



Financial Statements  
June 30, 2019

**Independent School District No. 716**  
Belle Plaine, Minnesota

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Independent School District No. 716  
Belle Plaine, Minnesota  
List of Elected School Officials and Administration (Unaudited)  
June 30, 2019

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<b>School Board</b>		
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Terry Kahle	Chairperson	2020
Tracy O'Brien	Vice Chairperson	2020
Amanda Gregory	Clerk	2022
Karl Keup	Treasurer	2022
Matt Lenz	Member	2022
Terry Morrison	Member	2020

<b>Administration</b>	
Ryan Laager	Superintendent
Chuck Keller	Business Manager



## Independent Auditor's Report

Members of the School Board  
Independent School District No. 716  
Belle Plaine, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 716 (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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2019, and the respective changes in financial position 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, schedule of changes in supplemental benefits liability and supplemental benefits liability, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, and schedule of Employer's share of net pension liability and schedule of Employer's contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 financial statements. The introductory section, combining and individual fund schedules and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the financial statements.

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 14, 2019 on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Handwritten signature of Erik Bailly LLP in cursive script.

Mankato, Minnesota  
November 14, 2019

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

This section of Independent School District No. 716, (the Districts)'s annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

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

#### **FINANCIAL HIGHLIGHTS**

- Net position increased \$6,978,038 from the prior year.
- Overall general fund revenues were \$17,327,636 while overall general fund expenditures totaled \$17,293,038 for the year ended June 30, 2019.
- The General fund balance increased by \$728,177, the Debt Service fund balance decreased by \$2,866,337, the Food Service fund balance increased by \$81,328, Community Service fund balance increased by \$115,050 and the Building Construction fund decreased by \$141,504.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram shows how the various parts of this annual report are arranged and related to one another.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

**Fund Financial Statements**

	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except Fiduciary funds(s))	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets, deferred inflows of resources, liabilities, and deferred outflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid



**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**District-wide Statements**

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

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

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

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

**Fund Financial Statements**

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

The District has two kinds of funds:

**Governmental funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or difference) between them.

**Proprietary funds** – The District's proprietary funds are used to report and account for the District's self-insured health and dental. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the proprietary funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members.

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE  
(DISTRICT-WIDE FINANCIAL STATEMENTS)**

Net Position:

The District's combined net position was \$4,108,462 on June 30, 2019, (see details in Table A-1). This represents an increase in comparison to June 30, 2018.

**Table A-1**

Statement of Net Position  
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	\$ 13,540,575	\$ 15,430,707
Capital assets	37,823,751	38,358,544
Total assets	51,364,326	53,789,251
Deferred outflows of resources	12,763,856	17,157,206
Liabilities		
Other liabilities	2,047,811	2,183,148
Long-term liabilities	34,454,864	61,181,094
Total liabilities	36,502,675	63,364,242
Deferred Inflows of resources	23,517,045	10,451,791
NetPosition (Deficit)		
Net investment in capital assets	13,257,402	7,881,274
Restricted for specific purposes	3,717,841	6,615,180
Unrestricted	(12,866,781)	(17,366,030)
Total net position (deficit)	\$ 4,108,462	\$ (2,869,576)

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

Change in Net Position

Table A-2

Statement of Revenues, Expenses and Changes in Net Position (Deficit)  
June 30, 2019 and 2018

	2019	2018
Revenues		
Program revenues		
Charges for service	\$ 1,620,246	\$ 1,623,984
Operating grants and contributions	2,759,265	2,558,344
General		
Property taxes	4,152,600	4,346,834
Fiscal disparities	688,260	644,243
Aids and payments from state and other	13,493,010	12,781,711
Interest earnings	81,885	18,892
Gain on sale of equipment	101,469	-
Miscellaneous revenues	261,704	440,457
Total revenues	23,158,439	22,414,465
Expenses		
Administration	834,001	887,900
District support services	714,730	743,188
Regular instruction	5,657,604	12,569,129
Vocational instruction	411,121	369,901
Special education instruction	2,691,961	2,669,734
Community education and services	814,940	681,681
Instructional support services	1,189,828	843,146
Pupil support services	1,531,181	2,071,174
Sites and buildings	1,636,501	1,256,879
Fiscal and other fixed-cost programs	57,214	129,670
Interest and fiscal charges	641,320	682,807
Total expenses	16,180,401	22,905,209
Change in Net Position (Deficit)	6,978,038	(490,744)
Net Position (Deficit) - Beginning	(2,869,576)	(2,378,832)
Net Position (Deficit) - Ending	\$ 4,108,462	\$ (2,869,576)

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Changes in Net Position.** The District's total revenues were \$23,158,439 for the year ended June 30, 2019 (See Table A-2). Unallocated state and federal aid along with local property taxes accounted for 79.17% of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 11.91% and the remainder from fees charged for services and miscellaneous sources 8.92%.

The total cost of all programs and services was \$16,180,401 for the year ended June 30, 2019. The District's expenses are predominantly related to student education and student educational support (76.00%). The District's administrative activities accounted for 5.15% of the total costs. Total revenues surpassed total expenses, increasing net position \$6,978,038 from the prior fiscal year.

**Governmental Activities:**

- The cost of all governmental activities this year was \$16,180,401.
- The users of the District's programs financed \$1,620,246 of the cost of services through charges for services.
- District and state taxpayers financed \$18,333,870 of the District's costs. This portion of governmental activities was financed with \$4,152,600 in property taxes, \$688,260 in fiscal disparities, and \$13,493,010 unrestricted state aid based on the statewide educational aid formula.
- The balance of \$3,102,854 was financed from operating and capital grants and contributions, interest, and miscellaneous earnings.

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

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2019 fiscal year, the District's governmental funds reported combined fund balances of \$6,179,331. This is compared to \$8,262,617 for the previous year. This includes nonspendable, restricted, committed, assigned, and unassigned fund balances.

Total revenue and expenditures for the District's governmental funds were \$23,059,875 and \$22,901,740, respectively. As a result, the District completed the year with an excess of revenues over expenditures in the amount of \$158,135. Additionally, other financing sources and uses for the District's governmental funds resulted in net uses of \$2,241,421.

**General Fund:**

The General Fund is used to account for all revenues and expenditures of the School District not accounted for elsewhere. This fund is used to account for: K-12 educational activities, District instructional and student support programs, expenditures for both District and School Administration, normal operations and maintenance, pupil transportation, capital expenditures, and all other legal expenditures not specifically designated to be accounted for in any other fund.

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Revenues:**

Revenues totaled \$17,327,636, a decrease of \$239,736 over the prior fiscal year. The following schedule presents a summary of General Fund revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Local property taxes	\$ 1,308,840	\$ 1,771,545	\$ (462,705)	-26.1%
Other local sources	867,660	1,172,057	(304,397)	-26.0%
State sources	14,730,948	14,278,825	452,123	3.2%
Federal sources	420,188	344,945	75,243	21.8%
<b>Total General Fund revenues</b>	<b>\$ 17,327,636</b>	<b>\$ 17,567,372</b>	<b>\$ (239,736)</b>	<b>-1.4%</b>

**Expenditures:**

Expenditures totaled \$17,293,038, an increase of \$964,128 from the prior fiscal year. The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Salaries and benefits	11,848,096	11,629,978	\$ 218,118	1.9%
Purchased services	2,612,597	2,536,642	75,955	3.0%
Supplies and materials	1,118,749	1,218,412	(99,663)	-8.2%
Capital expenditures	1,202,279	861,642	340,637	39.5%
Other expenditures	511,317	82,236	429,081	521.8%
<b>Total General Fund expenditures</b>	<b>\$ 17,293,038</b>	<b>\$ 16,328,910</b>	<b>\$ 964,128</b>	<b>5.9%</b>

**Food Service Fund:**

The Food Service Fund revenues for 2019 totaled \$719,410 and expenditures were \$638,082. The June 30, 2019, fund balance is \$235,778, an increase of \$81,328 from the prior fiscal year.

**Community Service Fund:**

The Community Service Fund revenue for 2019 totaled \$929,315 and expenditures were \$814,265. The June 30, 2019, fund balance is \$321,418, an \$115,050 increase from the prior fiscal year.

**Debt Service Fund:**

The Debt Service fund revenue and other financing sources for 2019 totaled \$4,073,034 and expenditures were \$4,004,371. Other financing uses totaled \$2,935,000. The June 30, 2019, fund balance is \$713,402, a decrease of \$2,866,337 from the prior fiscal year.

### **Building Construction**

The Building Construction fund revenue and other financing sources for 2019 totaled \$10,480 and expenditures and other financing uses were \$151,984. The June 30, 2019, fund balance is \$849,950, a decrease from the prior year of \$141,504.

### **Fund Balance:**

The unassigned general fund balance is \$2,313,653 and the various restricted and committed fund balances totaled \$1,303,202 and \$214,925, respectively. The fund balance increased due to a variety of factors including an increase in State Aid, increase in Special Education Aid and a reduction in salary and benefit costs.

The single best measurement of the District's overall financial health in the General Fund is the Unassigned Fund Balance. The District closely monitors this fund balance through budget planning sessions.

### **Budgetary Highlights:**

The District operating budget (revised in April of 2019) showed revenues would exceed expenditures in the General Fund by \$237,415, the actual results for the year show revenues and other financing sources exceeded expenditures by \$728,177, largely due to a GASB 68 adjustment for the TRA/PERA unfunded liability (net pension liability) of \$465,717. The remaining variance was due to increased State Aid for special education, lower payroll and benefit costs and a decrease in iPad Lease costs.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets:**

By the end of 2019, the District had invested \$61,802,345 in a broad range of capital assets, including school buildings, land, computer and equipment for various instructional programs (see Table A-7). Total depreciation expense for the year was \$1,459,613. More detailed information about capital assets can be found in Note 3 to the financial statements.

**Table A-7**  
**Capital Assets**

Capital Assets Governmental Activities  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Land	\$ 1,068,384	\$ 1,068,384
Buildings	53,342,362	53,272,163
Improvements	343,712	343,712
Equipment	7,047,887	6,193,266
Accumulated Depreciation	<u>(23,978,594)</u>	<u>(22,518,981)</u>
Total capital assets	<u><u>\$ 37,823,751</u></u>	<u><u>\$ 38,358,544</u></u>

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Long-Term Liabilities:**

As of June 30, 2019, the District had bonds payable, bond premium, and capital lease payable of \$24,566,349. Additionally, The District has a net pension liability of \$8,804,288, total other post-employment benefit liability of \$938,807 and other supplemental benefits payable of \$145,420 at year end. More detailed information about long-term liabilities can be found in Note 3 to the financial statements.

**Factors Bearing on the District's Future:**

The District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The Legislative session passed numerous bills that will be beneficial to our district. These benefits include a 2% or \$126 per pupil unit basic formula increase for FY 2020 and increased Special Education funding for FY 2020 and beyond. The District also expects enrollment to remain steady for the next several years.

**Contacting the District's Financial Management:**

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or would like additional information, contact the District Office, ISD #716, 130 South Willow Street, Belle Plaine, MN 56011.

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Net Position  
 June 30, 2019

<b>Assets</b>	
Cash	\$ 9,189,119
Receivables	
Current property taxes	2,467,838
Delinquent property taxes	23,874
Accounts	31,929
Due from other Minnesota school districts	50,622
Due from Minnesota Department of Education	1,500,181
Due from Federal through Minnesota Department of Education	257,850
Due from other governmental units	13,135
Inventories	6,027
Capital assets not being depreciated:	
Land	1,068,384
Capital assets, net of accumulated depreciation:	
Land improvements	82,118
Buildings	34,950,634
Equipment	1,722,615
<b>Total assets</b>	<b>51,364,326</b>
<b>Deferred Outflows of Resources</b>	
Other postemployment benefits	134,441
Other supplemental benefits	61,533
Pension plans	12,567,882
<b>Total deferred outflows of resources</b>	<b>12,763,856</b>
<b>Liabilities</b>	
Salaries payable	520,221
Accounts payable	145,541
Interest payable	310,260
Due to other Minnesota school districts	124,768
Due to other governmental units	17,096
Payroll deductions	708,467
Unearned revenue	15,302
Claims incurred but not reported	206,156
Noncurrent liabilities:	
Due within one year - bonds payable, related premium, and capital lease	3,699,698
Due in more than one year - bonds payable, related premium, and capital lease	20,866,651
Due in more than one year - total OPEB liability	938,807
Due in more than one year - supplemental benefits	145,420
Due in more than one year - net pension liability	8,804,288
<b>Total liabilities</b>	<b>36,502,675</b>
<b>Deferred Inflows of Resources</b>	
Pension plans	18,664,729
Unavailable revenue - property taxes	4,852,316
<b>Total deferred inflows of resources</b>	<b>23,517,045</b>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	13,257,402
Restricted	3,717,841
Unrestricted	(12,866,781)
<b>Net Position</b>	<b>\$ 4,108,462</b>



Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Activities  
 Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Administration	\$ 834,001	\$ -	\$ -	\$ (834,001)
District support services	714,730	-	-	(714,730)
Regular instruction	5,657,604	472,473	391,732	(4,793,399)
Vocational instruction	411,121	453	-	(410,668)
Special education instruction	2,691,961	-	1,919,507	(772,454)
Community education and services	814,940	634,221	128,146	(52,573)
Instructional support services	1,189,828	-	-	(1,189,828)
Pupil support services	1,531,181	484,316	319,880	(726,985)
Sites and buildings	1,636,501	28,783	-	(1,607,718)
Fiscal and other fixed cost programs	57,214	-	-	(57,214)
Interest and fiscal charges	641,320	-	-	(641,320)
Total Governmental Activities	<u>\$ 16,180,401</u>	<u>\$ 1,620,246</u>	<u>\$ 2,759,265</u>	<u>(11,800,890)</u>
<b>General Revenues</b>				
Property taxes and other county sources				4,152,600
Fiscal disparities				688,260
Aids and payments from the state				13,493,010
Interest earnings				81,885
Gain on sale of equipment				101,469
Miscellaneous				261,704
Total general revenues				<u>18,778,928</u>
Changes in Net Position				6,978,038
Net Deficit - Beginning				<u>(2,869,576)</u>
Net Position - Ending				<u>\$ 4,108,462</u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Balance Sheet – Governmental Funds  
 June 30, 2019

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 4,191,229	\$ 2,509,827	\$ 1,531,510	\$ 8,232,566
Receivables				
Current property taxes	558,787	1,856,695	52,356	2,467,838
Delinquent property taxes	5,654	17,672	548	23,874
Accounts	10,122	-	21,807	31,929
Due from other Minnesota school districts	50,622	-	-	50,622
Due from Minnesota Department of Education	1,423,098	63,263	13,820	1,500,181
Due from Federal through Minnesota Department of Education	257,850	-	-	257,850
Due from other governmental units	-	-	13,135	13,135
Inventories	6,027	-	-	6,027
<b>Total assets</b>	<b>\$ 6,503,389</b>	<b>\$ 4,447,457</b>	<b>\$ 1,633,176</b>	<b>\$ 12,584,022</b>
<b>Liabilities</b>				
Salaries payable	\$ 463,920	\$ -	\$ 56,301	\$ 520,221
Accounts payable	117,121	451	27,969	145,541
Due to other Minnesota school districts	124,768	-	-	124,768
Due to other governmental units	6,503	-	10,593	17,096
Payroll deductions	708,467	-	-	708,467
Unearned revenue	-	-	15,302	15,302
<b>Total liabilities</b>	<b>1,420,779</b>	<b>451</b>	<b>110,165</b>	<b>1,531,395</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent taxes	4,811	15,694	475	20,980
Unavailable revenue - property taxes	1,019,016	3,717,910	115,390	4,852,316
<b>Total deferred inflows of resources</b>	<b>1,023,827</b>	<b>3,733,604</b>	<b>115,865</b>	<b>4,873,296</b>
<b>Fund Balances</b>				
Nonspendable	6,027	-	-	6,027
Restricted	1,303,202	713,402	1,407,146	3,423,750
Committed	214,925	-	-	214,925
Assigned	220,976	-	-	220,976
Unassigned	2,313,653	-	-	2,313,653
<b>Total fund balances</b>	<b>4,058,783</b>	<b>713,402</b>	<b>1,407,146</b>	<b>6,179,331</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 6,503,389</b>	<b>\$ 4,447,457</b>	<b>\$ 1,633,176</b>	<b>\$ 12,584,022</b>

Independent School District No. 716

Belle Plaine, Minnesota

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2019

Total Fund Balances for Governmental Funds \$ 6,179,331

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 37,823,751

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unearned revenue in the funds. 20,980

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (310,260)

The internal service fund accounts for the district's health and dental self-insurance plan. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. 750,397

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds. 134,441

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds. (6,096,847)

Deferred outflows and inflows of resources related to supplemental benefits are applicable to future periods and, therefore, are not reported in the governmental funds. 61,533

Long-term liabilities that pertain to governmental funds are not due and payable in the current period, and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year end are:

Bonds Payable, including bond premium	\$ 23,277,461	
Capital Lease Payable	1,288,888	
OPEB Liability	938,807	
Single Employer Plan Net Pension Liability	145,420	
Multi-Employer Plans Net Pension Liability	8,804,288	
	(34,454,864)	(34,454,864)

Total Net Position for Governmental Activities \$ 4,108,462

Independent School District No. 716  
Belle Plaine, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2019

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Local property tax levies	\$ 1,308,840	\$ 3,389,440	\$ 117,581	\$ 4,815,861
Other local and county sources	867,660	48,825	656,987	1,573,472
State sources	14,730,948	634,769	208,650	15,574,367
Federal sources	420,188	-	258,216	678,404
Local sales and insurance recovery	-	-	417,771	417,771
<b>Total revenues</b>	<b>17,327,636</b>	<b>4,073,034</b>	<b>1,659,205</b>	<b>23,059,875</b>
<b>Expenditures</b>				
Administration	885,749	-	-	885,749
District support services	1,101,066	-	-	1,101,066
Regular instruction	7,591,865	-	-	7,591,865
Vocational instruction	409,780	-	-	409,780
Special education instruction	2,716,260	-	-	2,716,260
Community education and services	-	-	814,265	814,265
Instructional support services	1,319,130	-	-	1,319,130
Pupil support services	1,475,112	-	638,082	2,113,194
Sites and buildings	1,742,612	-	151,984	1,894,596
Fiscal and other fixed cost programs	51,464	-	-	51,464
Debt service:				
Principal	-	3,035,000	-	3,035,000
Interest and fiscal charges	-	969,371	-	969,371
<b>Total expenditures</b>	<b>17,293,038</b>	<b>4,004,371</b>	<b>1,604,331</b>	<b>22,901,740</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	34,598	68,663	54,874	158,135
<b>Other Financing Sources (Uses)</b>				
Capital lease proceeds	592,110	-	-	592,110
Bond refunding payment	-	(2,935,000)	-	(2,935,000)
Gain on sale of equipment	101,469	-	-	101,469
<b>Total other financing sources (uses)</b>	<b>693,579</b>	<b>(2,935,000)</b>	<b>-</b>	<b>(2,241,421)</b>
<b>Net Change in Fund Balances</b>	<b>728,177</b>	<b>(2,866,337)</b>	<b>54,874</b>	<b>(2,083,286)</b>
Fund Balances - Beginning	3,330,606	3,579,739	1,352,272	8,262,617
Fund Balances - Ending	<u>\$ 4,058,783</u>	<u>\$ 713,402</u>	<u>\$ 1,407,146</u>	<u>\$ 6,179,331</u>

Independent School District No. 716  
Belle Plaine, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
Funds to the Statement of Activities  
Year Ended June 30, 2019

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Total Net Change in Fund Balances for Governmental Funds \$ (2,083,286)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period those amounts are:

Capital outlay	924,820
Depreciation expense	(1,459,613)

In governmental funds, issuance of a capital lease is reported as a source of financing (in the amount of net proceeds received). However, in the statement of activities, a new capital lease is not revenue, rather it constitutes a long-term liability in the statement of net position.

(592,110)

In governmental funds, OPEB obligations are measured by the amount of resources used. However, in the statement of activities, an increase in an OPEB obligation is based on the amount earned by the employees during the period. This amount is the net effect of these differences.

38,518

In governmental funds, pension liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in pension liability is based on the amount earned by the employees during the period. This amount is the net of these differences.

51,748

Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.

231,080

In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.

3,111,389

The governmental funds report repayment of bond principal and capital lease principal as expenditures. In the statement of net position, however, repayment of principal reduces the liability.

6,271,950

Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.

91,221

The internal service fund accounts for the district's health and dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities.

396,447

Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as unavailable revenue - delinquent taxes in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied.

(4,126)

Change in Net Position of Governmental Activities \$ 6,978,038

Independent School District No. 716  
Belle Plaine, Minnesota  
Statement of Net Position – Proprietary Fund  
June 30, 2019

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	Governmental Activities - Internal Service Fund
Current Assets	
Cash	<u>\$ 956,553</u>
Current Liabilities	
Claims incurred but not reported	<u>206,156</u>
Net Position	
Unrestricted	<u><u>\$ 750,397</u></u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Changes in Net Position – Proprietary Fund  
 Year Ended June 30, 2019

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	Governmental Activities - Internal Service Fund
Operating Revenues	
Health and dental premiums	\$ 2,202,402
Operating Expenses	
Health and dental claims	1,496,437
Administration fees	309,518
Total operating expenses	1,805,955
Change in Net Position	396,447
Net Position - Beginning	353,950
Net Position - Ending	\$ 750,397

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Cash Flows – Proprietary Fund  
 Year Ended June 30, 2019

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	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	\$ 2,202,402
Payments for insurance claims and administration	(1,779,563)
Net cash from operating activities	422,839
Net Change in Cash	422,839
Cash, July 1, 2018	533,714
Cash, June 30, 2019	\$ 956,553
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 396,447
Claims incurred but not reported	26,392
Net cash from operating activities	\$ 422,839



## **Note 1 - Summary of Significant Accounting Policies**

The Independent School District No. 716 (District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

### **A. Financial Reporting Entity**

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental revenues, and other items not properly included among program revenues are reported instead as general revenues.

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

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unearned revenue on its governmental fund financial statements and government wide financial statements when resources are received by the District before the revenue has been earned. The District records unavailable revenue on its governmental fund financial statements when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the unavailable revenue is removed from the financial statements and revenue is recognized.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, District instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund. The District's Student Activity Funds of \$133,318 are under board control and are reported and audited in the general fund as committed funds.
- *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- *Food service fund* accounts for food service revenues and expenditures.
- *Community service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.
- *Building construction fund* accounts for the financial resources that are required for the acquisition of capital assets.

Additionally, the government reports the following fund types:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured health and dental plans.

#### **D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance**

##### **1. Cash**

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits, as well as short-term investments, with an original maturity date within three months of the date acquired by the District.

##### **2. Inventories and Commodities**

All inventories are expensed when consumed rather than when purchased and are valued at the lower of cost or net realizable value, using the first-in/first-out (FIFO) method. United States Department of Agriculture commodities received are recorded as revenue at the fair market value of such commodities and included in the food service fund revenue and expenditures when received.

### 3. Receivables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2018 which are not payable until 2019 less amounts received before June 30, 2019. Delinquent taxes receivable represent levies collectible during 2018 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2018, but not payable until 2019 and are not expendable by the District until the 2019-2020 school year, adjusted for the property tax shift amount.

**4. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Plumbing and Electrical	30
Building Improvements Interior, Portable Classrooms, and Fire System	25
Heating and Ventilation System, Long-term Admin Software, Furniture and Fixtures, Outdoor Equipment, Roofing, and Site Improvements	20
Custodial Equipment, Grounds Equipment, Kitchen Equipment, and Machinery and Tools	15
All Other Equipment, Short-term Admin Software, and Long-term Instructional Software	10
Vehicles and Buses	8
Carpet Replacement	7
Computer Hardware, Copiers, Short-term Instructional Software, and Library Books	5

**5. 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. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*Compensated Absences* - It is the District’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. A liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. All unused vacation leave at June 30, 2019, expired.

## **6. Other Postemployment Benefits**

Under the provisions of the various employee and union contracts the District provides health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at July 1, 2018.

## **7. Pensions**

### **a. Single Employer Plan**

Under the provisions of the various employee contracts the District provides a lump sum payment (maximum \$42,000) to retirees if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis and plan members are not required to contribute. This amount was actuarially determined, in accordance with GASB 73, at July 1, 2018. The plan does not issue a stand-alone financial report.

### **b. Multi-Employer 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 PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 4.

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.

#### **8. Deferred Inflows/Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and other postemployment benefit plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

#### **9. Net Position and Fund Balances**

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District will strive to maintain a minimum unassigned general fund balance of 10 percent of the annual budget. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

#### **E. Inter-Fund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.



#### **F. Property Taxes**

The majority of district revenue 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. The remaining portion of the taxes collectible in 2018 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

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 general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

#### **G. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and workers' compensation 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 fiscal year 2019.

#### **H. Estimates**

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

## **Note 2 - Stewardship, Compliance, and Accountability**

### **A. Budgetary Information**

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The actual revenues, expenditures, and transfers for the year ended June 30, 2019, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

### **B. Excess of Expenditures over Appropriations**

Budget control for the general fund is established by the fund's total appropriations. The general fund had expenditures exceeding appropriations in the amount of \$975,897 for the year ended June 30, 2019. These over expenditures were covered by revenues in excess of budget and available fund balance.

## **Note 3 - Detailed Notes on All Funds**

### **A. Cash**

#### **1. Cash**

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the District’s bank balances were exposed to custodial credit risk.

**B. Receivables**

Receivables as of the year ended June 30, 2019 for the District are reported on the Statement of Net Position and the Balance Sheet.

The Balance Sheet reports unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The Statement of Net Position and the Balance Sheet also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned revenue reported were as follows:

	Received but Unearned
Prepaid food service meals (food service fund)	\$ 15,302

**C. Capital Assets**

Depreciation expense was charged to functions/programs of the primary government as follows:

District support services	\$ 22,313
Regular instruction	1,270,137
Vocational instruction	1,342
Special education instruction	8,844
Community education and services	676
Instructional support services	40,871
Pupil support services	73,241
Sites and buildings	42,189
Total depreciation expense	\$ 1,459,613

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,068,384	\$ -	\$ -	\$ 1,068,384
Capital Assets, being Depreciated:				
Land improvements	343,712	-	-	343,712
Buildings	53,272,163	70,199	-	53,342,362
Equipment	6,193,266	854,621	-	7,047,887
Total Capital Assets, being Depreciated	59,809,141	924,820	-	60,733,961
Less Accumulated Depreciation for:				
Land improvements	246,301	15,293	-	261,594
Buildings	17,406,657	985,071	-	18,391,728
Equipment	4,866,023	459,249	-	5,325,272
Total Accumulated Depreciation	22,518,981	1,459,613	-	23,978,594
Total Capital Assets, being Depreciated, net	37,290,160	(534,793)	-	36,755,367
Governmental Activities Capital Assets, net	<u>\$ 38,358,544</u>	<u>\$ (534,793)</u>	<u>\$ -</u>	<u>\$ 37,823,751</u>

#### D. Capital Leases

The District entered into a lease agreement in December 2008 for the financing of energy cost savings projects. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in monthly installments of \$8,257 over fifteen years through December 2024 at a 4.7 percent interest rate. The lease obligation is being retired by the general fund.

The District entered into a 10-year lease purchase agreement in August 2013, in the amount of \$705,000 in order to purchase land to be used for future expansion. The book value of the land purchased was \$662,434. The average coupon rate is 2.35% and the lease is payable in annual installments ranging from \$80,238 to \$84,550. The lease obligation is being retired by the general fund.

The District entered into a lease agreement in July 2018 as lessee for the financing of technology equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is payable in annual installments of \$151,976 over four years through July 2021 at a 1.6 percent interest rate. The lease obligation is being retired by the general fund.

Following is a summary of capital leases payable as of June 30, 2019:

Lease Description	Final	Interest Rate	Principal Payments	Original	Outstanding
Energy Savings Upgrades	12/24	4.70%	\$40,808 - \$94,776	\$ 1,870,000	\$ 467,171
Land Purchase	8/23	1.00% - 3.50%	\$60,000 - \$70,000	705,000	380,000
Technology Equipment	7/21	1.60%	\$144,908 - \$150,393	592,110	441,717
				<u>\$ 3,167,110</u>	<u>\$ 1,288,888</u>

The capital leases are paid from the general fund. The outstanding capital leases contain a provision that in the event of default, the assets under capital lease will be repossessed.

Annual debt service requirements to maturity for the capital leases are as follows:

Years Ending June 30,	
2020	\$ 328,072
2021	337,392
2022	334,804
2023	185,241
2024	182,161
2025	41,283
Total Lease Payments	<u>1,408,953</u>
Less: Interest	<u>(120,065)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,288,888</u>

The assets acquired through the capital leases are as follows:

<u>Asset:</u>	
Energy Savings Upgrades	\$ 5,917,671
Accumulated Depreciation	<u>(1,124,356)</u>
Total Assets Acquired through Capital Lease	<u>\$ 4,793,315</u>
Technology Equipment	\$ 1,040,000
Accumulated Depreciation	<u>(936,000)</u>
Total Assets Acquired through Capital Lease	<u>\$ 104,000</u>
Technology Equipment	\$ 592,110
Accumulated Depreciation	<u>(59,211)</u>
Total Assets Acquired through Capital Lease	<u>\$ 532,899</u>

**E. Long-Term Debt**

General Obligation Bonds. The District issued general obligation bonds to provide funds for the improvement and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are paid from the debt service fund. General obligation bonds currently outstanding are as follows:

Bond Description	Final	Interest Rate	Principal Payments	Original	Outstanding
General Obligation Facilities Maintenance Bonds of 2017A	2/28	2.00% - 3.00%	\$80,000 - \$605,000	\$ 1,870,000	\$ 1,280,000
General Obligation Alternative Facilities Refunding Bonds of 2016A	2/30	2.00% - 3.00%	\$200,000 - \$365,000	2,970,000	2,970,000
General Obligation School Building Refunding Bonds of 2012A	2/26	3.00% - 4.00%	\$2,090,000- \$2,535,000	24,960,000	16,865,000
General Obligation Capital Facilities Bonds of 2009B	2/24	2.50% - 4.20%	\$85,000 - \$105,000	1,185,000	490,000
				<u>\$ 30,985,000</u>	<u>\$ 21,605,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2020	\$ 3,175,000	\$ 609,405
2021	2,755,000	502,810
2022	2,705,000	398,260
2023	2,805,000	486,560
2024	2,905,000	289,710
2025 - 2029	6,895,000	390,650
2030	365,000	7,300
Total	<u>\$ 21,605,000</u>	<u>\$ 2,684,695</u>

Changes in Long-Term Liabilities. During the year ended June 30, 2019, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 27,575,000	\$ -	\$ 5,970,000	\$ 21,605,000	\$ 3,175,000
Bond Premium	1,903,541	-	231,080	1,672,461	231,080
Total bonds payable	29,478,541	-	6,201,080	23,277,461	3,406,080
Direct Borrowing, Capital Leases Payable	998,728	592,110	301,950	1,288,888	293,618
Total	<u>\$ 30,477,269</u>	<u>\$ 592,110</u>	<u>\$ 6,503,030</u>	<u>\$ 24,566,349</u>	<u>\$ 3,699,698</u>

Legal Debt Margin. Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2018 Payable 2019 was \$864,931,000.

**F. Fund Balances**

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties.

The following is a summary of fund balances as of June 30, 2019:

	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventories	\$ 6,027	\$ -	\$ -	\$ 6,027
Restricted				
Staff development	78,031	-	-	78,031
Operating capital	753,897	-	-	753,897
Safe schools - crime levy	3,954	-	-	3,954
Basic skills ext time	3,691	-	-	3,691
Long-term facilities maintenance	302,483	-	-	302,483
Medical assistance	161,146	-	-	161,146
Debt service	-	713,402	-	713,402
Building construction	-	-	849,950	849,950
Food service	-	-	235,778	235,778
ECFE	-	-	279,905	279,905
School readiness	-	-	36,513	36,513
Community education	-	-	5,000	5,000
Total restricted	<u>1,303,202</u>	<u>713,402</u>	<u>1,407,146</u>	<u>3,423,750</u>
Committed				
Severance	81,607	-	-	81,607
Student activities	133,318	-	-	133,318
Total committed	<u>214,925</u>	<u>-</u>	<u>-</u>	<u>214,925</u>
Assigned				
Technology	220,976	-	-	220,976
Unassigned	<u>2,313,653</u>	<u>-</u>	<u>-</u>	<u>2,313,653</u>
Total fund balance	<u>\$ 4,058,783</u>	<u>\$ 713,402</u>	<u>\$ 1,407,146</u>	<u>\$ 6,179,331</u>

**Note 4 - Pension Plans**

**1. Single Employer Plan**

**A. Plan Description**

The District provides a defined contribution supplemental pension benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. All of the pension benefits are based on contractual agreements with employee groups. Contract groups receive other supplement benefits as follows:

Teachers – For retirees meeting the “Rule of 90” eligibility, hired before June 30, 1989 and listed in the Master Contract, Appendix III, the benefit is minimum base annual salary \$42,000 minus accumulated District contributions to the Matching Annuity Plan. The limitation on the total benefit is \$42,000 and matching contributions are equal to \$1,300 per year up to \$50,000. The benefit is payable in 3 annual installments to the 403(b) plan.

Retired Community Service Director – For retirees meeting the PERA Retirement eligibility age with 20 years of service, the benefit is \$40,000 minus accumulated District contributions to the Matching Annuity Plan. This benefit is for the retired community service directory only. The limitation on the total benefit is \$40,000 and matching contributions are equal to \$2,000 per year. The benefit is payable in 2 annual installments to the 403(b) plan. As of the measurement date, there was only one annual installment remaining.

**B. Employees Covered by Benefit Terms**

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	2
	6
	6



**C. Contributions**

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District's contributions subsequent to the measurement date	\$ 61,533	\$ -

For the year ended June 30, 2019, the District recognized pension expense of \$9,785.

The \$61,533 of deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

**D. Supplemental Benefits Liability**

The District's supplemental benefits liability was measured as of July 1, 2018.

**E. Actuarial Assumptions**

The supplemental benefits liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Discount Rate	3.50 percent

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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study as of July 1, 2018.

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

**F. Discount Rate**

The discount rate used to measure the supplemental benefits liability was 3.50 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

**G. Changes in the Supplemental Benefits Liability**

Service cost	\$ 1,481
Interest cost	5,622
Assumption changes	(285)
Differences between expected and actual experience	2,967
Supplemental benefits cost	<u>9,785</u>
Benefit payments	<u>(56,000)</u>
Change in supplemental benefits obligation	(46,215)
Supplemental benefits liability, beginning of year	<u>191,635</u>
Supplemental benefits liability, end of year	<u><u>\$ 145,420</u></u>

**H. Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate**

The following presents the supplemental benefits liability of the District, as well as what the District's supplemental benefits liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.50%	3.50%	4.50%
Supplemental Benefits Liability	\$ 147,294	\$ 145,420	\$ 143,507

## **2. Multi-Employer Plans**

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans are as follows:

### **1. Public Employees Retirement Association (PERA)**

#### **A. Plan Description**

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

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

#### **B. Benefits Provided**

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. General Employees Plan benefit recipients receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). [Note: 1/1/19 increase was 1.4%] 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.

**C. Contribution Rate**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were \$148,044. The District's contributions were equal to the required contributions for each year as set by state statute.

**D. Pension Costs**

At June 30, 2019, the District reported a liability of \$1,525,587 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$50,038. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0275 percent at the end of the measurement period and 0.0293 percent for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,525,587
State of Minnesota's proportionate share of the net pension liability associated with the District	50,038
Total	\$ 1,575,625

For the year ended June 30, 2019, the District recognized pension expense of \$59,747 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$11,669 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 42,905	\$ 49,349
Changes in actuarial assumptions	161,630	179,816
Net collective difference between projected and actual investment earnings	-	225,659
Changes in proportion	-	151,744
Contributions paid to PERA subsequent to the measurement date	148,044	-
Total	\$ 352,579	\$ 606,568

The \$148,044 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	\$ (78,061)
2021	(134,496)
2022	(157,634)
2023	(31,842)
2024	-

**E. Actuarial Assumptions**

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

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

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 to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

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

The following changes in actuarial assumptions occurred in 2018:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Asset Class	Target Allocations	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%	0.00%
Total	100%	

**F. Discount Rate**

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

**G. Pension Liability Sensitivity**

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 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
General Employees Fund discount rate	6.50%	7.50%	8.50%
District's proportionate share of the General Employees Fund's net pension liability	\$ 2,479,275	\$ 1,525,587	\$ 738,346

**H. Pension Plan Fiduciary Net Position**

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

**2. Teachers Retirement Association (TRA)**

**A. Plan Descriptions**

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

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

**B. Benefits Provided**

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

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

*Tier 1 Benefits*

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

With these provisions:

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



or

*Tier II Benefits*

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

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

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

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

**C. Contribution Rate**

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

	Ending June 30, 2017		Ending June 30, 2018		Ending June 30, 2019	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.50%	11.00%	11.50%	11.0%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.5%	7.71%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 378,728,000
Add employer contributions not related to future contribution efforts	522,000
Deduct TRA's contributions not included in allocation	<u>(471,000)</u>
Total employer contributions	378,779,000
Total non-employer contributions	35,588,000
Total contributions reported in Schedule of Employer <i>and Non-Employer Allocations</i>	<u><u>\$ 414,367,000</u></u>

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

**D. Actuarial Assumptions**

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

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.5%
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25, thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25%, thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 12.5% annually
<b>Mortality assumptions</b>	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The “Difference Between Expected and Actual Experience,” “Changes of Assumptions,” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2017 valuation:

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

**E. Discount Rate**

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

**F. Net Pension Liability**

At June 30, 2019, the District reported a liability of \$7,278,701 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1159% at the end of the measurement period and 0.1387% for the beginning of the year.

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

District's proportionate share of net pension liability	<u>\$ 7,278,701</u>
State's proportionate share of the net pension liability associated with the District	<u>\$ 683,998</u>

For the year ended June 30, 2019, the District recognized pension expense of (\$5,737,067). It also recognized (\$477,386) as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,985	\$ 172,380
Changes in actuarial assumptions	11,550,449	12,921,461
Difference between projected and actual investment earnings	-	540,144
Change in proportion and differences between contributions made and District's proportionate share of contributions	108,255	4,424,176
District's contributions to TRA subsequent to the measurement date	553,614	-
Total	\$ 12,215,303	\$ 18,058,161

\$553,614 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Years Ended June 30,	Pension Expense Amount
2020	\$ 402,756
2021	155,644
2022	(397,925)
2023	(3,831,296)
2024	(2,725,651)

**G. Pension Liability Sensitivity**

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	\$ 11,551,269	\$ 7,278,701	\$ 3,753,860

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

**H. Pension Plan Fiduciary Net Position**

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

**Note 5 - Other Postemployment Benefits (OPEB)**

**A. Plan Description**

All employees are allowed, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. The implicit rate subsidy is only until Medicare eligibility. Contract groups receive other post-retirement benefits as follows:

- *Teachers* – For retirees reaching 55 years of age with 3 years of service who are Rule of 90 eligible, the District will pay \$1,800 per year into a Health Retirement Annuity for 8 years.
- *Retired Superintendent* – For the current retiree only, the District will pay the Board Contribution the same as BPEA toward family medical, dental, and life insurance until age 65.
- *Retired Community Service Director and Retired Principals* – For the current eligible retirees only, the District will pay \$2,000 per year for 8 years into a VEBA account.
- *All Others* – For retirees reaching 55 years of age with 3 years of service, there are no subsidized benefits.

The retiree health plan does not issue a publicly available financial report.

**B. Benefits Provided**

The contract groups have access to other post-retirement benefits of blended medical premiums of \$525 for single and \$1,053 for employee + 1 coverage. The implicit rate subsidy is only until Medicare eligibility. See plan descriptions above for subsidized benefits.

**C. Employees Covered by Benefit Terms**

At the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	22
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	181
	203

**D. Total OPEB Liability**

The District's total OPEB liability of \$938,807 was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

**E. Actuarial Assumptions**

The total OPEB liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50 percent	
Salary increases	3.00 percent	
Discount Rate	3.50 percent	
Healthcare cost trend rates	6.50 percent as of July 1, 2018, grading to 5.00% over 6 years	
Retiree plan participation	Future retirees electing coverage:	
	Pre-65 subsidy available:	90%
	Pre-65 subsidy not available:	
	BPESPA	15%
	All Others	50%
Percent of married retirees electing spouse coverage	Future retirees electing Pre-65 Spouse Coverage	
	Spouse subsidy available:	N/A
	Spouse subsidy not available	10%



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

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study as of July 1, 2016.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year municipal Bond Yield.

The following assumption changes occurred during 2018:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

**F. Changes in the Total OPEB Liability**

Balance at June 30, 2018	<u>\$ 954,660</u>
Changes from the Prior Year:	
Service Cost	48,606
Interest Cost	32,227
Assumption Changes	339
Differences between Expected and Actual Experience	14,751
Benefit Payments	<u>(111,776)</u>
Net Change	<u>(15,853)</u>
Balance at June 30, 2019	<u><u>\$ 938,807</u></u>

**G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate**

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
Discount rate	2.50%	3.50%	4.50%
Total OPEB Liability	\$ 999,447	\$ 938,807	\$ 881,557

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculate using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare trend rates:

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Selected Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
Medical 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
Total OPEB Liability	\$ 857,836	\$ 938,807	\$ 1,036,585

**H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$82,720. At June 30, 2019, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	\$ 12,907	\$ -
Assumption changes	296	-
Employer contributions made after the measurement date	121,238	-
	\$ 134,441	\$ -

\$121,238 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	\$ 1,887
2021	1,887
2022	1,887
2023	1,887
2024	1,887
Thereafter	3,768

**Note 6 - 403(b) Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2019, 2018, and 2017, were \$138,842, \$127,664, and \$127,337, respectively. The related employee contributions were \$234,485, \$205,837, and \$222,514 for the years ended June 30, 2019, 2018, and 2017, respectively.

**Note 7 - Health and Dental Self-Insurance**

The District is self-insured with respect to health and dental insurance costs. Terms of the health plan include a stop-loss prevention of \$75,000 per person, which limits the District’s liability. There is no stop-loss prevention on the dental plan as the maximum benefit is \$1,250. The following is the activity for the year ended June 30, 2019:

Claims incurred but not reported at beginning of year	\$ 179,764
Claims incurred	1,522,829
Claims paid	<u>(1,496,437)</u>
Claims incurred but not reported at end of year	<u>\$ 206,156</u>

**Note 8 - Other Information**

**A. Contingent Liabilities**

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

**B. Affiliated Organizations**

The District and nine other school districts, in conjunction with the Southwest Metro Educational Co-op (SWMEC), entered into an agreement for the purpose of providing educational programming as well as special education, vocational education, and any other educational programs requested by one or more participating school districts. The SWMEC’s board is defined in the agreement. A member may withdraw upon written notice given to the Board and to each participating school district in accordance with the agreement. In the event of dissolution, all real property remaining after payment of all debts will be divided among the 10 districts. Separate financial statements of the affiliated organization may be obtained from SWMEC.

The District had purchases from SWMEC of \$289,148 for the year ended June 30, 2019, and an outstanding balance due to SWMEC of \$80,456 at June 30, 2019.

**Note 9 - Issued but Non-Effective Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will significantly affect the District is Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the District in the year ended June 30, 2020.

The second statement issued but not yet implemented that will significantly affect the District is Statement No. 90, *Majority Equity Interests*. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at the District in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect the District is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

The fourth statement issued but not yet implemented that will significantly affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required noted disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognized assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. This statement will be implemented at the District in the year ended June 30, 2022.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.



Required Supplementary Information  
June 30, 2019

**Independent School District No. 716**  
Belle Plaine, Minnesota

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
 Year Ended June 30, 2019

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**Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal years \***

	<u>2019</u>	<u>2018</u>
Service cost	\$ 48,606	\$ 45,239
Interest cost	32,227	33,180
Assumption changes	339	-
Differences between expected and actual experience	14,751	-
Benefit payments	<u>(111,776)</u>	<u>(107,882)</u>
Net change in total OPEB liability	(15,853)	(29,463)
Total OPEB liability - beginning	<u>954,660</u>	<u>984,123</u>
Total OPEB liability - ending	<u><u>\$ 938,807</u></u>	<u><u>\$ 954,660</u></u>
Covered-employee payroll	\$ 8,503,425	\$ 8,567,462
Total OPEB liability as a percentage of covered-employee payroll	11.04%	11.14%

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.



Independent School District No. 716  
Belle Plaine, Minnesota

Schedule of Changes in Supplemental Benefits Liability and Supplemental Benefits Liability  
Year Ended June 30, 2019

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**Schedule of Changes in Supplemental Benefits Liability  
Last 10 Fiscal Years \***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental benefits liability, beginning of year	\$ 191,635	\$ 250,062	\$ 291,245
Service cost	1,481	2,214	2,375
Interest cost	5,622	6,366	7,776
Assumption changes	(285)	(1,007)	-
Differences between expected and actual experience	2,967	-	-
Benefit payments	<u>(56,000)</u>	<u>(66,000)</u>	<u>(51,334)</u>
Supplemental benefits liability, end of year	<u>\$ 145,420</u>	<u>\$ 191,635</u>	<u>\$ 250,062</u>

\* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Supplemental Benefits Liability  
Last 10 Fiscal Years \***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Supplemental benefits liability	<u>\$ 145,420</u>	<u>\$ 191,635</u>	<u>\$ 192,642</u>
Covered-employee payroll	<u>\$ 122,878</u>	<u>\$ 263,089</u>	<u>\$ 255,426</u>
Supplemental benefits liability as a percentage of covered-employee payroll	118.35%	72.84%	75.42%

There are no assets accumulated in an irrevocable trust to pay plan benefits.

\* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 716

Belle Plaine, Minnesota

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Year Ended June 30, 2019

**Schedule of Employer's Share of Net Pension Liability**

**Last 10 Fiscal Years \***

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (d) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	06/30/18	0.0275%	\$ 1,525,587	\$ 50,038	\$ 1,575,625	\$ 1,838,960	83.0%	79.5%
	06/30/17	0.0293%	1,870,493	23,529	1,894,022	1,868,787	100.1%	75.9%
	06/30/16	0.0305%	2,476,449	32,345	2,508,794	1,917,747	129.1%	68.9%
	06/30/15	0.0318%	1,648,041	N/A	1,648,041	1,851,013	89.0%	78.2%
	06/30/14	0.0330%	1,550,175	N/A	1,550,175	1,760,993	88.0%	78.8%
TRA	06/30/18	0.1159%	\$ 7,278,701	\$ 683,998	\$ 7,962,699	\$ 7,381,520	98.6%	78.1%
	06/30/17	0.1387%	27,687,036	2,676,282	30,363,318	7,469,520	370.7%	44.9%
	06/30/16	0.1425%	33,989,650	3,411,603	37,401,253	7,420,920	458.0%	144.9%
	06/30/15	0.1390%	8,598,525	1,054,355	9,652,880	7,059,867	121.8%	76.8%
	06/30/14	0.1462%	6,736,791	473,970	7,210,761	6,731,272	100.1%	81.5%

**Schedule of Employer's Contributions**

**Last 10 Fiscal Years \***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	06/30/19	\$ 148,044	\$ 148,044	\$ -	\$ 1,973,920	7.5%
	06/30/18	137,922	137,922	-	1,838,960	7.5%
	06/30/17	140,159	140,159	-	1,868,787	7.5%
	06/30/16	143,831	143,831	-	1,917,747	7.5%
	06/30/15	138,826	138,826	-	1,851,013	7.5%
TRA	06/30/19	\$ 553,614	\$ 553,614	\$ -	\$ 7,180,467	7.7%
	06/30/18	553,614	553,614	-	7,381,520	7.5%
	06/30/17	560,214	560,214	-	7,469,520	7.5%
	06/30/16	556,569	556,569	-	7,420,920	7.5%
	06/30/15	529,490	529,490	-	7,059,867	7.5%

\* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**

PERA Changes in Actuarial Assumptions:

- The morality 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.

## TRA Changes in Plan Provisions:

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

## TRA Changes in Actuarial Assumptions

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

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Budgetary Comparison Schedule: General Fund  
 Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local property tax levies	\$ 1,297,527	\$ 1,309,184	\$ 1,308,840	\$ (344)
Other local and county sources	529,578	629,675	867,660	237,985
State sources	14,514,672	14,091,948	14,730,948	639,000
Federal sources	368,460	422,279	420,188	(2,091)
Total revenues	<u>16,710,237</u>	<u>16,453,086</u>	<u>17,327,636</u>	<u>874,550</u>
<b>Expenditures</b>				
Administration	880,884	891,583	885,749	5,834
District support services	1,148,591	646,453	1,101,066	(454,613)
Regular instruction	7,546,520	7,483,094	7,591,865	(108,771)
Vocational instruction	369,123	409,457	409,780	(323)
Special education instruction	2,727,651	2,780,713	2,716,260	64,453
Instructional support services	617,326	885,119	1,319,130	(434,011)
Pupil support services	1,452,248	1,529,900	1,475,112	54,788
Sites and buildings	1,796,007	1,601,636	1,742,612	(140,976)
Fiscal and other fixed cost programs	85,640	89,186	51,464	37,722
Total expenditures	<u>16,623,990</u>	<u>16,317,141</u>	<u>17,293,038</u>	<u>(975,897)</u>
Excess of Revenues over Expenditures	86,247	135,945	34,598	(101,347)
<b>Other Financing Sources</b>				
Capital lease	-	-	592,110	592,110
Gain on sale of equipment	101,470	101,470	101,469	(1)
Total Other Financing Sources	<u>101,470</u>	<u>101,470</u>	<u>693,579</u>	<u>592,109</u>
Net Change in Fund Balances	<u>\$ 187,717</u>	<u>\$ 237,415</u>	728,177	<u>\$ 490,762</u>
Fund Balances - Beginning			<u>3,330,606</u>	
Fund Balances - Ending			<u>\$ 4,058,783</u>	



Supplementary Information  
June 30, 2019

**Independent School District No. 716**  
Belle Plaine, Minnesota

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Schedule of Changes in UFARS Fund Balances  
 June 30, 2019

	<u>Fund Balance Beginning of Year</u>	<u>Net Change in Fund Balance</u>	<u>Fund Balance End of Year</u>
Nonspendable	\$ -	\$ 6,027	\$ 6,027
Restricted for staff development	55,328	22,703	78,031
Restricted for health and safety	(37,842)	37,842	-
Restricted for operating capital	688,795	65,102	753,897
Restricted for achievement and integration	22,527	(22,527)	-
Restricted for safe school - crime levy	25,173	(21,219)	3,954
Restricted for basic skills ext time	-	3,691	3,691
Restricted for long-term facilities maintenance	402,728	(100,245)	302,483
Restricted for medical assistance	105,848	55,298	161,146
Committed for severance	81,607	-	81,607
Committed for student activities	117,879	15,439	133,318
Assigned for technology	-	220,976	220,976
Unassigned	<u>1,868,563</u>	<u>445,090</u>	<u>2,313,653</u>
	<u>\$ 3,330,606</u>	<u>\$ 728,177</u>	<u>\$ 4,058,783</u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Combining Balance Sheet – Nonmajor Governmental Funds  
 June 30, 2019

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Building Construction	
Assets				
Cash	\$ 229,273	\$ 447,387	\$ 854,850	\$ 1,531,510
Receivables				
Current property taxes	-	52,356	-	52,356
Delinquent property taxes	-	548	-	548
Accounts	21,807	-	-	21,807
Due from Minnesota Department of Education	-	13,820	-	13,820
Due from other governmental units	-	13,135	-	13,135
Total assets	<u>\$ 251,080</u>	<u>\$ 527,246</u>	<u>\$ 854,850</u>	<u>\$ 1,633,176</u>
Liabilities				
Salaries payable	\$ -	\$ 56,301	\$ -	\$ 56,301
Accounts payable	-	23,069	4,900	27,969
Due to other governmental units	-	10,593	-	10,593
Unearned revenue	15,302	-	-	15,302
Total liabilities	<u>15,302</u>	<u>89,963</u>	<u>4,900</u>	<u>110,165</u>
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	475	-	475
Unavailable revenue - property taxes	-	115,390	-	115,390
Total deferred inflows of resources	<u>-</u>	<u>115,865</u>	<u>-</u>	<u>115,865</u>
Fund Balances				
Restricted	<u>235,778</u>	<u>321,418</u>	<u>849,950</u>	<u>1,407,146</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 251,080</u>	<u>\$ 527,246</u>	<u>\$ 854,850</u>	<u>\$ 1,633,176</u>

Independent School District No. 716

Belle Plaine, Minnesota

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2019

	Special Revenue Funds			Total Nonmajor Funds
	Food Service	Community Service	Building Construction	
Revenues				
Local property tax levies	\$ -	\$ 117,581	\$ -	\$ 117,581
Other local and county sources	2,404	644,103	10,480	656,987
State sources	41,019	167,631	-	208,650
Federal sources	258,216	-	-	258,216
Local sales and insurance recovery	417,771	-	-	417,771
Total revenues	<u>719,410</u>	<u>929,315</u>	<u>10,480</u>	<u>1,659,205</u>
Expenditures				
Community education and services	-	814,265	-	814,265
Pupil support services	638,082	-	-	638,082
Sites and buildings	-	-	151,984	151,984
Total expenditures	<u>638,082</u>	<u>814,265</u>	<u>151,984</u>	<u>1,604,331</u>
Net Change in Fund Balances	81,328	115,050	(141,504)	54,874
Fund Balances - Beginning	<u>154,450</u>	<u>206,368</u>	<u>991,454</u>	<u>1,352,272</u>
Fund Balances - Ending	<u>\$ 235,778</u>	<u>\$ 321,418</u>	<u>\$ 849,950</u>	<u>\$ 1,407,146</u>



Independent School District No. 716  
 Belle Plaine, Minnesota  
 Schedule of Changes in Student Activity Cash Balances  
 Year Ended June 30, 2019

	Beginning Balance	Receipts	Disbursements	Ending Balance
Tigerian	\$ 11,848	\$ 1,240	\$ 594	\$ 12,494
Trapshoot	5,905	13,431	14,066	5,270
Art/Visual Art	3,680	1,010	1,150	3,540
Baseball	9,135	46,062	49,910	5,287
Boys BB	377	1,134	763	748
BP Sr. Hi Club	341	522	192	671
BP Weight Room	640	850	-	1,490
Class 2018	2,553	-	2,553	-
Class 2019	3,143	4,179	7,322	-
Class of 2020	-	22,736	19,230	3,506
Class of 2021	-	4,330	-	4,330
Concert Choir	5,954	22,124	18,520	9,558
Concessions	4,375	23,026	25,469	1,932
Cross Country	53	4,252	4,294	11
Fall Drama	478	7,235	5,263	2,450
FFA	12,455	62,591	70,096	4,950
Danceline	-	1,588	-	1,588
Football	1,078	1,157	416	1,819
Girls BB	341	970	331	980
Golf	1,922	1,175	332	2,765
Natl. Honor S	612	921	266	1,267
One Act Play	2,211	1,729	1,380	2,560
Outdoor Club	5,209	2,420	2,301	5,328
Science Fair	274	-	-	274
Scott West Wrestling	343	280	254	369
SH Band	7,551	14,717	7,200	15,068
Softball	1,249	999	1,258	990
Speech	174	300	166	308
SR High Student Council	3,668	1,352	704	4,316
Tennis	5,994	9,687	10,899	4,782
Tiger Club	6,388	1,364	781	6,971
Tiger Fever	2,634	-	-	2,634
Track	5,270	11,712	7,920	9,062
JR High Student Council	9,224	7,059	9,229	7,054
Interest	241	5,300	-	5,541
Social Studies	(24)	14,988	14,960	4
Robotics	2,583	2,046	1,228	3,401
	<u>\$ 117,879</u>	<u>\$ 294,486</u>	<u>\$ 279,047</u>	<u>\$ 133,318</u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Uniform Financial Accounting and Reporting Standards Compliance Table  
 Year Ended June 30, 2019

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$17,327,636	<u>\$17,327,636</u>	\$0	Total Revenue	\$10,480	<u>\$10,480</u>	\$0
Total Expenditures	\$17,293,038	<u>\$17,293,038</u>	\$0	Total Expenditures	\$151,984	<u>\$151,984</u>	\$0
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$6,027	<u>\$6,027</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$78,031	<u>\$78,031</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.06 Health and Safety	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$849,950	<u>\$849,950</u>	\$0
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0				
4.24 Operating Capital	\$753,897	<u>\$753,897</u>	\$0	<b>07 DEBT SERVICE</b>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Revenue	\$4,073,034	<u>\$4,073,034</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Total Expenditures	\$4,004,371	<u>\$4,004,371</u>	\$0
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.49 Safe School Crime - Crime Levy	\$3,954	<u>\$3,954</u>	\$0	4.64 Restricted Fund Balance	\$713,402	<u>\$713,403</u>	(\$1)
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$3,691	<u>\$3,691</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$302,483	<u>\$302,483</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$161,146	<u>\$161,146</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0	<b>20 INTERNAL SERVICE</b>			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	Total Revenue	\$2,202,402	<u>\$2,202,402</u>	\$0
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Expenditures	\$1,805,955	<u>\$1,805,955</u>	\$0
<i>Committed:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$750,397	<u>\$750,397</u>	\$0
4.18 Committed for Separation	\$81,607	<u>\$81,607</u>	\$0				
4.61 Committed Fund Balance	\$133,318	<u>\$133,318</u>	\$0	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Assigned:</i>				Total Revenue	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$220,976	<u>\$220,976</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$2,313,653	<u>\$2,313,653</u>	\$0				
				<b>45 OPEB IRREVOCABLE TRUST</b>			
<b>02 FOOD SERVICES</b>				Total Revenue	\$0	<u>\$0</u>	\$0
Total Revenue	\$719,410	<u>\$719,410</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
Total Expenditures	\$638,082	<u>\$638,083</u>	(\$1)	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	<b>47 OPEB DEBT SERVICE</b>			
<i>Restricted / Reserved:</i>				Total Revenue	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>				<i>Non Spendable:</i>			
4.64 Restricted Fund Balance	\$235,778	<u>\$235,777</u>	\$1	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				<i>Restricted:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
<b>04 COMMUNITY SERVICE</b>				<i>Unassigned:</i>			
Total Revenue	\$929,315	<u>\$929,315</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
Total Expenditures	\$814,265	<u>\$814,264</u>	\$1				
<i>Non Spendable:</i>							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0				
<i>Restricted / Reserved:</i>							
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0				
4.31 Community Education	\$279,905	<u>\$279,906</u>	(\$1)				
4.32 E.C.F.E	\$36,513	<u>\$36,513</u>	\$0				
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0				
4.44 School Readiness	\$5,000	<u>\$5,000</u>	\$0				
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the School Board  
Independent School District No. 716  
Belle Plaine, 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 the Independent School District No. 716 (the District), Belle Plaine, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated November 14, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings as items 2019-001 and 2019-002 that we consider to be material weaknesses, and 2019-003 which we consider to be a significant deficiency.

**Compliance and Other Matters**

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

**District's Response to Findings**

The District's response to the findings identified in our audit are described in their Corrective Action Plan and the accompanying summary of audit findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Eric Sully LLP". The signature is written in a cursive, flowing style.

Mankato, Minnesota  
November 14, 2019



**Report on Compliance over  
Financial Reporting of the Student Activity Accounts**

To the Members of the School Board  
Independent School District No. 716  
Belle Plaine, 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 and the provisions of the Manual for Activity Fund Accounting (MAFA), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 716 (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 November 14, 2019.

**Compliance**

As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity 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 did not disclose instances of noncompliance or other matters that is required to be reported under the Manual for Activity Fund Accounting.

This report is intended solely for the information and use of management, the School Board, and the Minnesota Department of Education and other state agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Mankato, Minnesota  
November 14, 2019



## Report on Minnesota Legal Compliance

Members of the School Board  
Independent School District No. 716  
Belle Plaine, 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 for governmental activities, the major fund, and the aggregate remaining fund information of the Independent School District No. 716 as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 716 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Mankato, Minnesota  
November 14, 2019

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**Section I – Financial Statement Findings**

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**2019-001      Segregation of Duties  
Material Weakness**

*Criteria:* A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

*Condition:* The District has a lack of segregation of duties in certain areas due to limited staff. The District has limited segregation of duties in many accounting and financial reporting internal control areas. The areas involved are receipts and receivables, disbursements and payables, payroll, deposits, and reconciliations of these areas.

*Cause:* The District does not have the economic resources to hire additional qualified accounting staff in order to segregate duties.

*Effect:* Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions. School Board oversight will mitigate some of the effect.

*Recommendation:* While we recognize that your staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

*Views of Responsible Officials:* Management agrees with this finding.

**2019-002      Preparation of Financial Statements  
Material Weakness**

*Criteria:* A good system of internal control contemplates an adequate system for drafting of the financial statements.

*Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements, accompanying notes to the financial statements, and required supplementary budgetary comparison information.

*Cause:* The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation:* This control deficiency is not unusual in a District of your size. It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials:* Management agrees with this finding.

**2019-003      Lack of Required Employee Documentation  
Significant Deficiency**

*Criteria:* A good system of internal control contemplates an adequate system for maintaining complete records of all employees.

*Condition:* During the course of our engagement, we noted one employee personnel file lacked a completed USCIS Form I-9, Employment Eligibility Verification.

*Cause:* The District does not have a system of internal control designed to ensure that all required employee documentation is complete.

*Effect:* This control deficiency could result in inaccurate personnel information entered into the payroll system and employment of individuals unauthorized to work in the United States.

*Recommendation:* The District should maintain a policy to ensure that all required employee documentation is received as new employees are hired and periodic review to ensure that all personnel records are complete.

*Views of Responsible Officials:* Management agrees with this finding.



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**Section II – Student Activity Findings**

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None noted

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**Section III – Minnesota Legal Compliance Findings**

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None noted