restricted for capital projects	4,934,642	37,527,255
Unassigned – long-term facilities maintenance restricted account deficit	–	(164,491)
Total fund balances	4,934,642	37,362,764
Total liabilities and fund balances	$ 9,921,401	$ 46,935,058

INDEPENDENT SCHOOL DISTRICT NO. 831

Capital Projects – Building Construction Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Investment earnings	$ 350,000	$ 652,976	$ 302,976	$ 714,844
Expenditures				
Capital outlay				
Salaries	147,083	82,846	(64,237)	80,115
Employee benefits	63,009	39,174	(23,835)	38,767
Purchased services	2,500,000	4,654,903	2,154,903	7,719,933
Capital expenditures	31,289,908	37,345,933	6,056,025	44,399,701
Total expenditures	34,000,000	42,122,856	8,122,856	52,238,516
Excess (deficiency) of revenue over expenditures	(33,650,000)	(41,469,880)	(7,819,880)	(51,523,672)
Other financing sources				
Debt issued	–	8,175,000	8,175,000	–
Premium on debt issued	–	866,758	866,758	–
Total other financing sources	–	9,041,758	9,041,758	–
Net change in fund balances	$ (33,650,000)	(32,428,122)	$ 1,221,878	(51,523,672)
Fund balances				
Beginning of year		37,362,764		88,886,436
End of year		$ 4,934,642		$ 37,362,764

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Debt Service Fund
Balance Sheet by Account
as of June 30, 2019
(With Comparative Totals as of June 30, 2018)

	Regular Debt Service Account	OPEB Debt Service Account	Totals 2019	Totals 2018
Assets				
Cash and temporary investments	$ 4,902,590	$ 416,679	$ 5,319,269	$ 5,268,857
Receivables				
Current taxes	4,928,096	233,631	5,161,727	5,139,466
Delinquent taxes	135,628	8,019	143,647	148,278
Due from other governmental units	10,667	68	10,735	2,129
Total assets	$ 9,976,981	$ 658,397	$ 10,635,378	$ 10,558,730
Liabilities				
Accounts and contracts payable	$ –	$ –	$ –	$ 3,075
Deferred inflows of resources				
Property taxes levied for subsequent year	8,595,232	410,352	9,005,584	9,300,188
Unavailable revenue – delinquent taxes	98,916	6,377	105,293	80,861
Total deferred inflows of resources	8,694,148	416,729	9,110,877	9,381,049
Fund balances				
Restricted for debt service	1,282,833	241,668	1,524,501	1,174,606
Total liabilities, deferred inflows of resources, and fund balances	$ 9,976,981	$ 658,397	$ 10,635,378	$ 10,558,730

INDEPENDENT SCHOOL DISTRICT NO. 831

Debt Service Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances by Account
Budget and Actual
Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

		2019	
		Actual	
	Budget	Regular Debt Service Account	OPEB Debt Service Account
Revenue			
Local sources			
Property taxes	$ 9,330,000	$ 8,883,486	$ 316,683
Investment earnings	10,000	39,293	3,369
State sources	–	106,561	678
Total revenue	9,340,000	9,029,340	320,730
Expenditures			
Debt service			
Principal	4,665,000	3,655,000	190,000
Interest	4,750,000	5,074,399	141,755
Fiscal charges and other	20,000	14,021	–
Total expenditures	9,435,000	8,743,420	331,755
Excess (deficiency) of revenue over expenditures	(95,000)	285,920	(11,025)
Other financing sources			
Debt issued	–	75,000	–
Net change in fund balances	$ (95,000)	360,920	(11,025)
Fund balances			
Beginning of year		921,913	252,693
End of year		$ 1,282,833	$ 241,668

		2018
Total	Over (Under) Budget	Actual
$ 9,200,169	$ (129,831)	$ 9,174,550
42,662	32,662	28,134
107,239	107,239	21,286
9,350,070	10,070	9,223,970
3,845,000	(820,000)	3,825,000
5,216,154	466,154	5,732,449
14,021	(5,979)	19,588
9,075,175	(359,825)	9,577,037
274,895	369,895	(353,067)
75,000	75,000	–
349,895	$ 444,895	(353,067)
1,174,606		1,527,673
$ 1,524,501		$ 1,174,606

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Net Position
as of June 30, 2019
(With Comparative Totals as of June 30, 2018)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2019	Totals 2018
Assets				
Current assets				
Cash and temporary investments	$ 5,493,119	$ 473,329	$ 5,966,448	$ 6,264,314
Receivables				
Accounts and interest	33,661	2,024	35,685	11,395
Total current assets	5,526,780	475,353	6,002,133	6,275,709
Liabilities				
Current liabilities				
Accounts and contracts payable	192,396	10,241	202,637	316,356
Unearned revenue	1,610,158	103,444	1,713,602	1,751,794
Claims incurred, but not reported	610,831	10,665	621,496	528,651
Total current liabilities	2,413,385	124,350	2,537,735	2,596,801
Net position				
Unrestricted	$ 3,113,395	$ 351,003	$ 3,464,398	$ 3,678,908

Internal Service Funds
Combining Statement of Revenue, Expenses, and Changes in Net Position
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2019	Totals 2018
Operating revenue				
Charges for services				
Contributions from governmental funds	$ 8,834,502	$ 546,552	$ 9,381,054	$ 9,618,118
Operating expenses				
Health benefit claims	9,181,479	–	9,181,479	8,836,541
Dental benefit claims	–	503,254	503,254	517,385
Total operating expenses	9,181,479	503,254	9,684,733	9,353,926
Operating income (loss)	(346,977)	43,298	(303,679)	264,192
Nonoperating revenue				
Investment earnings	82,578	6,591	89,169	47,682
Change in net position	(264,399)	49,889	(214,510)	311,874
Net position				
Beginning of year	3,377,794	301,114	3,678,908	3,367,034
End of year	$ 3,113,395	$ 351,003	$ 3,464,398	$ 3,678,908

INDEPENDENT SCHOOL DISTRICT NO. 831

Internal Service Funds
Combining Statement of Cash Flows
Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	Health Benefits Self-Insurance	Dental Self-Insurance	Totals 2019	Totals 2018
Cash flows from operating activities				
Contributions from governmental funds	$ 8,774,015	$ 544,557	$ 9,318,572	$ 9,622,703
Payment for health claims	(9,200,838)	–	(9,200,838)	(8,834,896)
Payment for dental claims	–	(504,769)	(504,769)	(520,565)
Net cash flows from operating activities	(426,823)	39,788	(387,035)	267,242
Cash flows from investing activities				
Investment income received	82,578	6,591	89,169	47,682
Net change in cash and cash equivalents	(344,245)	46,379	(297,866)	314,924
Cash and cash equivalents				
Beginning of year	5,837,364	426,950	6,264,314	5,949,390
End of year	$ 5,493,119	$ 473,329	$ 5,966,448	$ 6,264,314
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	$ (346,977)	$ 43,298	$ (303,679)	$ 264,192
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts and interest receivable	(22,794)	(1,496)	(24,290)	12,944
Prepaid items	–	–	–	6,732
Accounts and contracts payable	(107,373)	(6,346)	(113,719)	151,566
Unearned revenue	(37,693)	(499)	(38,192)	(8,359)
Claims incurred, but not reported	88,014	4,831	92,845	(159,833)
Net cash flows from operating activities	$ (426,823)	$ 39,788	$ (387,035)	$ 267,242

OTHER DISTRICT INFORMATION

(UNAUDITED)

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INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Revenue by Type
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	General Revenues: Property Taxes	General Revenues: General Grants and Aids	General Revenues: Investment Earnings and Other	Total
2010	$ 6,157,018	$ 9,452,410	$ 14,997,282	$ 43,413,186	$ 622,628	$ 74,642,524
	8%	13%	20%	58%	1%	100%
2011	6,370,292	10,511,839	20,845,675	38,446,379	645,610	76,819,795
	8%	14%	27%	50%	1%	100%
2012	6,148,601	11,485,954	15,230,036	44,173,101	591,559	77,629,251
	8%	14%	20%	57%	1%	100%
2013	6,115,186	11,490,994	16,176,424	43,429,388	553,293	77,765,285
	8%	14%	21%	56%	1%	100%
2014	5,954,935	12,220,938	11,742,462	50,084,696	855,420	80,858,451
	7%	15%	15%	62%	1%	100%
2015	6,423,354	11,968,641	17,571,864	49,259,872	1,193,682	86,417,413
	7%	14%	21%	57%	1%	100%
2016	6,847,529	12,672,382	17,057,514	49,382,999	629,701	86,590,125
	8%	14%	20%	57%	1%	100%
2017	6,437,175	13,194,175	19,430,966	50,352,014	1,585,486	90,999,816
	7%	15%	21%	55%	2%	100%
2018	6,697,514	13,334,671	23,571,789	48,177,917	1,955,966	93,737,857
	7%	14%	25%	52%	2%	100%
2019	6,891,345	13,306,489	22,372,109	46,735,121	2,605,932	91,910,996
	8%	14%	24%	51%	3%	100%

Note: The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services
2010	$ 3,147,946	$ 1,702,804	$ 28,492,182	$ 956,606	$ 9,584,548	$ 2,331,929
	4%	2%	39%	1%	13%	3%
2011	3,111,531	2,164,587	30,673,422	920,206	10,368,127	1,598,026
	4%	3%	40%	1%	14%	2%
2012	3,100,536	2,197,394	25,576,188	810,798	10,620,873	2,077,860
	4%	3%	35%	1%	15%	3%
2013	3,201,925	2,254,471	27,594,183	781,880	10,918,573	2,369,743
	4%	3%	36%	1%	14%	3%
2014	3,323,552	2,417,192	29,596,211	758,648	11,736,976	3,541,782
	4%	3%	37%	1%	15%	4%
2015	3,226,706	3,072,069	29,472,957	863,577	12,018,150	5,120,151
	4%	4%	36%	1%	14%	6%
2016	3,796,645	2,322,473	29,008,857	954,911	12,558,342	4,610,217
	4%	3%	33%	1%	14%	5%
2017	4,923,047	2,052,095	39,074,208	1,727,610	17,305,271	6,333,778
	4%	2%	35%	1%	16%	6%
2018	3,618,600	2,774,376	36,792,292	1,604,135	16,690,659	6,380,709
	3%	3%	34%	1%	16%	6%
2019	2,404,931	2,914,489	15,406,822	551,470	9,188,795	3,770,996
	3%	4%	22%	1%	13%	5%

Pupil Support Services	Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Depreciation Not Allocated to Other Functions	Interest and Fiscal Charges	Total
$ 7,668,210	$ 7,705,210	$ 264,920	$ 3,932,226	$ 3,965,024	$ 2,178,622	$ 1,659,947	$ 73,590,174
11%	11%	–	5%	6%	3%	2%	100%
8,948,191	7,157,893	281,925	3,888,660	4,073,291	2,194,397	1,565,753	76,946,009
12%	9%	–	5%	5%	3%	2%	100%
9,731,943	6,538,037	296,349	4,037,265	4,085,559	2,126,662	1,428,442	72,627,906
13%	9%	–	6%	6%	3%	2%	100%
9,928,802	7,684,483	317,174	3,891,749	4,113,757	2,098,391	1,275,898	76,431,029
13%	10%	1%	5%	5%	3%	2%	100%
10,017,084	7,639,633	351,205	3,959,013	4,007,281	2,535,075	1,158,034	81,041,686
12%	9%	1%	5%	5%	3%	1%	100%
10,278,319	7,444,141	379,529	4,138,798	4,321,014	2,488,510	1,019,716	83,843,637
12%	9%	–	5%	5%	3%	1%	100%
11,046,015	8,776,019	526,412	4,276,582	4,531,548	2,545,922	2,243,227	87,197,170
13%	10%	1%	5%	5%	3%	3%	100%
12,344,131	8,490,188	574,212	3,957,910	4,990,631	2,835,218	5,475,005	110,083,304
11%	8%	1%	4%	4%	3%	5%	100%
11,308,606	10,704,394	635,768	3,775,043	4,956,962	2,946,179	4,860,767	107,048,490
11%	10%	1%	3%	5%	3%	4%	100%
9,919,553	9,509,308	520,000	3,642,072	4,447,056	4,393,215	5,170,398	71,839,105
14%	13%	1%	5%	6%	6%	7%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Local Property Tax Levies	State Revenue	Federal Revenue	Other Local and Miscellaneous	Total
2010	$ 10,431,320	$ 43,539,037	$ 7,374,372	$ 1,668,808	$ 63,013,537
	17%	69%	12%	2%	100%
2011	15,333,557	44,072,843	3,300,695	1,734,346	64,441,441
	24%	68%	5%	3%	100%
2012	10,361,414	50,606,450	2,975,539	1,531,090	65,474,493
	16%	77%	5%	2%	100%
2013	10,599,904	50,759,534	2,183,794	1,616,894	65,160,126
	16%	78%	4%	2%	100%
2014	5,017,095	57,937,865	1,944,413	2,032,995	66,932,368
	7%	87%	3%	3%	100%
2015	10,566,174	56,971,250	2,000,562	2,639,541	72,177,527
	14%	79%	3%	4%	100%
2016	10,143,433	57,995,977	1,833,859	2,255,801	72,229,070
	14%	80%	3%	3%	100%
2017	12,003,610	57,412,440	1,902,513	2,374,673	73,693,236
	16%	78%	3%	3%	100%
2018	13,421,398	57,201,749	1,953,798	2,589,135	75,166,080
	18%	76%	3%	3%	100%
2019	11,976,441	58,120,768	1,943,362	3,110,611	75,151,182
	16%	77%	3%	4%	100%

Note: The change in "tax shift," as approved in legislation, impacted the amount of tax revenue recognized in fiscal years 2011 and 2014. Changes in the amount of revenue recognized, due to the tax shift, are offset by an adjustment to state aid payments by an equal amount.

INDEPENDENT SCHOOL DISTRICT NO. 831

General Fund Expenditures by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction
2010	$ 3,042,912	$ 1,691,524	$ 29,049,049	$ 954,236	$ 9,503,795
	5%	3%	46%	2%	15%
2011	3,051,637	2,147,647	29,779,750	917,836	10,293,896
	5%	3%	46%	1%	16%
2012	3,112,219	2,178,896	26,302,525	808,428	10,542,937
	5%	4%	42%	1%	17%
2013	3,159,778	2,232,860	27,755,921	779,510	10,809,283
	5%	3%	43%	1%	17%
2014	3,364,983	2,434,106	30,818,312	764,300	11,842,041
	5%	3%	43%	1%	16%
2015	3,298,590	3,085,780	29,877,813	872,825	12,139,538
	5%	4%	40%	1%	16%
2016	3,654,157	2,299,936	28,929,355	942,709	12,427,639
	5%	3%	41%	1%	18%
2017	3,706,541	1,981,718	27,796,600	1,331,649	13,191,811
	5%	3%	38%	2%	18%
2018	3,305,470	2,794,017	27,505,436	1,228,503	12,505,873
	4%	4%	37%	2%	17%
2019	3,237,724	2,967,753	26,064,394	1,059,116	12,741,535
	4%	4%	35%	1%	17%

Instructional Support Services	Pupil Support Services	Sites and Buildings	Other Programs	Total
$ 2,300,442	$ 7,410,014	$ 8,335,957	$ 334,789	$ 62,622,718
4%	12%	13%	–	100%
1,581,361	8,661,991	8,023,299	342,586	64,800,003
2%	14%	12%	1%	100%
2,058,433	9,481,775	7,526,899	355,588	62,367,700
3%	15%	12%	1%	100%
2,345,242	9,699,810	8,058,856	394,099	65,235,359
3%	15%	12%	1%	100%
3,560,499	9,949,597	8,718,984	412,317	71,865,139
5%	14%	12%	1%	100%
5,312,438	10,214,856	8,657,555	692,148	74,151,543
7%	14%	12%	1%	100%
4,571,268	11,113,359	7,306,746	842,963	72,088,132
6%	15%	10%	1%	100%
4,875,659	11,214,282	8,252,564	899,378	73,250,202
7%	15%	11%	1%	100%
5,258,752	10,874,254	10,193,913	946,706	74,612,924
7%	14%	14%	1%	100%
5,286,816	11,736,493	10,863,761	828,465	74,786,057
7%	16%	15%	1%	100%

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INDEPENDENT SCHOOL DISTRICT NO. 831

School Tax Levies and Tax Rates by Fund
Last Ten Fiscal Years

	Year Collectible	General Fund	Community Service Special Revenue Fund	Debt Service Fund	Total All Funds
Levies					
	2010	$ 9,614,370	$ 786,219	$ 4,535,664	$ 14,936,253
	2011	10,432,345	877,092	4,315,521	15,624,958
	2012	9,886,190	903,832	4,750,683	15,540,705
	2013	11,377,392	882,776	4,755,527	17,015,695
	2014	11,573,258	927,114	4,637,561	17,137,933
	2015	11,337,029	915,154	4,658,652	16,910,835
	2016	11,996,073	986,419	6,482,348	19,464,840
	2017	12,927,090	1,057,994	9,197,425	23,182,509
	2018	11,282,541	1,137,354	9,300,188	21,720,083
	2019	16,981,566	1,212,469	9,005,584	27,199,619
Tax rates					
Tax capacity rates					
	2010	3.745	1.352	7.798	12.895
	2011	5.497	1.676	8.238	15.411
	2012	5.458	1.901	9.972	17.331
	2013	8.949	2.050	11.020	22.019
	2014	11.328	2.097	10.471	23.896
	2015	9.898	1.849	9.398	21.145
	2016	10.145	1.952	12.806	24.903
	2017	11.781	2.005	17.427	31.213
	2018	8.426	1.940	15.864	26.230
	2019	8.625	1.926	14.306	24.857
Market value rates					
	2010	0.13710	–	–	0.13710
	2011	0.15293	–	–	0.15293
	2012	0.15390	–	–	0.15390
	2013	0.17389	–	–	0.17389
	2014	0.14626	–	–	0.14626
	2015	0.13351	–	–	0.13351
	2016	0.13979	–	–	0.13979
	2017	0.12865	–	–	0.12865
	2018	0.11395	–	–	0.11395
	2019	0.20186	–	–	0.20186

Note: A tax rate based on market value is used primarily for the District’s referendum, equity, and transition levies.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 831

Tax Capacities and Market Values
Last Ten Fiscal Years

For Taxes Collectible	Net Tax Capacities: Agricultural	Nonagricultural	Tax Increment	Fiscal Disparities: Contribution	Distribution
2010	$ 1,925,510	$ 56,734,951	$ (1,567,241)	$ (3,907,347)	$ 4,960,891
2011	1,892,928	51,378,555	(1,383,497)	(3,871,485)	4,938,071
2012	1,739,170	46,408,764	(1,294,513)	(3,580,022)	4,830,499
2013	1,741,624	42,273,461	(1,232,190)	(3,176,279)	4,443,326
2014	1,798,181	42,261,513	(858,721)	(3,136,170)	4,528,567
2015	1,947,446	46,296,615	(828,748)	(3,089,582)	4,621,327
2016	1,958,007	48,029,784	(197,609)	(3,149,763)	4,689,654
2017	2,010,419	50,174,007	(316,163)	(3,216,864)	5,264,712
2018	2,083,679	53,722,499	(327,428)	(3,169,145)	5,521,366
2019	2,127,411	58,412,990	(437,588)	(3,258,899)	5,834,684

Note: Market value is used primarily for extension of the District's referendum levy.

Source: State of Minnesota School Tax Report

Total Taxable	Market Value
$ 58,146,764	$ 4,988,746,100
52,954,572	4,505,366,200
48,103,898	4,290,135,700
44,049,942	3,939,600,600
44,593,370	3,956,177,800
48,947,058	4,328,284,000
51,330,073	4,484,223,100
53,916,111	4,672,890,900
57,830,971	4,992,499,000
62,678,598	5,413,348,800

INDEPENDENT SCHOOL DISTRICT NO. 831

Property Tax Levies and Receivables
Last Ten Fiscal Years

For Taxes Collectible	Original Levy			
	Local Spread	Fiscal Disparities	Property Tax Credits	Total Spread
2010	$ 13,330,800	$ 1,289,782	$ 315,671	$ 14,936,253
2011	13,968,510	1,265,177	391,271	15,624,958
2012	14,095,828	1,444,877	–	15,540,705
2013	15,567,747	1,447,948	–	17,015,695
2014	15,357,515	1,780,418	–	17,137,933
2015	15,139,104	1,771,731	–	16,910,835
2016	17,861,854	1,602,986	–	19,464,840
2017	21,163,913	2,018,596	–	23,182,509
2018	19,314,437	2,405,646	–	21,720,083
2019	24,932,058	2,164,987	102,574	27,199,619

Note 1: A portion of the total spread levy is paid through various property tax credits, which are paid through state aids. Legislative changes, beginning with taxes collectible in 2012, significantly changed the calculation of tax credits applied and paid through state aids.

Note 2: Delinquent taxes are written off after seven years.

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2019			
Delinquent		Current	
Amount	Percent	Amount	Percent
$ –	– %	$ –	– %
–	–	–	–
–	–	–	–
51,934	0.31	–	–
19,350	0.11	–	–
21,784	0.13	–	–
38,214	0.20	–	–
48,483	0.21	–	–
200,222	0.92	–	–
–	–	15,272,610	56.15
$ 379,987		$ 15,272,610	

INDEPENDENT SCHOOL DISTRICT NO. 831

Student Enrollment
Last Ten Fiscal Years

	Adjusted Average Daily Membership (ADM)					
Year Ended June 30,	Handicapped and Pre-Kindergarten	Kindergarten	Elementary	Secondary	Total	Total Pupil Units
2010	94.90	417.96	2,981.31	3,279.96	6,774.13	7,870.97
2011	94.25	467.22	2,980.06	3,209.66	6,751.19	7,808.82
2012	95.96	401.75	2,980.94	3,214.68	6,693.33	7,779.21
2013	102.14	394.47	2,962.30	3,202.66	6,661.57	7,741.35
2014	107.06	429.29	2,969.74	3,102.01	6,608.10	7,642.50
2015	116.37	384.90	2,960.46	3,164.73	6,626.46	7,259.42
2016	111.89	351.77	2,814.95	3,173.63	6,452.24	7,086.98
2017	109.78	389.39	2,701.60	3,091.89	6,292.66	6,911.03
2018	113.01	361.39	2,620.92	3,028.80	6,124.12	6,729.89
2019	116.29	342.54	2,608.94	2,997.50	6,065.27	6,664.77

Note 1: Student enrollment numbers are estimated for the most recent fiscal year.

Note 2: ADM is weighted as follows in computing pupil units:

	Pre-Kindergarten	Handicapped Kindergarten	Half-Day Kindergarten	Full-Day Kindergarten	Elementary 1–3	Elementary 4–6	Secondary
Fiscal 2010 through 2014	1.250	1.000	0.612	0.612	1.115	1.060	1.300
Fiscal 2015 through 2019	1.000	1.000	0.550	1.000	1.000	1.000	1.200

Source: Minnesota Department of Education student reporting system

SINGLE AUDIT AND OTHER REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Federal Expenditures		Noncash Assistance
U.S. Department of Agriculture				
Passed through Minnesota Department of Education				
Child nutrition cluster				
School Breakfast Program	10.553	$ 186,639		
National School Lunch Program	10.555	1,112,431		$ 267,510
Total child nutrition cluster			$ 1,299,070	
U.S. Department of Education				
Direct				
Indian Education Grants to Local Educational Agencies	84.060		14,326	
Passed through Education Cooperative Service Unit of the Metropolitan Twin Cities				
Special education cluster				
Special Education Grants to States	84.027	21,590		
Passed through Minnesota Department of Education				
Special education cluster				
Special Education Grants to States	84.027	1,161,815		
Total CFDA No. 84.027		1,183,405		
Special Education Preschool Grants	84.173	37,612		
Total special education cluster			1,221,017	
Passed through Minnesota Department of Education				
Title I Grants to Local Educational Agencies	84.010		552,884	
Special Education – Grants for Infants and Families	84.181		28,084	
English Language Acquisition State Grants	84.365		5,704	
Supporting Effective Instruction State Grants	84.367		95,024	
Passed through Independent School District No. 622				
Adult Education – Basic Grants to States	84.002		2,874	
Passed through Northeast Metropolitan Intermediate School District No. 916				
Career and Technical Education – Basic Grants to States	84.048		25,101	
Total federal awards			$ 3,244,084	

Note 1: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of, the District's basic financial statements.

Note 2: All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants, and have not assigned any additional identifying numbers.

Note 3: The District did not elect to use the 10 percent de minimis indirect cost rate.

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CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
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Paul A. Radosevich, CPA
William J. Lauer, CPA
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (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 December 23, 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

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COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 23, 2019

MMKR
CERTIFIED PUBLIC ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

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

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Independent School District No. 831's (the District) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

(continued)

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OPINION ON EACH MAJOR FEDERAL PROGRAM

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

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 one deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

DISTRICT'S RESPONSE TO FINDING

The District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

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

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 23, 2019

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INDEPENDENT AUDITOR'S REPORT

ON MINNESOTA LEGAL COMPLIANCE

To the School Board and Management of
Independent School District No. 831
Forest Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 831 (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 December 23, 2019.

MINNESOTA LEGAL COMPLIANCE

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

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

DISTRICT'S RESPONSE TO FINDING

The District's response to the legal compliance finding identified in our audit has been included in the Schedule of Findings and Questioned Costs. The District's response was not subject to the auditing procedures applied in our 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 compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
December 23, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 831

Schedule of Findings and Questioned Costs
Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

This summary is formatted to provide federal granting agencies and pass-through agencies answers to specific questions regarding the audit of federal awards.

Financial Statements

What type of auditor's report is issued?

- X Unmodified
- ___ Qualified
- ___ Adverse
- ___ Disclaimer

Internal control over financial reporting:

Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	___ Yes	X None reported
Noncompliance material to the financial statements noted?	___ Yes	X No

Federal Awards

Internal controls over major federal award programs:

Material weakness(es) identified?	___ Yes	X No
Significant deficiencies identified?	X Yes	___ None reported

Type of auditor's report issued on compliance for major programs?

U.S. Department of Agriculture – child nutrition cluster	Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	X Yes	___ No

Programs tested as major programs:

Program or Cluster	CFDA No.
The U.S. Department of Agriculture – child nutrition cluster consisting of:	
– School Breakfast Program	10.553
– National School Lunch Program	10.555

Threshold for distinguishing between type A and B programs.	$ 750,000

Does the auditee qualify as a low-risk auditee?	___ Yes	X No

B. FINANCIAL STATEMENT FINDINGS

None.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL OVER COMPLIANCE – U.S. DEPARTMENT OF AGRICULTURE, PASSED THROUGH MINNESOTA DEPARTMENT OF EDUCATION, CHILD NUTRITION CLUSTER – CFDA NOS. 10.553 AND 10.555

2019-001 Internal Control Over Compliance With Federal Procurement Requirements

Criteria – 2 CFR § 200.320(b) requires Independent School District No. 831 (the District) to establish and maintain effective internal control over compliance with requirements applicable to federal program expenditures, including procurement requirements applicable to the child nutrition cluster program.

Condition – During our audit, we noted that the District did not have sufficient controls in place within its child nutrition cluster federal program to ensure compliance with federal procurement requirements. For three of seven vendors tested, the District had not awarded a contract based on quotations as required by the Uniform Guidance.

Questioned Costs – None noted.

Context – Three of seven vendors tested were not in compliance. This was not a statistically valid sample.

Repeat Finding – This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – Noncompliance with the procurement requirements could result in the District expending federal funds with vendors prior to obtaining bids or quotes if required, which could be viewed as a violation of the award agreement.

Recommendation – We recommend that the District review its internal control procedures relating to procurement for all federal programs. The District should verify compliance with federal procurement procedures, including awarding contracts based on sealed bids or quotations for the purchase of goods or services exceeding applicable federal dollar thresholds.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District intends to review its procedures relating to procurement for its federal programs, and will ensure that bids and/or quotations are obtained when required. The District has separately issued a Corrective Action Plan related to this finding.

D. MINNESOTA LEGAL COMPLIANCE FINDINGS

2019-002 Contracting and Bid Law Compliance

Criteria – Minnesota Statutes § 471.345, Subd. 4.

Condition – Minnesota Statutes require contracts for goods or services in excess of $25,000 to be awarded using quotations or sealed bids. For one of three vendors tested to which this requirement applied, the District had not awarded a contract based on quotations or sealed bids.

Questioned Costs – Not applicable.

Context – One of three vendors tested was not in compliance.

Repeat Finding – This is a current year and prior year finding.

Cause – This was an oversight by district personnel.

Effect – The District was not in compliance with state quote law requirements.

Recommendation – We recommend that the District comply with state statutory contracting requirements for all applicable vendors.

View of Responsible Official and Planned Corrective Actions – The District agrees with the finding. The District will review its procedures relating to contracting and bid laws to ensure compliance in the future. The District has separately issued a Corrective Action Plan related to this finding.

INDEPENDENT SCHOOL DISTRICT NO. 831

Uniform Financial Accounting and Reporting Standards
Compliance Table
June 30, 2019

		Audit		UFARS		Audit – UFARS	
General Fund							
Total revenue		$	75,151,182	$	75,151,182	$	–
Total expenditures		$	74,786,057	$	74,786,057	$	–
Nonspendable							
460	Nonspendable fund balance	$	151,143	$	151,143	$	–
Restricted							
403	Staff development	$	–	$	–	$	–
406	Health and safety	$	–	$	–	$	–
407	Capital projects levy	$	–	$	–	$	–
408	Cooperative revenue	$	–	$	–	$	–
413	Projects funded by COP	$	–	$	–	$	–
414	Operating debt	$	–	$	–	$	–
416	Levy reduction	$	–	$	–	$	–
417	Taconite building maintenance	$	–	$	–	$	–
423	Certain teacher programs	$	–	$	–	$	–
424	Operating capital	$	397,938	$	397,938	$	–
426	$25 taconite	$	–	$	–	$	–
427	Disabled accessibility	$	–	$	–	$	–
428	Learning and development	$	–	$	–	$	–
434	Area learning center	$	–	$	–	$	–
435	Contracted alternative programs	$	–	$	–	$	–
436	State approved alternative program	$	–	$	–	$	–
438	Gifted and talented	$	–	$	–	$	–
440	Teacher development and evaluation	$	–	$	–	$	–
441	Basic skills programs	$	–	$	–	$	–
448	Achievement and integration	$	–	$	–	$	–
449	Safe schools levy	$	–	$	–	$	–
450	Pre-kindergarten	$	–	$	–	$	–
451	QZAB payments	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
453	Unfunded severance and retirement levy	$	–	$	–	$	–
459	Basic skills extended time	$	–	$	–	$	–
467	Long-term facilities maintenance	$	(552,980)	$	(552,980)	$	–
472	Medical Assistance	$	–	$	–	$	–
464	Restricted fund balance	$	–	$	–	$	–
475	Title VII – Impact Aid	$	–	$	–	$	–
476	PILT	$	–	$	–	$	–
Committed							
418	Committed for separation	$	–	$	–	$	–
461	Committed fund balance	$	–	$	–	$	–
Assigned							
462	Assigned fund balance	$	583,713	$	583,713	$	–
Unassigned							
422	Unassigned fund balance	$	1,922,781	$	1,922,781	$	–
Food Service							
Total revenue		$	3,895,056	$	3,895,056	$	–
Total expenditures		$	3,705,376	$	3,705,376	$	–
Nonspendable							
460	Nonspendable fund balance	$	60,631	$	60,631	$	–
Restricted							
452	OPEB liability not in trust	$	–	$	–	$	–
464	Restricted fund balance	$	421,992	$	421,992	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–
Community Service							
Total revenue		$	5,117,391	$	5,117,391	$	–
Total expenditures		$	4,839,182	$	4,839,182	$	–
Nonspendable							
460	Nonspendable fund balance	$	2,690	$	2,690	$	–
Restricted							
426	$25 taconite	$	–	$	–	$	–
431	Community education	$	273,851	$	273,851	$	–
432	ECFE	$	353,549	$	353,549	$	–
440	Teacher development and evaluation	$	–	$	–	$	–
444	School readiness	$	445,714	$	445,714	$	–
447	Adult basic education	$	–	$	–	$	–
452	OPEB liability not in trust	$	–	$	–	$	–
464	Restricted fund balance	$	24,200	$	24,200	$	–
Unassigned							
463	Unassigned fund balance	$	–	$	–	$	–

Uniform Financial Accounting and Reporting Standards
Compliance Table (continued)
June 30, 2019

		Audit	UFARS	Audit – UFARS
Building Construction				
Total revenue		$ 652,976	$ 652,976	$ –
Total expenditures		$ 42,122,856	$ 42,122,857	$ (1)
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
407	Capital projects levy	$ –	$ –	$ –
413	Projects funded by COP	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 4,934,642	$ 4,934,642	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Debt Service				
Total revenue		$ 9,029,340	$ 9,029,340	$ –
Total expenditures		$ 8,743,420	$ 8,743,420	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
433	Maximum effort loan	$ –	$ –	$ –
451	QZAB payments	$ –	$ –	$ –
467	Long-term facilities maintenance	$ –	$ –	$ –
464	Restricted fund balance	$ 1,282,833	$ 1,282,833	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –
Trust				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
Internal Service				
Total revenue		$ 9,470,223	$ 9,470,223	$ –
Total expenditures		$ 9,684,733	$ 9,684,734	$ (1)
422	Net position	$ 3,464,398	$ 3,464,398	$ –
OPEB Revocable Trust Fund				
Total revenue		$ –	$ –	$ –
Total expenditures		$ –	$ –	$ –
422	Net position	$ –	$ –	$ –
OPEB Irrevocable Trust Fund				
Total revenue		$ 35,861	$ 35,861	$ –
Total expenditures		$ 350,250	$ 350,250	$ –
422	Net position	$ 1,843,772	$ 1,843,772	$ –
OPEB Debt Service Fund				
Total revenue		$ 320,730	$ 320,730	$ –
Total expenditures		$ 331,755	$ 331,755	$ –
Nonspendable				
460	Nonspendable fund balance	$ –	$ –	$ –
Restricted				
425	Bond refundings	$ –	$ –	$ –
464	Restricted fund balance	$ 241,668	$ 241,668	$ –
Unassigned				
463	Unassigned fund balance	$ –	$ –	$ –

Note: Statutory restricted deficits, if any, are reported in unassigned fund balances in the financial statements in accordance with accounting principles generally accepted in the United States of America.

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