Financial Statements
June 30, 2019

Independent School District No. 152
Moorhead Area Public Schools

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School Board

Name	Position	Term Expires
Scott Steffes	Chairperson	2021
Cassidy Bjorklund	Vice Chairperson	2021
Melissa Burgard	Treasurer	2021
Matt Valan	Clerk	2021
Rachel Stone	Director	2023
Kara Gloe	Director	2023
Keith Vogt	Director	2023

Administration

Brandon Lunak	Superintendent
Kristen Dehmer	Executive Director of Human Resources and Operations
Denice Sinner	Director of Business Services

Independent Auditor's Report

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The School Board and Administration list, combining and individual fund schedules, and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules, uniform accounting and reporting compliance table, schedule of changes of the student activity cash balances, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 26, 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.

Eide Bailly LLP

Fargo, North Dakota
November 26, 2019

This section of Independent School District No. 152 – Moorhead Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

General Fund 01 – The overall revenues were $89,241,009, expenditures were $87,412,168, and other financing sources were $82,648, increasing the fund balance by $1,828,841.

Food Service Fund 02 – The revenues were $3,392,380, and the expenditures were $3,539,250, decreasing the fund balance by $146,870.

Community Service Fund 04 – The revenues were $2,251,573, while the expenditures were $2,033,179, increasing the fund balance by $218,394.

Building Construction Fund 06 – The revenues were $93,046, expenditures were $2,214,155, and other financing sources were $1,524,491, decreasing fund balance by $596,618.

Debt Service Fund 07 – The revenues were $7,001,959, while expenditures were $8,539,558, decreasing fund balance by $1,537,599.

OPEB Debt Service Fund 47 – The revenues were $1,363,253, expenditures were $1,502,428, and other financing sources were $2,870,000, increasing the fund balance by $2,730,825.

Overview of the Financial Statements

District-Wide Statements

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

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

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

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

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

Governmental Activities – All of the District's basic services are included here, such as regular and special education, transportation, administration, food service, 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:

- Some funds are required by State law and by bond covenants.

- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using revenues (e.g., federal grants).

The District has three kinds of funds:

Governmental Funds – All 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 at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

Proprietary Fund – The District has a self-insured health plan designed as an internal service fund. The fund is used to record the premiums received, and claims paid related to the participants employed by the District's governmental funds.

Fiduciary Funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $18,082,038 as of June 30, 2019.

Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 63,314,911	$ 60,218,062
Capital assets	158,703,842	157,372,705
Total assets	222,018,753	217,590,767
Deferred Outflows of Resources	61,691,146	74,004,647
Liabilities		
Other liabilities	9,942,289	11,101,513
Long-term liabilities	162,066,291	246,215,506
Total liabilities	172,008,580	257,317,019
Deferred Inflows of Resources	93,619,281	38,622,912
Net Position (Deficit)		
Net investment in capital assets	49,743,763	51,145,862
Restricted for specific purposes	12,361,475	8,948,880
Unrestricted	(44,023,200)	(64,439,259)
Total net position (deficit)	$ 18,082,038	$ (4,344,517)

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

	2019	2018
Revenues		
Program revenues		
Charges for service	$ 10,325,360	$ 8,773,177
Operating grants and contributions	5,780,088	5,910,093
General		
Property taxes	16,930,300	15,682,124
Aids and payments from state and other	76,097,468	68,627,918
Miscellaneous revenues	2,196,633	1,817,521
Total revenues	111,329,849	100,810,833
Expenses		
Administration	3,838,477	3,385,895
District support services	1,597,557	1,511,817
Regular instruction	24,098,616	51,126,085
Vocational instruction	704,784	700,329
Special education instruction	20,164,953	18,730,170
Community education and services	2,036,156	1,891,530
Instructional support services	4,667,327	4,970,456
Pupil support services	10,885,726	9,947,484
Sites and buildings	10,724,863	9,150,320
Fiscal and other fixed-cost programs	3,771,532	3,750,953
Health self-insurance	6,413,303	5,048,819
Total expenses	88,903,294	110,213,858
Changes in Net Position (Deficit)	22,426,555	(9,403,025)
Net Position (Deficit) - Beginning	(4,344,517)	5,058,508
Net Position (Deficit) - Ending	$ 18,082,038	$ (4,344,517)

<u>Changes in Net Position (Deficit)</u> – The District's total revenues were approximately $111.33 million for the year ended June 30, 2019. Property taxes and state formula aid accounted for 84% of total revenue for the year. Another 16% came from other program revenue and miscellaneous revenues.

The total cost of all programs and services was approximately $88.90 million. The District's expenses are predominantly related to educating and caring for students. The purely administrative activities of the District accounted for just 4% of total costs.

The total revenues exceeded expenses, increasing the net position by $22,426,555 for fiscal year 2019.

General Fund

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

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	$ 9,541,340	$ 8,254,029	$ 1,287,311	15.6%
Other local sources	2,699,671	2,036,812	662,859	32.5%
State sources	73,581,030	66,125,609	7,455,421	11.3%
Federal sources	3,410,644	3,322,702	87,942	2.6%
Miscellaneous	8,324	27,489	(19,165)	-69.7%
Total General Fund revenues	$ 89,241,009	$ 79,766,641	$ 9,474,368	11.9%

Total General Fund revenue increased by $9,474,368 or 11.9% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. State sources also increased from the TRA/PERA Special Funding revenue related to GASB 68.

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	$ 65,433,457	$ 61,107,042	$ 4,326,415	7.1%
Purchased services	10,316,252	9,730,277	585,975	6.0%
Supplies and materials	3,060,507	3,128,326	(67,819)	-2.2%
Capital expenditures	5,409,967	3,829,208	1,580,759	41.3%
Other expenditures	3,191,985	681,091	2,510,894	368.7%
Total General Fund expenditures	$ 87,412,168	$ 78,475,944	$ 8,936,224	11.4%

Total General Fund expenditures increased by $8,936,224 or 11.4% from the previous year. The overall increase in salary and benefits related to additional teachers hired as a result of the growth of the district along with salary increases for existing staff. The district had a large increase in capital expenditures due to an increase in contractor expenses related to new construction on the Operation Center. The other expenditures increase resulting from the TRA/PERA Special Funding expense related to GASB 68.

General Fund Budgetary Highlights

The District's general fund results when compared to the final budget are:

- Actual revenues were $5,650,986 *greater than* budget. This included the Revenue/Expenditure neutral budget difference for the pension amount of $2,673,886 in the State source line. After backing this out, the actual revenue increase was $3,059,748, which resulted primarily from an increase in Special Education and General Education state aid.

- Actual expenditures were $783,286 *greater than* budget. This included the Revenue/Expenditure neutral budget difference for the pension amount of $2,673,886. After backing this amount out, actual expenditures were less than budget by $1,890,600.

Building Construction Fund

The Building Construction Fund revenues were $93,046 and expenditures were $2,214,155. Other financing sources totaled $1,524,491. Fund balance decreased by $596,618 as expenditures exceeded revenues and other financing sources. The decrease is a result of paying for the construction that was completed.

Debt Service Fund

The Debt Service Fund revenues were $7,001,959, and expenditures were $8,539,558, thereby decreasing fund balance $1,537,599 as expenditures exceeded revenues. The decrease is a result of not collecting for the interest portion of the payment that was due on August 1, 2019. The District will recapture this amount on the Pay Levy FY 20.

Other Non-Major Funds

The Food Service Fund incurred an decrease in the fund balance of $146,870. The decrease is a result of higher costs associated with more student meals served. The Community Service Fund incurred an increase in the fund balance of $218,394. The increase is a result of the increase in the census. The OPEB Debt Service fund incurred current year revenues and other financing sources in excess of expenditures of $2,730,825, increasing fund balance. The increase is a result of refunding a bond during 2019.

Capital Assets and Debt Administration

Capital Assets

By the end of 2019, the District had invested approximately $202.31 million in a broad range of capital assets, including school buildings, athletic facilities, school vehicles, and computer and audio-visual equipment. Total depreciation expense for the year was $3,910,685. Note 4 presents the detail of the District's capital assets.

Capital Assets Governmental Activities
June 30, 2019 and 2018

	2019	2018
Land	$ 1,499,572	$ 1,499,572
Construction in progress	1,875,866	40,048,491
Buildings	189,965,509	147,303,231
Improvements	4,351,024	4,258,822
Vehicles	2,177,965	2,230,540
Equipment	2,437,705	2,031,663
Accumulated Depreciation	(43,603,799)	(39,999,614)
Total capital assets	$ 158,703,842	$ 157,372,705

Long-Term Debt

At year end the District had $109,454,648 of long term debt consisting of bonded indebtedness of $98,664,480, capital lease payable of $10,295,599, and vacation payable of $494,569. Note 7 presents the detail of the District's long-term debt.

The District has $49,703,462 in net pension liability at June 30, 2019. See Note 8 for further information.

The District has $2,231,129 in net OPEB liability and $677,052 in pension-related benefits liability at June 30, 2019. See Note 5 and 6 for further information.

Factors Bearing on the District's Future

Minnesota school districts are paid based on pupil units served. Increases in enrollment this year over last year has given us increased revenue for operations. We are anticipating the school district's enrollment to increase over the next couple of 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 any questions about this report or would like additional information, contact Denice Sinner, Director of Business Services, at the District offices at 2410 14th Street South, Moorhead, MN 56560.

Independent School District No. 152
Moorhead Area Public Schools
Statement of Net Position
June 30, 2019

Assets	
Cash and investments	$ 31,762,493
Restricted cash and cash equivalents	7,567,793
Receivables	
Current property taxes	11,967,069
Delinquent property taxes	347,403
Due from other governmental units	10,928,809
Prepaid items	730,635
Inventory	10,709
	63,314,911
Capital assets	
Non-depreciable	
Land	1,499,572
Construction in progress	1,875,866
Depreciable	
Buildings	189,965,509
Improvements	4,351,024
Vehicles	2,177,965
Equipment	2,437,705
Less accumulated depreciation	(43,603,799)
Total capital assets, net of depreciation	158,703,842
Total assets	222,018,753
Deferred Outflows of Resources	
Other postemployment benefit plan	172,819
Supplemental pension plan	117,101
Pension plans	61,401,226
Total deferred outflows of resources	61,691,146
Liabilities	
Accounts payable	1,499,795
Salaries payable	6,558,144
Accrued interest payable	274,515
Unearned revenue	1,086,387
Claims incurred but not reported	523,448
Long-term liabilities	
Due within one year - bonds, premiums, capital leases, and vacation payable	10,322,898
Due in more than one year - bonds, premiums, capital leases, and vacation payable	99,131,750
Due in more than one year - pension-related retirement benefits	677,052
Due in more than one year - net OPEB liabillity	2,231,129
Due in more than one year - net pension liability	49,703,462
Total liabilities	172,008,580
Deferred Inflows of Resources	
Unavailable revenue-property taxes	18,437,169
Other postemployment benefits plan	1,932,211
Supplemental pension plan	4,109
Pension plans	73,245,792
Total deferred inflows of resources	93,619,281
Net Position (Deficit)	
Net investment in capital assets	49,743,763
Restricted for specific purposes	12,361,475
Unrestricted	(44,023,200)
Total net position	$ 18,082,038

The Notes to Financial Statements are an integral part of this statement.

		Program Revenues		Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Governmental activities				
Administration	$ 3,838,477	$ -	$ -	$ (3,838,477)
District support services	1,597,557	-	-	(1,597,557)
Regular instruction	24,098,616	624,868	1,709,945	(21,763,803)
Vocational instruction	704,784	-	-	(704,784)
Special education instruction	20,164,953	1,038,988	1,700,699	(17,425,266)
Community education and services	2,036,156	502,555	132,676	(1,400,925)
Instructional support services	4,667,327	-	-	(4,667,327)
Pupil support services	10,885,726	1,204,037	2,143,722	(7,537,967)
Sites and buildings	10,724,863	78,223	-	(10,646,640)
Fiscal and other fixed-cost programs	3,771,532	-	-	(3,771,532)
Health self-insurance	6,413,303	6,876,689	93,046	556,432
Total governmental activities	$ 88,903,294	$ 10,325,360	$ 5,780,088	(72,797,846)
General Revenues				
Property taxes, levied for general purposes				11,002,197
Property taxes, levied for community education and services				400,871
Property taxes, levied for debt service				5,527,232
Aids and payments from the state				75,963,125
County apportionment				134,343
Loss on disposal of property and equipment				90,972
Miscellaneous revenues				2,105,661
Total general revenues				95,224,401
Changes in Net Position				22,426,555
Net Deficit - Beginning				(4,344,517)
Net Position - Ending				$ 18,082,038

Independent School District No. 152
Moorhead Area Public Schools
Governmental Funds
Balance Sheet
June 30, 2019

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 22,596,750	$ -	$ 2,238,310	$ 3,237,588	$ 28,072,648
Restricted cash and cash equivalents	-	4,802,793	-	2,765,000	7,567,793
Receivables					
Current property taxes	5,885,018	-	4,759,534	1,322,517	11,967,069
Delinquent property taxes	186,330	-	127,453	33,620	347,403
Due from other governmental units	10,403,393	-	147,472	377,944	10,928,809
Prepaid items	701,560	-	-	29,075	730,635
Inventories	-	-	-	10,709	10,709
Total assets	$ 39,773,051	$ 4,802,793	$ 7,272,769	$ 7,776,453	$ 59,625,066
Liabilities					
Accounts payable	$ 1,448,891	$ 26,928	$ -	$ 23,976	$ 1,499,795
Salaries payable	6,341,115	-	-	217,029	6,558,144
Unearned revenue	189,197	-	-	93,994	283,191
Total liabilities	7,979,203	26,928	-	334,999	8,341,130
Deferred Inflows of Resources					
Unavailable revenue-property taxes	9,411,238	-	7,212,916	2,049,497	18,673,651
Fund Balance					
Nonspendable	701,560	-	-	39,784	741,344
Restricted	2,609,172	4,775,865	59,853	5,352,173	12,797,063
Committed	1,200,000	-	-	-	1,200,000
Assigned	3,000,000	-	-	-	3,000,000
Unassigned	14,871,878	-	-	-	14,871,878
Total fund balance	22,382,610	4,775,865	59,853	5,391,957	32,610,285
Total liabilities, deferred inflows of resources, and fund balance	$ 39,773,051	$ 4,802,793	$ 7,272,769	$ 7,776,453	$ 59,625,066

Total Fund Balances - Governmental Funds	$ 32,610,285
Amounts reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	158,703,842
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(274,515)
Delinquent property taxes are not considered available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	236,482
Vacation payable is not due and payable in the current period and therefore is not reported as liabilities in the funds.	(494,569)
Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the funds.	(13,490,966)
Internal service funds are used by the District to charge the costs of the self-insured health insurance plan. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,363,201
Long-term liabilities, including bonds payable, net pension liability, and capital lease payable, pension-related retirement benefits, other post-employment benefits, and pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(161,571,722)
Total Net Position - Governmental Activities	$ 18,082,038

	General	Building Construction	Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 9,541,340	$ -	$ 5,527,232	$ 1,528,542	$ 16,597,114
Other local and county sources	2,699,671	93,046	-	660,021	3,452,738
State sources	73,581,030	-	1,474,727	1,409,251	76,465,008
Federal sources	3,410,644	-	-	1,969,773	5,380,417
Sales and other conversion of assets	-	-	-	1,204,037	1,204,037
Miscellaneous	8,324	-	-	235,582	243,906
Total revenues	89,241,009	93,046	7,001,959	7,007,206	103,343,220
Expenditures					
Administration	3,838,477	-	-	-	3,838,477
District support services	1,597,557	-	-	-	1,597,557
Regular instruction	38,384,440	-	-	-	38,384,440
Vocational instruction	704,784	-	-	-	704,784
Special education instruction	20,182,734	-	-	-	20,182,734
Community education and service	-	-	-	2,033,179	2,033,179
Instructional support services	4,556,623	-	-	-	4,556,623
Pupil support services	7,186,465	-	-	3,539,250	10,725,715
Sites and buildings	10,767,960	2,214,155	-	-	12,982,115
Fiscal and other fixed cost programs	193,128	-	8,539,558	1,502,428	10,235,114
Total expenditures	87,412,168	2,214,155	8,539,558	7,074,857	105,240,738
Excess (Deficiency) of Revenues over (under) Expenditures	1,828,841	(2,121,109)	(1,537,599)	(67,651)	(1,897,518)
Other Financing Sources					
Sale of property and equipment	82,648	-	-	-	82,648
Bond proceeds	-	1,524,491	-	2,870,000	4,394,491
Total other financing sources	82,648	1,524,491	-	2,870,000	4,477,139
Net Change in Fund Balance	1,911,489	(596,618)	(1,537,599)	2,802,349	2,579,621
Fund Balance, Beginning of Year	20,471,121	5,372,483	1,597,452	2,589,608	30,030,664
Fund Balance, End of Year	$ 22,382,610	$ 4,775,865	$ 59,853	$ 5,391,957	$ 32,610,285

Net Change in Fund Balances - Total Governmental Funds	$ 2,579,621
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense and net disposals in the current period.	
Cost of capital assets	5,241,822
Less depreciation expense	(3,910,685)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	97,604
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(69,126)
In the statement of activities OPEB and Supplemental Benefit liabilities are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	126,856
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.	14,367,019
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,530,058
Internal service funds are used by the District to charge the costs of the self-insured health insurance pool. The net revenue of the internal service fund is reported in governmental activities.	463,386
Change in Net Position of Governmental Activities	$ 22,426,555

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 9,207,721	$ 8,994,338	$ 9,541,340	$ 547,002
Other local and county sources	2,065,145	2,385,968	2,699,671	313,703
State sources	69,894,549	69,109,315	73,581,030	4,471,715
Federal sources	2,929,535	3,100,402	3,410,644	310,242
Miscellaneous	200	-	8,324	8,324
Total revenues	84,097,150	83,590,023	89,241,009	5,650,986
Expenditures				
Administration	3,955,718	4,064,698	3,838,477	226,221
District support services	1,529,162	1,538,402	1,597,557	(59,155)
Regular instruction	37,376,661	37,224,316	38,384,440	(1,160,124)
Vocational instruction	637,859	471,316	704,784	(233,468)
Special education instruction	18,935,970	20,942,850	20,182,734	760,116
Instructional support services	4,095,420	4,532,787	4,556,623	(23,836)
Pupil support services	7,144,580	7,494,070	7,186,465	307,605
Sites and buildings	11,747,197	10,165,977	10,767,960	(601,983)
Fiscal and other fixed cost programs	194,466	194,466	193,128	1,338
Total expenditures	85,617,033	86,628,882	87,412,168	(783,286)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,519,883)	(3,038,859)	1,828,841	4,867,700
Other Financing Sources				
Sale of property and equipment	-	-	82,648	82,648
Net Change in Fund Balance	$ (1,519,883)	$ (3,038,859)	1,911,489	$ 4,950,348
Fund Balance, Beginning of Year			20,471,121	
Fund Balance, End of Year			$ 22,382,610	

The Notes to Financial Statements are an integral part of this statement.

Independent School District No. 152
Moorhead Area Public Schools
Proprietary Fund
Statement of Net Position
June 30, 2019

	Governmental Activities - Internal Service Fund
Assets	
Cash and investments	$ 3,689,845
Liabilities and Net Position	
Liabilities	
Claims incurred but not reported	523,448
Unearned revenue	803,196
Total liabilities	1,326,644
Net position	
Unrestricted	$ 2,363,201

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

	Governmental Activities - Internal Service Fund
Revenues	
Health revenue	$ 6,876,689
Expenses	
Health claims	5,911,485
Admin fees	501,818
Total expenses	6,413,303
Change in Net Position	463,386
Net Position, Beginning of Year	1,899,815
Net Position, End of Year	$ 2,363,201

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 6,876,689
Payments for insurance claims and administration	(6,540,087)
Net cash from operating activities	336,602
Cash and Investments, July 1	3,353,243
Cash and Investments, June 30	$ 3,689,845
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 463,386
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	(47,826)
Unearned revenue	(78,958)
Net cash from operating activities	$ 336,602

Fiduciary Fund
Statement of Net Position
June 30, 2019

	Agency	Trust Funds
Assets		
Cash and investments	$ 335,765	$ 4,472,355
Liabilities and Net Position		
Liabilities		
Due to other organizations	335,765	-
Net position		
Unrestricted	$ -	$ 4,472,355

The Notes to Financial Statements are an integral part of this statement.

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

	Trust Funds
Additions	
Interest	$ 338,178
Scholarships	5
Total additions	338,183
Deductions	
OPEB health insurance	522,904
Net Change in Net Position	(184,721)
Net Position, Beginning of Year	4,657,076
Net Position, End of Year	$ 4,472,355

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 152, Moorhead Area Public Schools, Moorhead, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial burden or benefit with the potential component unit, or is fiscally depended upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

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

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are reported in the Statement of Fiduciary Net Position at the fund financial statement level. Generally, the effect of interfund activity has been removed from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

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

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Fiduciary funds are presented in the fiduciary fund financial statements by type: pension (or other benefit) trust, private-purpose trust, and agency. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide statements.

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

<u>Revenue Recognition</u> – Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is 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.

Description of Funds

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

Major Governmental Funds

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

Building Construction Fund – The building construction fund is used to account for construction projects within the District.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Nonmajor Governmental Funds

Food Service Fund – The food service fund is used to account for food service revenues and expenditures.

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

OPEB Debt Service Fund – The OPEB debt service fund is used to account for the accumulation of resources for, and payment of, general obligation OPEB bond principal, interest, and related costs.

Proprietary Fund

Internal Service Fund – The Internal Service Fund is used to account for the activities of the District's self-insured health plan.

Fiduciary Funds

Scholarship Trust Fund – The scholarship fund is used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the donor-imposed restrictions.

OPEB Trust Fund – The Other Post-Employment Benefit (OPEB) trust fund is used to account for the accumulation of resources to be used for the District's portion of the premium cost for providing health insurance to the District's retired employees.

Agency Fund – The agency fund is used to account for the extracurricular student activities, not under board control. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

With respect to proprietary activities, the District has adopted GASB Statement No. 62 "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements."

Amounts reported as program revenues include the following: amounts received from those who purchase, use, or directly benefit from a program; amounts received from parties outside the District that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are charges to participants for health insurance plans. Operating expenses for proprietary funds include the cost of health insurance and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution. Unencumbered appropriations lapse at year-end.

Cash and Investments

Cash balances for all district funds are pooled and invested to the extent possible. Interest earned from such investments is allocated to each of the funds based on the fund's average monthly cash and investments balance. Funds that incur a deficit balance in pooled cash and investments during the year are charged interest.

Deposits and investments consist of certificates of deposit and monies deposited with the Minnesota School District Liquid Asset Fund (MSDLAF) and are stated at market.

Restricted Cash and Cash Equivalents

The capital lease proceeds are used to fund expenses related to ongoing construction projects in the Building Construction Fund. These funds will be held as restricted cash until they are used for the completion of the construction projects.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

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

Inventories

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

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 2016 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.

Capital Assets

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

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 50 years.

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

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

Long-Term Obligations

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

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

Vacation Payable

The District compensates substantially all full-time noncertified employees for unused vacation upon termination; however, no employee is allowed to accumulate more than a one-year vacation allowance. The expenditure for vacation pay is recognized when payment is made. As of June 30, 2019, this amount did not exceed a normal year's accumulation.

Unearned Revenue

The District receives donations from several organizations and the amount that is not spent in the fiscal year is reported as unearned revenue. The donations will be spent in the subsequent fiscal year for miscellaneous projects throughout the District.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and 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 8.

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.

Deferred Outflows and Inflows 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 future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the contributions made to pension 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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has four 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 three items are changes in the total other postemployment benefits liability, supplemental pension plan, and net pension liability reported in the government-wide statement of net position.

Postemployment Benefits Other Than Pensions (OPEB)

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

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.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

The following classifications describe the relative strength of spending constraints:

- Nonspendable fund balance amounts are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action. The formal action to commit a fund balance must occur prior to fiscal year end; however, the specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the School Board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted funds constrained by the school District's intent that they be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended use of those resources. The action to assign a fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. A School Board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and Assistant Superintendent. Assignments so made shall be reported to the School Board on a monthly basis, either separately or as part of ongoing reporting by the assigning party if other than the School Board.

- Unassigned fund balance amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, voters, or laws or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation.

The first priority is to utilize the balance as restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures is incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

The School Board will endeavor to maintain a minimum unassigned General Fund balance of at least 25% of the district's General Fund operating budget. When the unassigned General Fund balance is projected to decrease below 17% of the General Fund budget, the district shall initiate one or more measures listed in the fund balance policy to ensure that the year-end General Fund unassigned balance for the budget year in question does not fall below 17%.

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

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

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

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

At June 30, 2019, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Credit Risk – Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record.

Custodial Credit Risk – Investments

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

Interest Rate Risk – Investments

The District does not have a formal policy that limits investment maturities.

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

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

- Equities of $4,974,123 and fixed income investments of $10,806 are valued using quoted market prices (Level 1 inputs)

The following table presents the District's deposit and investment balances at June 30, 2019:

		Investment Maturities (in Years)	
Type	Fair Value	N/A	< 1
Cash and cash equivalents			
Minnesota School District Liquid Asset Fund	$ 37,484,991	$ 37,484,991	$ -
Deposits	1,668,486	1,668,486	-
Investments			
Fixed income	10,806	-	10,806
Equities	4,974,123	4,974,123	-
	$ 44,138,406	$ 44,127,600	$ 10,806

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

Cash and Investments - Statement of Net Position	$ 31,762,493
Restricted Cash and Cash Equivalents - Statement of Net Position	7,567,793
Cash and Investments - Statement of Fiduciary Net Position	4,808,120
	$ 44,138,406

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool's shares.

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2019, include:

Fund	Federal	State	Total
Major funds			
General	$ 1,756,879	$ 8,623,555	$ 10,403,393
Debt service	-	147,472	147,472
Non-major funds	246,987	130,957	377,944
	$ 2,003,866	$ 8,901,984	$ 10,928,809

Note 4 - Capital Assets

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

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated				
Land	$ 1,499,572	$ -	$ -	$ 1,499,572
Construction in progress	40,048,491	3,966,623	(42,139,248)	1,875,866
Total capital assets, not being depreciated	41,548,063	3,966,623	(42,139,248)	3,375,438
Capital assets being depreciated				
Buildings	147,303,231	42,662,278	-	189,965,509
Improvements	4,258,822	92,202	-	4,351,024
Vehicles	2,230,540	264,445	(317,020)	2,177,965
Equipment	2,031,663	441,765	(35,723)	2,437,705
Total capital assets being depreciated	155,824,256	43,460,690	(352,743)	198,932,203
Less accumulated depreciation for				
Buildings	36,146,932	3,297,463	-	39,444,395
Improvements	1,632,453	215,246	-	1,847,699
Vehicles	1,444,740	186,287	(270,777)	1,360,250
Equipment	775,489	211,689	(35,723)	951,455
Total accumulated depreciation	39,999,614	3,910,685	(306,500)	43,603,799
Net capital assets, depreciated	115,824,642	39,550,005	(46,243)	155,328,404
Total capital assets, net	$ 157,372,705	$ 43,516,628	$ (42,185,491)	$ 158,703,842

Depreciation expense for the year ended June 30, 2019 was charged to the following functions/programs:

Regular instruction	$ 1,506,180
Community education	252,977
Instructional support	610,704
Pupil support services	660,010
Sites and buildings	880,814
Total depreciation expense	$ 3,910,685

Construction in progress is for construction to the Operations Center. This project is anticipated to be completed over the course of fiscal year 2020.

Note 5 - Other Postemployment Benefits

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. Contract groups receive other post-retirement benefits as follows:

Administrators – For retirees reaching age 55, the District will pay the full premium of a $100,000 life insurance policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62 and 40% at age 63.

Principals – For retirees reaching age 55 with 8 years of service and hired on or before July 1, 2000 (10 years of service by July 1, 2010) and who retire before July 1, 2015, the District will pay $9,300 per year with the excess toward HSA/VEBA deductibles, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay the full life insurance premium of a $100,000 policy until age 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

Teachers – For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2011, the District will pay the full premium for the $10 copay medical insurance plan until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2012, the District will pay the full premium for the $500 deductible medical insurance plan until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired before July 1, 2015, the District will pay $653 per month with the excess toward HSA/VEBA deductible, if applicable, until Medicare eligibility. For retirees reaching age 55 with 10 years of service and hired before July 1, 2010 and retired on or after July 1, 2015, the District will pay $750 per month with the excess towards HSA/VEBA deductible, if applicable, until Medicare eligibility. For retirees reaching age 55 with 3 years of service, the District will pay the full premium for a $25,000 life insurance policy until age 65.

Supervisors – For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire before July 1, 2013, the District will pay the full premium for the $10 copay medical insurance plan for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service and hired on or before July 1, 2001 (9 years of service by July 1, 2010), and who retire on or after July 1, 2013, the District will pay $9,300 per month with the excess toward HSA/VEBA deductible, if applicable, for 7 years or until Medicare eligibility, whichever is earlier. For retirees reaching age 55 with 10 years of service, the District will pay 100% of the premium of a $100,000 life insurance policy until the age of 65. The percentage paid by the District reduces to 80% at age 61, 60% at age 62, and 40% at age 63.

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

B. Benefits Provided

The plan provides medical, dental, and life insurance benefits provided to terminated or retired employees and their dependents and beneficiaries. Benefits are provided through a third-party insurer, and the cost of the benefits covered by the plan are described above.

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	65
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	878
	943

E. Net OPEB Liability

The District's net OPEB liability of $2,231,129 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018.

F. Actuarial Assumptions and Other Inputs

The net OPEB liability as of the June 30, 2019, measurement date 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	
Investment rate of return	4.30 percent, net of OPEB plan investment expense,	
Healthcare cost trend rates	6.50 percent for 2018 grading to 5.00% over 6 years Subsidized benefits at retiremeint (i. e. $750 per month or $9,300 per year) for future retirees are assumed to increase at half of the medical trend rates.	
Retiree plan participation	Future retirees electing coverage:	
	-Pre-65 subsidy available	100%
	-Pre-65 subsidy not available	20%
Percent of married retirees electing spouse coverage	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 June 30, 2019 measurement were based on the results of an actuarial experience study as of July 1, 2018.

The following changes in actuarial assumptions and plan provisions occurred since the prior valuation:

- 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 expected long-term investment return was changed from 5.20% to 4.30%
- The discount rate was changed from 3.80% to 3.30%.
- The new Superintendent does not have a subsidized post-employment benefit.

The long-term expected rate of return on OPEB 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 OPEB 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	Target Allocations	Long-Term Expected Real Rate of Return
Domestic equity	33%	3.90%
Fixed income	50%	3.80%
International equity	17%	6.80%
	100%	

G. Discount Rate

The discount rate used to measure the net OPEB liability was 3.30 percent. The projection of cash flows used to determine the discount rate assumed that the District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

H. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	$ 8,107,175	$ 4,648,385	$ 3,458,790
Changes from the Prior Year:			
Service Cost	275,059	-	275,059
Interest Cost	308,682	-	308,682
Assumption changes	201,623	-	201,623
Plan Changes	(22,247)	-	(22,247)
Employer Contributions	-	-	-
Projected Investment Return	-	199,881	(199,881)
Differences between Expected and actual Experience	(1,654,234)	139,960	(1,794,194)
Benefit Payments	(522,904)	(522,904)	-
Administrative Expenses	-	(3,297)	3,297
Total Net Changes	(1,414,021)	(186,360)	(1,227,661)
Balances at June 30, 2019	$ 6,693,154	$ 4,462,025	$ 2,231,129

I. Sensitivity of the Net OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate 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	2.30%	3.30%	4.30%
Net OPEB Liability	$ 2,569,003	$ 2,231,129	$ 1,896,738

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50% decreasing to 4% over 6 years	6.50% decreasing to 5% over 6 years	7.50% decreasing to 6% over 6 year
Net OPEB Liability	$ 2,796,123	$ 2,231,129	$ 4,219,164

J. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued OPEB financial report.

K. 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 $(11,891). At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	$ -	$ 1,417,914
Change in assumptions	172,819	161,034
Difference between projected and actual investment earnings	-	353,263
	$ 172,819	$ 1,932,211

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

Years Ended June 30,	Pension Expense Amount
2020	$ (376,801)
2021	(376,799)
2022	(314,996)
2023	(275,765)
2024	(207,516)
Thereafter	(207,515)

Note 6 - Pension-Related Retirement Benefits

A. Plan Description

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

Supervisors – For retirees reaching age 55 with 10 years of service hired before July 1, 1996, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	75%
With 13-14 years of service	60%
With 12 years of service	50%
With 11 years of service	40%
With 10 years of service	30%
With 9 years of service	20%

The benefit is payable in one lump sum to a 403(b).

Secretarial & Clerical Employees and Custodians – For retirees reaching age 55 with 10 years of service hired before July 1, 2000, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Paraprofessionals and TCI Employees – For retirees reaching age 55 with 10 years of service hired before July 1, 2002, the District will pay a percentage of the highest annual salary of the last 5 years at the following rates:

With 15 years of service	60%
With 14 years of service	50%
With 13 years of service	40%
With 12 years of service	30%
With 11 years of service	20%
With 10 years of service	10%

The benefit is payable in one lump sum to a 403(b).

Teachers – For retirees reaching age 55 with 8 years of service hired before September 1, 1999, the District will pay a percentage of the calculation 100 days less the number of sick leave days used in the last 2 years of employment at the following rates:

With 26+ years of service	121%
With 21-25 years of service	114%
With 16-20 years of service	107%
With 15 years of service	100%
With 14 years of service	93%
With 13 years of service	86%
With 12 years of service	79%
With 11 years of service	72%
With 10 years of service	65%
With 9 years of service	58%
With 8 years of service	50%

The benefit is payable in one lump sum to a 403(b).

B. Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	34
	34

C. Pension-Related Benefits Liability

The District's pension-related retirement benefits liability was measured as of June 30, 2019.

D. Actuarial Assumptions

The pension-related benefits liability as of the June 30, 2019, measurement date 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	3.10 percent
20-Year Municipal Bond Yield	3.10 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 June 30, 2019 measurement were based on the results of an actuarial experience study as of July 1, 2017.

The following changes in assumptions occurred since the previous valuation:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.50% to 3.10%

E. Discount Rate

The discount rate used to measure the pension-related benefits liability was 3.30%. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

F. Changes in the Pension-Related Benefits Liability

Service cost	$	23,623
Interest cost		20,634
Assumption changes		4,637
Differences between expected and actual experience		171,016
Pension-related benefits cost		219,910
Benefit payments		(215,718)
Change in pension-related benefits obligation		4,192
Pension-related benefits liability, beginning of year		672,860
Pension-related benefits liability, end of year	$	677,052

G. Sensitivity of the Pension-Related Benefits Liability to Changes in Discount Rate

The following presents the pension-related 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	2.10%	3.10%	4.10%
Pension-Related Benefits Liability	$ 690,161	$ 677,052	$ 663,376

H. Pension Expense and Deferred Outflows and Inflows of Resources Related to Total Supplemental Pension Liability

For the year ended June 30, 2019, the District recognized pension expense of $100,753. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to supplemental pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	$ 114,010	$ -
Change in assumptions	3,091	4,109
Total	$ 117,101	$ 4,109

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

Years Ended June 30,	Pension Expense Amount
2020	$ 56,496
2021	56,496
2022	-
2023	-
2023	-

Note 7 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2019 are as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds payable	$ 95,285,000	$ 4,360,000	$ 5,155,000	$ 94,490,000	$ 8,275,000
Unamortized premium on bond issuance	5,110,857	-	936,377	4,174,480	936,377
Capital lease	10,941,843	-	646,244	10,295,599	666,409
Vacation payable	425,443	642,381	573,255	494,569	445,112
	$ 111,763,143	$ 5,002,381	$ 7,310,876	$ 109,454,648	$ 10,322,898

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

Bond Description	Final	Interest Rate	Original Principal	Outstanding Balance
General Obligation Tax Abatement Bonds, Series 2019A	2/34	1.50% - 3.00%	$ 1,490,000	$ 1,490,000
General Obligation School Building Bonds, Series 2016A	2/36	3.00% - 4.00%	74,560,000	74,560,000
General Obligation School Building Refunding Bonds, Series 2014A	4/22	3.00% - 5.00%	30,785,000	12,805,000
General Obligation School Taxable OPEB Bonds, Series 2009A	7/19	4.00% - 5.00%	10,300,000	2,765,000
General Obligation School Taxable OPEB Bonds, Series 2019B	2/22	2.10% - 2.30%	2,870,000	2,870,000
				$ 94,490,000

During 2019, the District issued $1,490,000 in General Obligation Tax Abatement Bonds, Series 2019A. The bonds call for semiannual interest payments with rates of 1.50 – 3.00% commencing in 2020 and annual principal payments commencing in 2021, with final maturity in 2034.

On June 27, 2019, the District issued $2,870,000 in OPEB Refunding Bonds, Series 2019B. The bonds call for semiannual interest payments with rates of 2.10 – 2.30% commencing in 2020, with final maturity in 2022. The refunding resulted in an economic gain of $44,476. The bond refunding payment of $2,765,000 to pay off the 2009A General Obligation Taxable OPEB Bonds was not made until July 2019. This amount is included in restricted cash within the OPEB debt service fund at year-end.

Bond principal and interest payments for the School Building Refunding Bonds of 2014 and 2016 and General Obligation Tax Abatement Bonds of 2019 are made by the debt service fund. Bond principal and interest payments for the General Obligation Taxable OPEB Refunding Bonds, Series 2019B are made by the OPEB debt service fund.

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

Lease Description	Final	Interest Rate	Original Principal	Outstanding Balance
Kinetic Capital Lease - S.G. Reinersen Elementary Addition	11/26	4.16%	$ 601,565	$ 346,862
Construction Capital Lease - Robert Asp Addtion, Probsfield Elementary Addition, Addition, and High School Track	2/29	3.52%	4,870,590	3,492,636
KleinBank Construction Lease - S.G. Reinersen Elementary Second Addition	2/30	2.40%	3,410,000	2,592,568
Bell Bank Vista Capital Lease for ABE & RRALC	2/42	2.90%	4,200,000	3,863,533
				$ 10,295,599

Capital lease principal and interest payments are made by the general fund. The outstanding capital leases contain provisions that in the event of default, the underlying assets will be repossessed.

Total cost of the completed capital leased assets as of June 30, 2019 was $16,856,372 and had $1,348,941 in accumulated depreciation. The capital lease payments are made from the general fund.

Remaining principal and interest payments on long-term debt are as follows:

Years Ending June 30,	Bonds Payable		Capital Lease Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 8,275,000	$ 3,082,998	$ 666,409	$ 306,531	$ 8,941,409	$ 3,389,529
2021	5,070,000	2,886,491	687,202	285,738	5,757,202	3,172,229
2022	5,285,000	2,656,408	708,665	264,275	5,993,665	2,920,683
2023	4,340,000	2,461,063	730,820	242,119	5,070,820	2,703,182
2024	4,515,000	2,289,838	753,691	219,249	5,268,691	2,509,087
2025 - 2029	24,895,000	9,120,563	3,996,695	732,218	28,891,695	9,852,781
2030 - 2034	29,340,000	4,664,900	1,111,052	311,740	30,451,052	4,976,640
2035 - 2039	12,770,000	577,500	981,022	175,509	13,751,022	753,009
2040 - 2042	-	-	660,043	33,875	660,043	33,875
	$ 94,490,000	$ 27,739,761	$ 10,295,599	$ 2,571,254	$ 104,785,599	$ 30,311,015

Vacation payable consists of vested vacation as discussed in Note 1. These expenses are paid out of the general fund.

Note 8 - Defined Benefit Pension 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 the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), all of which are administered on a state-wide basis. Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

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, other than teachers, are covered by 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. Benefits 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

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 $997,437. The District's contributions were equal to the required contributions for the year as set by state statute.

D. Pension Costs

At June 30, 2019, the District reported a liability of $10,102,161 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 $331,240. 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 0.1821% at the end of the measurement period and 0.1762% for the beginning of the period.

District's proportionate share of net pension liability	$ 10,102,161
State of Minnesota's proportionate share of the net pension liability associated with the District	331,240
Total	$ 10,433,401

For the year ended June 30, 2019, the District recognized pension expense of $680,024 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $77,244 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	$ 259,112	$ 271,337
Changes in actuarial assumptions	888,702	1,109,913
Net collective difference between projected and actual investment earnings	-	1,087,427
Changes in proportion	637,932	-
Contributions paid to PERA subsequent to the measurement date	997,437	-
Total	$ 2,783,183	$ 2,468,677

The $997,437 reported as deferred outflows of resources related to pensions resulting from [entity] 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	$ 534,953
2021	(297,481)
2022	(709,554)
2023	(210,849)

E. Actuarial Assumptions

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

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 and plan provisions 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%
	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:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	$ 16,417,306
Current Discount Rate	7.50%	$ 10,102,161
1% Higher	8.50%	$ 4,889,190

H. Pension Plan Fiduciary Net Position

Detailed information about the 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.

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 teachers 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 I Benefits

Tier 1:	Step Rate Formula	Percentage
Basic	First ten years	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:

1. Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
2. 3 percent per year early retirement reduction factor for all years under normal retirement age.
3. 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 ending June 30, 2017, June 30, 2018, and June 30, 2019 were:

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

The 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
Add employer contributions not related to future contribution efforts	522
Deduct TRA's contributions not included in allocation	(471)
Total employer contributions	378,779
Total non-employer contributions	35,588
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 414,367

Amounts reported in the allocation schedules may not precisely agree with financial statement amounts or actuarial valuations due to the number of decimal places used in the allocations. 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:

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
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	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25% thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	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%
	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The "Difference Between Expected and Actual Experience," "Changes of Assumptions," and "Changes in Proportion" use the amortization period of 6 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 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 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.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 $39,601,301 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 0.6305% at the end of the measurement period and 0.5965% 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	$ 39,601,301
State's proportionate share of the net pension liability associated with the dstrict	$ 3,720,462

For the year ended June 30, 2019, the District recognized pension revenue of $25,955,631. It also recognized ($2,596,642) as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 12,137	$ 760,438
Changes in actuarial assumptions	47,098,513	66,764,783
Difference between projected and actual investment earnings	-	3,217,900
Change in proportion and differences between contributions made and District's proportionate share of contributions	8,599,570	33,994
District's contributions to TRA subsequent to the measurement date	2,907,823	-
Total	$ 58,618,043	$ 70,777,115

$2,907,823 was reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Years Ended June 30,	Pension Expense Amount
2020	$ 4,016,747
2021	3,000,186
2022	711,668
2023	(13,224,182)
2024	(9,571,314)

G. Net Pension Liability

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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 62,847,105	$ 39,601,301	$ 20,423,667

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, by writing to TRA at 60 Empire Drive, Suite 400, and St. Paul, MN, 55103-4000; or by calling (651)-296-2409 or (800)-657-3669.

Note 9 - Fund Balance

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	Building Construction	Debt Service	Other Government Funds	Totals
Nonspendable					
Prepaid items	$ 701,560	$ -	$ -	$ 29,075	$ 730,635
Inventories	-	-	-	10,709	10,709
Total nonspendable	701,560	-	-	39,784	741,344
Restricted					
Safe school - crime levy	181,008	-	-	-	181,008
Staff development	159,148	-	-	-	159,148
LT facilities maintenance	2,269,016	-	-	-	2,269,016
Building construction	-	4,775,865	-	-	4,775,865
Debt service	-	-	59,853	-	59,853
OPEB debt service	-	-	-	2,971,104	2,971,104
Food service	-	-	-	1,117,934	1,117,934
Community education	-	-	-	364,054	364,054
Early childhood and family education	-	-	-	392,900	392,900
School readiness	-	-	-	338,928	338,928
Community service	-	-	-	167,253	167,253
Total restricted	2,609,172	4,775,865	59,853	5,352,173	12,797,063
Committed					
Severance obligation	1,200,000	-	-	-	1,200,000
Assigned					
Health insurance and affordable care act	500,000	-	-	-	500,000
Capital projects	2,500,000	-	-	-	2,500,000
Total assigned	3,000,000	-	-	-	3,000,000
Unassigned	14,871,878	-	-	-	14,871,878
Total fund balance	$ 22,382,610	$ 4,775,865	$ 59,853	$ 5,391,957	$ 32,610,285

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is reconciliation between the fund balance reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Items	UFARS Balance
Nonspendable			
Prepaid items	$ 730,635	$ -	$ 730,635
Inventories	10,709	-	10,709
Total nonspendable	741,344	-	741,344
Restricted			
Safe school - crime levy	181,008	-	181,008
Staff development	159,148	-	159,148
LT facilities maintenance	2,269,016	-	2,269,016
Building construction	4,775,865	-	4,775,865
Debt service	59,853	-	59,853
OPEB debt service	2,971,104	-	2,971,104
Food service	1,117,934	-	1,117,934
Community education	364,054	-	364,054
Early childhood and family education	392,900	-	392,900
School readiness	338,928	-	338,928
Community service	167,253	-	167,253
Total restricted	12,797,063	-	12,797,063
Committed			
Severance obligation	1,200,000	-	1,200,000
Assigned			
Health insurance and affordable care act	500,000	-	500,000
Capital projects	2,500,000	-	2,500,000
Total assigned	3,000,000	-	3,000,000
Unassigned	14,871,878	-	14,871,878
Total fund balance	$ 32,610,285	$ -	$ 32,610,285

Note 10 - Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare and dependent care benefits.

Before the beginning of the Plan year, which is from September 1 to August 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the District to an outside administrator upon an employee submitting a request for reimbursement. Payments are made by the outside administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

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

Note 11 - Employee Benefit Plan 403(b)

All teachers having completed their fifth year of teaching in the District are eligible to participate in the matching 403(b) program. The District will match the employees' deferral up to the following annual maximums:

Years of Service	Maximum Match
6 - 10	$1,000
11+	$1,500

The maximum career matching contribution by the District will not exceed $20,000 per teacher.

Note 12 - Health Self-Insurance

The District is self-insured with respect to health insurance costs. The District implemented the self-insurance medical plan on January 1, 2014. Terms of the plan include a stop-loss prevention of $150,000, which limits the District's liability. The following is the activity for the year ended June 30, 2019:

Claims incurred but not reported at beginning of year	$ 571,274
Claims incurred	3,604,300
Claims paid	(3,652,126)
Claims incurred but not reported at end of year	$ 523,448

Note 13 - Commitments and Contingencies

Federal Revenue

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

Contingencies

The District has the usual and customary legal claims pending at year-end. Although the outcomes of these lawsuits are not presently determinable, the District believes that the resolution of these matters will not have a material adverse effect on its financial position.

Commitment

The District had commitments during the year ended June 30, 2019 for construction on the Operation Center. The total amount of this contract committed as of June 30, 2019 is $13,111,066 with the work completed on these projects as of year ended June 30, 2019 totaling $1,875,866, leaving construction commitments at year end totaling $11,235,200.

Operating Lease

The District is obligated under certain leases accounted for as operating leases. These leases are generally cancelable on an annual basis by the District. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected as a liability in the Districts financial statements. The District has several operating leases for various purposes. Lease expense for all leases of the District for the current year was $285,151.

The following is a summary of operating lease payments for the next year:

2020	$ 285,151

Note 14 - Stewardship, Compliance, and Accountability

Expenditures in Excess of Appropriations

Budget control for the general fund is established by its total appropriations. The General Fund has expenditures exceeding appropriations in the amount of $783,286 for the year ended June 30, 2019. These over expenditures were funded by revenues in excess of budget and existing fund balance.

Note 15 - 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.

As a result of implementing GASB Statement No. 84, management expects assets of $335,765 currently reported within the Student Activities Agency Fund will be reported within the General Fund beginning July 1, 2019. Management has not yet determined the effect GASB Statements No. 87, 89, 90, and 91 will have on the District's financial statement.

Note 16 - Subsequent Events

The District has evaluated subsequent events through November 26, 2019, the date which the financial statements were available to be issued. On September 12, 2019, the district issued Certificates of Participation, Series 2019C totaling $4,165,000 to be used for the purchase of the Sam's Club Moorhead building. The certificates have interest rates varying from 2.30% - 4.00% and mature on February 1, 2034.

In addition, the district made the final principal payment totaling $2,765,000 on the General Obligation Taxable OPEB Bonds, Series 2009 during July 2019.

Required Supplementary Information
June 30, 2019

Independent School District No. 152
Moorhead Area Public Schools

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

	2017	2018	2019
Service cost	$ 358,297	$ 329,430	$ 275,059
Interest cost	263,235	260,595	308,682
Assumption changes	-	(241,552)	201,623
Plan changes	-	-	(22,247)
Differences between expected and actual experience	-	-	(1,654,234)
Benefit payments	(723,495)	(631,492)	(522,904)
Net change in total OPEB liability	(101,963)	(283,019)	(1,414,021)
Total OPEB liability - beginning	8,492,157	8,390,194	8,107,175
Total OPEB liability - ending (a)	$ 8,390,194	$ 8,107,175	$ 6,693,154
Plan fiduciary net position			
Projected investment return	$ 245,456	$ 199,881	$ 199,881
Differences between expected and actual experience	309,008	139,960	139,960
Benefit payments	(723,495)	(522,904)	(522,904)
Administrative expense	(3,923)	(3,297)	(3,297)
Net change in plan fiduciary net position	(172,954)	(186,360)	(186,360)
Total fiduciary net position - beginning	5,009,306	4,836,352	4,649,992
Total fiduciary net position - ending (b)	$ 4,836,352	$ 4,649,992	$ 4,463,632
District's net OPEB liability - ending (a) - (b)	$ 3,553,842	$ 3,457,183	$ 2,229,522
Plan fiduciary net position as a percentage of the total OPEB liability	57.64%	57.36%	66.69%
Covered-employee payroll	$37,021,968	$38,132,627	$41,758,182
District's net OPEB liability as a percentage of covered-employee payroll	9.60%	9.07%	5.34%

*GASB Statements No. 74/75 require 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.

Note to the Schedule of Changes in the District's Net OPEB Liability and Related Ratios

The District implemented the standard as of June 30, 2017, and as such there have been three measurement dates presented. There have been no changes to plan provisions, assumptions, or methods since the prior report except for the following:

Benefit Changes

- For the fiscal year ending June 30, 2019, the new superintendent does not have a subsidized post-employment benefit.

Assumption Changes

- For the fiscal year ending June 30, 2018, the expected long-term investment return was changed from 4.90% to 5.20% and the discount rate was changed from 3.10% to 3.80%.
- For the fiscal year ending June 30, 2019:
  - 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 expected long-term investment return was changed from 5.20% to 4.30% and discount rate was changed from 3.80% to 3.30%.

Schedule of District OPEB Contributions, Last 10 Fiscal Years *

	2017	2018	2019
Actuarially determined contribution	$ -	$ -	$ -
Contributions in relation to the actuarially determined contribution	-	-	-
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	$37,021,968	$38,132,627	$41,758,182
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%

*GASB Statements No. 74/75 require 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.

Note to the Schedule of District Contributions

Valuation/census data date:	July 1, 2018
Measurement date:	June 30, 2019
Actuarial cost method	Entry Age, level percentage of pay
Amortization method	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes. Closed five-year period for differences between expected and actual asset returns.
Amortization period	20 years
Asset valuation method	Closed five-year period
Inflation	2.50 percent
Healthcare cost trend rates	6.50 percent in 2018 grading to 5.00 percent over 6 years
Salary increases	3.00 percent
Investment rate of return	5.20 percent (net of investment expenses)
Retirement age	In the July 1, 2018, actuarial valuation, expected retirement ages of general employees were adjusted to more closely reflect actual experience.
Mortality	RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale

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

	2017	2018	2019
Service cost	$ 34,826	$ 32,650	$ 23,623
Interest cost	29,552	22,744	20,634
Assumption changes	-	(8,221)	4,637
Differences between expected and acutal experience	-	-	171,016
Benefit payments	(343,143)	(250,087)	(215,718)
Net change in total pension-related benefits liability	(278,765)	(202,914)	4,192
Total pension-related benefits liability - beginning	1,154,539	875,774	672,860
Total pension-related benefits liability - ending	$ 875,774	$ 672,860	$ 677,052

* 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.

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

Schedule of Employer’s Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportion (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-Employee 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	6/30/2018	0.1821%	$ 10,102,161	$ 331,240	$ 10,433,401	$ 12,399,542	81.5%	79.5%
PERA	6/30/2017	0.1762%	$ 11,248,492	$ 141,438	$ 11,389,930	$ 11,492,596	97.9%	75.9%
PERA	6/30/2016	0.1677%	$ 13,616,408	$ 177,846	$ 13,794,254	$ 10,447,075	130.3%	68.9%
PERA	6/30/2015	0.1669%	$ 8,649,624	N/A	$ 8,649,624	$ 9,695,221	89.2%	78.2%
PERA	6/30/2014	0.1776%	$ 8,342,758	N/A	$ 8,342,758	$ 9,367,394	89.1%	78.8%
TRA	6/30/2018	0.6305%	$ 39,601,301	$ 3,720,462	$ 43,321,763	$ 35,341,040	112.1%	78.1%
TRA	6/30/2017	0.5965%	$ 119,072,221	$ 11,511,003	$ 130,583,224	$ 32,411,882	367.4%	51.6%
TRA	6/30/2016	0.5811%	$ 138,606,215	$ 13,911,854	$ 152,518,069	$ 30,484,935	454.7%	44.9%
TRA	6/30/2015	0.5651%	$ 34,957,024	$ 4,287,712	$ 39,244,736	$ 28,908,620	120.9%	76.8%
TRA	6/30/2014	0.5887%	$ 27,126,872	$ 1,908,296	$ 29,035,168	$ 27,272,769	99.5%	81.5%

*GASB Statement No. 68 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 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-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
PERA	6/30/2019	$ 997,437	$ 997,437	$ -	$ 13,299,160	7.5%
PERA	6/30/2018	$ 925,164	$ 925,164	$ -	$ 12,399,542	7.5%
PERA	6/30/2017	$ 856,583	$ 856,583	$ -	$ 11,492,596	7.5%
PERA	6/30/2016	$ 782,398	$ 782,398	$ -	$ 10,447,075	7.5%
PERA	6/30/2015	$ 727,148	$ 727,148	$ -	$ 9,695,221	7.5%
TRA	6/30/2019	$ 2,907,823	$ 2,907,823	$ -	$ 37,873,618	7.7%
TRA	6/30/2018	$ 2,640,221	$ 2,640,221	$ -	$ 35,341,040	7.5%
TRA	6/30/2017	$ 2,430,765	$ 2,430,765	$ -	$ 32,411,882	7.5%
TRA	6/30/2016	$ 2,286,341	$ 2,286,341	$ -	$ 30,484,935	7.5%
TRA	6/30/2015	$ 2,168,081	$ 2,168,081	$ -	$ 28,908,620	7.5%

*GASB Statement No. 68 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 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.

PERA 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 for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at https://minnesotatra.org/wp-content/uploads/2019/01/2018-MN-TRA-GASB-67-68-Reportscombined.pdf

Combining and Individual Fund Schedules
June 30, 2019

Independent School District No. 152
Moorhead Area Public Schools

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	97,686	$ 603,874	701,560
Restricted for safe schools	183,599	(2,591)	181,008
Restricted for staff development	76,603	82,545	159,148
Restricted for long-term facilities maintenance	647,381	1,621,635	2,269,016
Committed for severance obligation	1,200,000	-	1,200,000
Assigned for health insurance and affordable care act	500,000	-	500,000
Assigned for capital projects	3,000,000	(500,000)	2,500,000
Unassigned	14,765,852	106,026	14,871,878
	$ 20,471,121	$ 1,911,489	$ 22,382,610

Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2019

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Assets				
Cash and investments	$ 1,065,809	$ 1,456,746	$ 715,033	$ 3,237,588
Restricted cash and cash equivalents	-	-	2,765,000	2,765,000
Receivables				
Current property taxes	-	307,761	1,014,756	1,322,517
Delinquent property taxes	-	8,793	24,827	33,620
Due from other governmental units	224,142	130,242	23,560	377,944
Prepaid expenditures	-	29,075	-	29,075
Inventories	10,709	-	-	10,709
Total assets	$ 1,300,660	$ 1,932,617	$ 4,543,176	$ 7,776,453
Liabilities				
Accounts payable	$ 5,502	$ 18,474	-	$ 23,976
Salaries payable	94,171	122,858	-	217,029
Unearned revenue	72,344	21,650	-	93,994
Total liabilities	172,017	162,982	-	334,999
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	477,425	1,572,072	2,049,497
Fund Balance				
Nonspendable	10,709	29,075	-	39,784
Restricted	1,117,934	1,263,135	2,971,104	5,352,173
Total fund balance	1,128,643	1,292,210	2,971,104	5,391,957
Total liabilities, deferred inflows of resources, and fund balance	$ 1,300,660	$ 1,932,617	$ 4,543,176	$ 7,776,453

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2019

	Food Service	Community Service	OPEB Debt Service Fund	Totals
Revenues				
Local property tax levies	$ -	$ 400,871	$ 1,127,671	$ 1,528,542
Other local and county sources	44,621	615,400	-	660,021
State sources	196,795	1,212,456	-	1,409,251
Federal sources	1,946,927	22,846	-	1,969,773
Sales and other conversion of assets	1,204,037	-	-	1,204,037
Miscellaneous	-	-	235,582	235,582
Total revenues	3,392,380	2,251,573	1,363,253	7,007,206
Expenditures				
Community education and service	-	2,033,179	-	2,033,179
Pupil support services	3,539,250	-	-	3,539,250
Fiscal and other fixed cost programs	-	-	1,502,428	1,502,428
Total expenditures	3,539,250	2,033,179	1,502,428	7,074,857
Excess (Deficiency) of Revenues over (under) Expenditures	(146,870)	218,394	(139,175)	(67,651)
Other Financing Sources				
Proceeds from bond refunding	-	-	2,870,000	2,870,000
Net Change in Fund Balance	(146,870)	218,394	2,730,825	2,802,349
Fund Balance, Beginning of Year	1,275,513	1,073,816	240,279	2,589,608
Fund Balance, End of Year	$ 1,128,643	$ 1,292,210	$ 2,971,104	$ 5,391,957

Other Supplementary Information
June 30, 2019

Independent School District No. 152
Moorhead Area Public Schools

Activity	Balance 7/1/18	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/19
6th Grade Activities (C)	$ 32	$ -	$ -	$ 32
7th Grade Activities (A)	33	-	-	33
7th Grade Activities (B)	143	-	78	65
8th Grade Activities (A)	51	-	26	25
8th Grade Activities (B)	-	1,354	1,354	-
Adapted Bowling	11	154	165	-
APL Project	8,571	4,064	5,116	7,519
Apollo Strings	127,198	144,378	219,000	52,576
Auditorium Technology	2,001	365	13	2,353
AVID	-	603	422	181
Band - Jr. High	3,561	13,507	15,904	1,164
Band - Sr. High	90,586	135,426	198,266	27,746
Baseball Club	5,914	36,021	41,935	-
Basketball - Boys	12,749	32,775	34,247	11,277
Basketball - Girls	13,972	37,639	35,187	16,424
Choir - Sr. High	5,660	9,191	8,772	6,079
Clay Targets	2,439	11,235	12,328	1,346
Cross Country	4,043	10,369	8,893	5,519
CTIC Activity Fund	139	-	1	138
Danceline	1,780	24,062	20,982	4,860
Debate	295	6,926	7,221	-
Destination Imagination	917	-	5	912
DI Globals	336	1,720	6	2,050
Dodds PTAC	50	1,983	2,033	-
Dodds Yearbook	-	4,329	12	4,317
DW Students in Need	50	-	-	50
Football Club	9,694	45,384	55,078	-
Golf - Boys Sr. High	3,995	3,394	4,967	2,422
Golf - Girls Sr. High	1,596	7,238	8,305	529
Gymnastics Club	6,649	3,525	4,238	5,936
Hall of Honor	-	2,300	1,635	665
Hockey - Boys	9,913	43,845	44,869	8,889
Honor Choir - Jr. High	17,127	19,708	21,445	15,390
Hopkins Safety Patrol	2,355	-	1,264	1,091
Hopkins Yearbook	-	1,461	1,461	-
Horizon PTAC	-	4,652	4,142	510
Hopkins Ptac 188	-	2,713	2,713	-

Activity	Balance 7/1/18	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/19
Horizon Art Club	43	-	1	42
Horizon Choir	638	5,059	4,406	1,291
Horizon Football	25	-	-	25
Horizon Project Success	1	-	-	1
Horizon Science Olympiad	-	881	881	-
Horizon Visiting Auth	7	-	-	7
Indian Education	301	1,348	99	1,550
Horizon East PTAC	-	2,205	2,205	-
Horizon West APL Cart	-	500	500	-
Horizon West Food Pantry	-	4,469	576	3,893
Horizon West Yearbook	-	6,416	3,674	2,742
Improv	273	-	1	272
Industrial Technology	2	10	-	12
Intramurals	2,649	-	15	2,634
Journalism	9,451	265	53	9,663
Knowledge Bowl	8,108	1,847	168	9,787
Lacrosse - Boys	-	24,637	24,637	-
Lacrosse - Girls	-	16,249	12,688	3,561
LOVA	97	-	-	97
Media - Jr. High	22	2,485	2,444	63
MHS Store	416	-	2	414
MHS Literacy Committee	258	-	1	257
MHS Pride	584	-	3	581
MHS Robotics	4,249	3,486	2,409	5,326
Nordic Skiing	1,308	4,798	6,106	-
Orchestra - Jr. High	5,082	51,462	55,165	1,379
Orchestra - Horizon Donations	9,477	4,080	8,744	4,813
Plays - Sr. High Fall	1,804	75,927	77,731	-
Plays - Sr. High Spring	2,193	7,154	4,082	5,265
Positive Incentives - Jr. High	1	-	-	1
Power Club	2,421	29,313	24,905	6,829
Robert Asp Safety Patrol	1,713	-	1,232	481
Robert Asp Yearbook	256	2,590	2,478	368
Asp PTAC 187	-	2,046	2,046	-
RRALC Pay	197	-	1	196
RRALC Robotics	5,080	1,220	1,426	4,874
SADD	1,611	-	597	1,014
Skills USA	5,717	3,771	4,021	5,467
Service Enhancement Club	3,929	716	1,429	3,216
SGR PTAC 189	-	2,976	2,548	428
SGR Safety Patrol	2,601	-	486	2,115
Soccer - Boys	397	8,379	8,355	421

Activity	Balance 7/1/18	Receipts and and Transfers	Disbursements and Transfers	Balance 6/30/19
Soccer - Girls	-	9,944	7,460	2,484
Softball	(1,020)	7,899	4,616	2,263
Spanish Club	4,578	-	25	4,553
Speech	7,863	66,211	74,074	-
Spud Mart	997	420	241	1,176
STAMP	554	-	31	523
Store - Jr. High	299	-	2	297
Student Council - Jr. High	1	738	739	-
Student Council - Sr. High	17,432	6,716	21,706	2,442
Swimming - Boys	1,217	7,984	6,460	2,741
Swimming - Girls	914	23,169	24,083	-
Tennis - Girls	214	36	1	249
Tennis - Boys	-	692	692	-
Theatre Arts - Jr. High	49,952	33,840	49,535	34,257
Theatre Trips	4,769	46,557	51,326	-
Track - Boys	319	1,350	932	737
Track - Girls	2,233	-	267	1,966
Volleyball	6,715	19,849	20,456	6,108
Wrestling Club	4,112	3,400	4,327	3,185
Yearbook - PCE	236	-	2	234
Yearbook - Jr. High	-	6,306	5,516	790
Yearbook - Sr. High	-	23,310	10,733	12,577
	$ 504,156	$ 1,133,031	$ 1,301,422	$ 335,765

Fiscal Compliance Report - 6/30/2019

Help Logoff

District: MOORHEAD (152-1)

Back Print

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$89,241,009	$89,241,011	($2)
Total Expenditures	$87,412,168	$87,412,164	$4
Non Spendable:			
4.60 Non Spendable Fund Balance	$701,560	$701,560	$0
Restricted / Reserved:			
4.03 Staff Development	$159,148	$159,148	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$181,008	$181,008	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$2,269,016	$2,269,016	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$1,200,000	$1,200,000	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$3,000,000	$3,000,000	$0
Unassigned:			
4.22 Unassigned Fund Balance	$14,871,878	$14,871,883	($5)
02 FOOD SERVICES			
Total Revenue	$3,392,380	$3,392,377	$3
Total Expenditures	$3,539,250	$3,539,249	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$10,709	$10,709	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,117,934	$1,117,933	$1
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0
04 COMMUNITY SERVICE			
Total Revenue	$2,251,573	$2,251,570	$3
Total Expenditures	$2,033,179	$2,033,177	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$29,075	$29,075	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$364,054	$364,054	$0
4.32 E.C.F.E	$392,900	$392,900	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$338,928	$338,928	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$167,253	$167,253	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	Audit	UFARS	Audit -
06 BUILDING CONSTRUCTION			
Total Revenue	$93,046	$93,046	$0
Total Expenditures	$2,214,155	$2,214,155	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$4,775,865	$4,775,864	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$7,001,959	$7,001,959	$0
Total Expenditures	$8,539,558	$8,539,558	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$59,853	$59,852	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$5	$5	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$10,330	$10,330	$0
20 INTERNAL SERVICE			
Total Revenue	$6,876,689	$6,876,689	$0
Total Expenditures	$6,413,303	$6,413,302	$1
4.22 Unassigned Fund Balance (Net Assets)	$2,363,201	$2,363,201	$0
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
45 OPEB IRREVOCABLE TRUST			
Total Revenue	$338,178	$338,178	$0
Total Expenditures	$522,904	$522,904	$0
4.22 Unassigned Fund Balance (Net Assets)	$4,462,025	$4,462,025	$0
47 OPEB DEBT SERVICE			
Total Revenue	$1,363,253	$1,363,254	($1)
Total Expenditures	$1,461,249	$1,461,250	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$2,828,821	$2,828,821	$0
4.64 Restricted Fund Balance	$142,283	$142,282	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Independent School District No. 152
Moorhead Area Public Schools
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Program Title	Federal CFDA Number	Pass Through Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Non-Cash Assistance (Commodities):					
Food Distribution	10.553	0152-01-000 FIN 473	$ 300,841		
Cash Assistance:					
School Breakfast Program	10.553	0152-01-000 FIN 705	336,930		
National School Lunch Program	10.555	0152-01-000 FIN 701	267,022		
National School Lunch Program - Snack Program	10.555	0152-01-000 FIN 702	4,641		
National School Lunch Program - Free/Reduced	10.555	0152-01-000 FIN 701	1,017,158		
Summer Food Service Program for Children	10.559	0152-01-000 FIN 709	6,455		
Total Child Nutrition Cluster				$ 1,933,047	
Total Department of Agriculture					$ 1,933,047
Department of Education					
Direct					
Indian Education - Grants to Local Educational Agencies	84.060	N/A		88,915	
Passed through Minnesota Department of Education					
Adult Education - Basic Grants to States	84.002	0152-01-000 FIN 438		22,846	
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 401	1,335,516		
Title I Grants to Local Educational Agencies	84.010	0152-01-000 FIN 406	51,244		
Total Title I Cluster				1,386,760	
Special Education - Grants to States	84.027	0152-01-000 FIN 419	1,545,257		
Special Education - Preschool Grants	84.173	0152-01-000 FIN 420	26,884		
Total Special Education Cluster				1,572,141	
Special Education - Grants for Infants and Families	84.181	0152-01-000 FIN 422		50,477	
English Language Acquisition State Grants	84.365	0152-01-000 FIN 417		59,595	
Improving Teacher Quality State Grants	84.367	0152-01-000 FIN 414		199,786	
Strivers Readers Grant	84.371C	0152-01-000 FIN 499		351,878	
Total Department of Education					3,732,398
Department of Health and Human Resources					
Direct					
Refugee and Entrant Assistance	93.566	N/A			15,277
Total expenditures of federal awards					$ 5,680,722

Note 1 - Basis of Presentation

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

Note 2 - Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Note 4 - Food Distribution

Non-monetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of commodities received and disbursed. At June 30, 2019, the district had food commodities totaling $10,709 in inventory.

Additional Reports
June 30, 2019

Independent School District No. 152
Moorhead Area Public Schools

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*

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 152, Moorhead Area Public Schools (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 26, 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 findings and questioned costs as items 2019-001, 2019-002, 2019-003, that we consider to be material weaknesses and 2019-004 that 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.*

Response to Findings
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Eide Bailly LLP

Fargo, North Dakota
November 26, 2019

CPAs & BUSINESS ADVISORS

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, Minnesota

Report on Compliance for Each Major Federal Program
We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

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

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
November 26, 2019

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

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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. 152, Moorhead Area Public Schools, 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 26, 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. Findings 2019-005, 2019-006, and 2019-007 in the attached Schedule of Findings and Questioned Costs were noted to be in noncompliance through testing of these requirements.

Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs and in the District's Corrective Action Plan, which is in a separate document. 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.

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

Eide Bailly LLP

Fargo, North Dakota
November 26, 2019

Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 152
Moorhead Area Public Schools
Moorhead, 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 as of Independent School District No. 152 Moorhead Area Public Schools 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 26, 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, no items to our attention that caused us to believe that the District failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. 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.

Eide Bailly LLP

Fargo, North Dakota
November 26, 2019

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	None reported
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Title I	84.010
Child Nutrition Cluster	10.553, 10.555, 10.559

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2019-001 Preparation of Financial Statements
Material Weakness

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Effect – The disclosures in the financial statements could be incomplete.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation – It is the responsibility of 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 – There is no disagreement with the audit finding.

2019-002 Significant Journal Entries
Material Weakness

Condition – During the course of our engagement, we proposed material audit adjustments that were not identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

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

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be performed at both the accounting staff and accounting supervisor levels.

Views of Responsible Officials – There is no disagreement with the audit finding.

2019-003 **Segregation of Duties**
Material Weakness

Condition – The District does not adequately separate duties when posting journal entries.

Criteria – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping, and reconciliation functions.

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.

Cause – Journal entries are prepared and posted by the same individual with no review of these entries.

Recommendation – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the District. Segregation of authorization, custody of assets, record keeping and reconciliation functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

Views of Responsible Officials – There is no disagreement with the audit finding.

2019-004 **Improper Retention of Employee Personnel Forms**
Significant Deficiency

Condition – During the course of our engagement, we noted employee I'9 forms that were missing.

Criteria – The District does not adequately retain required employee personnel forms.

Effect – This deficiency could result in improper reporting of employee information.

Cause – The District does not have an internal control system designed to properly complete and retain all required documentation.

Recommendation – Management should make an effort to ensure all employee personnel forms are completed properly and retained appropriately.

Views of Responsible Officials – There is no disagreement with the audit finding.

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Student Activities

2019-005 Improper Use of Student Activity Funds

Condition – During the course of our engagement, we noted a payment to reimburse the school district for a coach's salary.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of the proper use of student funds to benefit all students. Page 17 of the MAFA guideline describes labor or service payments as inappropriate expenditures.

Effect – The finding could result in public funds being used for the personal gain of individuals.

Cause – The District did not follow procedures for paying appropriate expenditures.

Recommendation – The district should review the MAFA guidelines to determine which payments are appropriate for student activity accounts

Views of Responsible Officials – There is no disagreement with the audit finding.

2019-006 Failure to Have Proper Signature on Requisition form for Student Activity Check Requests

Condition – During the course of our engagement, we discovered that two check requests did not have one or more of the required signatures.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines of requiring a signature by a student, advisor and superintendent or principal representing the activity on all check requests. Page 15 of the MAFA guidelines describe the requirements for cash disbursements.

Effect – The finding could result in student activities dollars being misused.

Cause – The District did not follow the procedures to having a requisition form with approved signatures for all student activity checks.

Recommendation – A thorough policy requiring three individuals representing the activity to sign all check requests in accordance with MAFA guidelines.

Views of Responsible Officials – There is no disagreement with the audit finding.

2019-007 Inactive Student Activity Funds

Condition – During the course of our engagement, we noted instances of student activity funds that had no activity during the year. Per Chapter 14 of the UFARS Manual, inactive accounts should be closed or a formal plan should be in place for why the activity fund was not used.

Criteria – A good system of internal accounting control contemplates an adequate system for compliance with the MAFA guidelines requires inactive accounts to be closed or a formal plan must be in place for why the activity fund was not used.

Effect – The finding could result in public funds being used for the personal gain of individuals.

Cause – The District did not follow the procedures in maintaining activity in all student activity funds.

Recommendation – District should review the MAFA guidelines to determine proper treatment of inactive accounts.

Views of Responsible Officials: There is no disagreement with the finding.

Section V – Minnesota Legal Compliance Findings

None