

INDEPENDENT SCHOOL DISTRICT NO. 911
CAMBRIDGE, MINNESOTA

Financial Statements and
Supplemental Information

Year Ended
June 30, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 911

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INTRODUCTORY SECTION

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INDEPENDENT SCHOOL DISTRICT NO. 911

School Board and Administration
Year Ended June 30, 2019

SCHOOL BOARD

Timothy Hitchings	Board Chair
Gary Hawkins	Board Vice Chair
Lynn Wedlund	Board Clerk
Heidi Sprandel	Board Treasurer
Aaron Berg	Board Director
Nicole Johnson	Board Director
Carrie Levitski	Board Director

ADMINISTRATION

Dr. Nathan Rudolph	Superintendent (Start date 9/3/19)
Dr. Raymond Queener	Superintendent (End date 8/23/19)
Cristopher Kampa	Director of Finance and Operations (Start date 7/22/19)
Kris Crocker	Director of Finance and Operations (End date 6/5/19)
Dr. Brenda Damiani	Director of Teaching and Learning
Julie Williams	Director of Student Support Services
Julia Lines, Esq.	Director of Administrative Services and Human Resources
Dave Maurer	Director of Community Education
Dr. Steve Gibbs	Principal, Cambridge-Isanti High School
Pam Austad	Assistant Principal, Cambridge-Isanti High School
Eric Nelson	Assistant Principal, Cambridge-Isanti High School
Chad Gerlach	Principal, Cambridge Middle School
Tricia Anderson	Assistant Principal, Cambridge Middle School
Randy Pauly	Principal, Isanti Middle School
Shawn Kirkeide	Assistant Principal, Isanti Middle School
Scott Peterson	Principal, Cambridge Intermediate School
Mark Ziebarth	Principal, Isanti Intermediate School
Rhonda Malecha	Principal, Cambridge Primary School
Shane Dordal	Principal, Isanti Primary School
Mark Solberg	Athletics and Activities Director
Travis Evenson	Building and Grounds Director (Start date 7/1/19)
Mark Eisenbacher	Building and Grounds Director (End date 7/9/19)
Kyle Johnson	Transportation Director
Nathan Huff	Food Service Director
Ray Sperl	Technology Coordinator

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FINANCIAL SECTION

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PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the School Board and Management of
Independent School District No. 911
Cambridge, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 911 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

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

OTHER MATTERS

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplemental information, and other District information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Prior Year Comparative Information

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

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
December 23, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 911

Management's Discussion and Analysis Fiscal Year Ended June 30, 2019

This section of Independent School District No. 911's (the District) annual financial statements presents management's narrative overview and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the other components of the District's annual financial statements.

FINANCIAL HIGHLIGHTS

- The District's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at June 30, 2019 by \$30,392,278 (net position deficit). The District's total net position increased \$11,677,356 during the fiscal year ended June 30, 2019. Government-wide revenues totaled \$64,419,253 and were \$11,677,356 more than expenses of \$52,741,897.
- The District's governmental funds reported total fund balances of \$17,650,241 at June 30, 2019, an increase of \$8,980,972 from the previous year-end. The primary reason for this increase was the sale of \$12.2 million of certificates of participation during the year, the proceeds from which were recorded in the Capital Projects – Building Construction Fund to finance the construction of a new facility (the Cambridge-Isanti Woodland Campus) for the District's Level IV special education program, alternative learning center, and moving forward programs.
- The District's General Fund, its primary operating fund, closed the most recent fiscal year with a total fund balance of \$3,627,480, a decrease of \$2,863,974 from the previous year, as compared to a decrease of \$4,034,997 anticipated in the final budget. Of the total ending fund balance, \$166,438 was in nonspendable form (inventory and prepaid items); \$1,234,145 was restricted for various state-mandated purposes; \$327,345 was assigned for student activities; and \$1,899,552 was unassigned.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report;
- Management's discussion and analysis;
- Basic financial statements, including the government-wide financial statements, fund financial statements, and the notes to basic financial statements;
- Required supplementary information; and
- Supplemental information consisting of combining and individual fund statements and schedules.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

- Over time, increases or decreases in the District's net position are indicators of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District requires consideration of additional nonfinancial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

FUND FINANCIAL STATEMENTS

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

Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes.

The District maintains the following kinds of funds:

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

	<u>2019</u>	<u>2018</u>
Assets		
Current and other assets	\$ 41,030,351	\$ 32,068,146
Capital assets, net of depreciation	<u>71,729,339</u>	<u>74,118,830</u>
Total assets	<u>\$ 112,759,690</u>	<u>\$ 106,186,976</u>
Deferred outflows of resources		
Pension plan deferments	\$ 46,167,678	\$ 62,235,061
OPEB plan deferments	<u>122,011</u>	<u>187,972</u>
Total deferred outflows of resources	<u>\$ 46,289,689</u>	<u>\$ 62,423,033</u>
Liabilities		
Current and other liabilities	\$ 9,717,983	\$ 10,277,396
Long-term liabilities, including due within one year	<u>109,089,226</u>	<u>170,250,325</u>
Total liabilities	<u>\$ 118,807,209</u>	<u>\$ 180,527,721</u>
Deferred inflows of resources		
Property taxes levied for subsequent year	\$ 10,338,037	\$ 10,514,194
Pension plan deferments	60,080,281	19,637,728
OPEB plan deferments	<u>216,130</u>	<u>—</u>
Total deferred inflows of resources	<u>\$ 70,634,448</u>	<u>\$ 30,151,922</u>
Net position		
Net investment in capital assets	\$ 18,391,579	\$ 17,136,266
Restricted	2,940,827	2,916,094
Unrestricted	<u>(51,724,684)</u>	<u>(62,121,994)</u>
Total net position	<u>\$ (30,392,278)</u>	<u>\$ (42,069,634)</u>

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

Total net position improved \$11,677,356 during the year. Changes in the District's share of the state-wide Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA) pension plans contributed to the differences in deferred outflows of resources, long-term liabilities, deferred inflows of resources, and unrestricted net position.

Table 2 presents a condensed version of the Statement of Activities of the District:

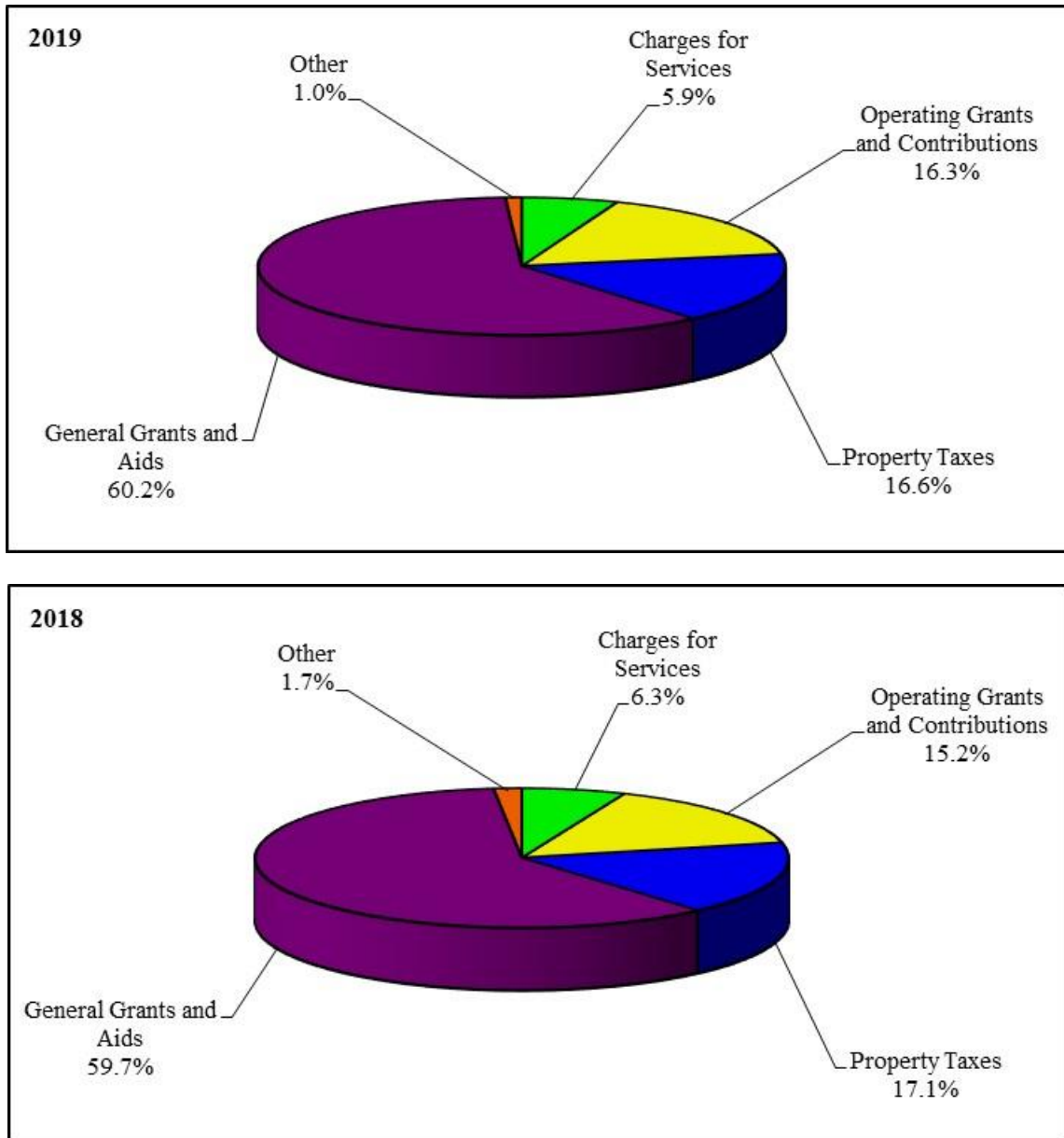
	<u>2019</u>	<u>2018</u>
Revenues		
Program revenues		
Charges for services	\$ 3,823,937	\$ 4,226,828
Operating grants and contributions	10,479,689	10,258,013
General revenues		
Property taxes	10,718,379	11,502,427
General grants and aids	38,779,070	40,160,415
Other	618,178	1,132,121
Total revenues	<u>64,419,253</u>	<u>67,279,804</u>
Expenses		
Administration	2,181,886	3,423,093
District support services	1,647,517	1,781,037
Elementary and secondary regular instruction	16,155,554	32,238,881
Vocational education instruction	930,457	1,468,469
Special education instruction	7,620,996	16,070,569
Instructional support services	3,741,397	5,937,211
Pupil support services	5,763,629	5,749,880
Sites and buildings	6,269,600	6,854,761
Fiscal and other fixed cost programs	207,467	200,545
Food service	2,300,312	2,391,259
Community service	2,225,725	2,837,865
Depreciation not allocated directly to programs	2,055,386	2,052,650
Interest and fiscal charges	1,641,971	2,310,763
Total expenses	<u>52,741,897</u>	<u>83,316,983</u>
Change in net position	11,677,356	(16,037,179)
Net position – beginning	<u>(42,069,634)</u>	<u>(26,032,455)</u>
Net position – ending	<u>\$ (30,392,278)</u>	<u>\$ (42,069,634)</u>

This table is presented on an accrual basis of accounting, and it includes all of the governmental activities of the District. This table includes depreciation expense, but excludes capital asset purchase costs, debt proceeds, and the repayment of debt principal.

As seen above, total revenues in fiscal 2019 were \$2,860,551 less than the previous year, and total expenses decreased \$30,575,086 (36.7 percent) from the previous year. Both decreases were attributable, in part, due to the impact from changes in the District's proportionate share of the state-wide PERA and TRA pension plans mentioned earlier.

Figures A and B show further analysis of these revenue sources and expense functions:

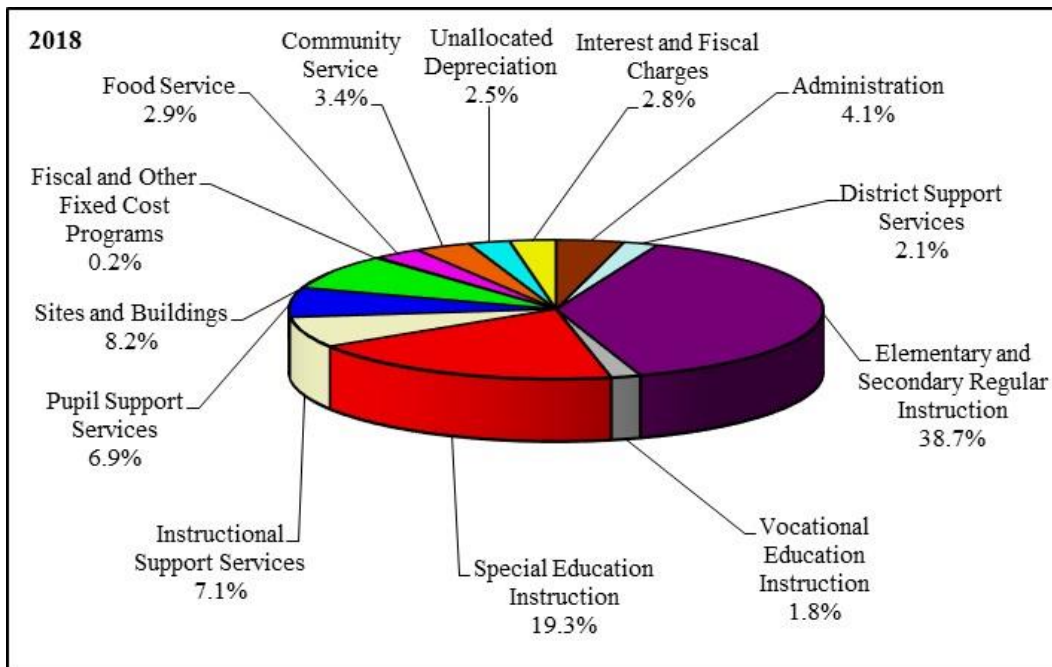
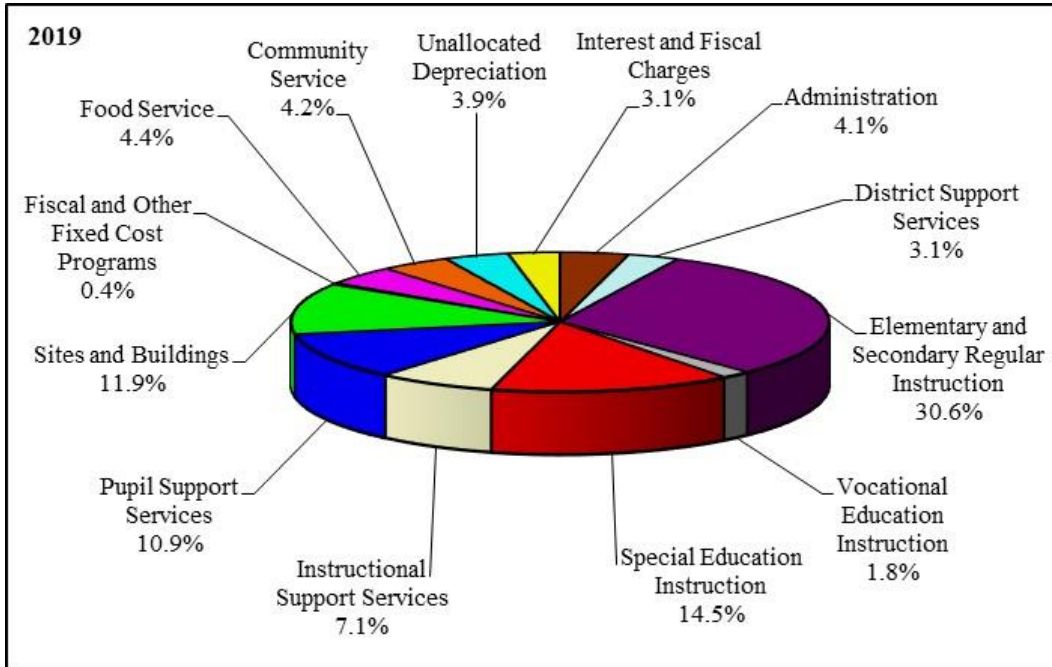
Figure A – Sources of Revenues for Fiscal Years 2019 and 2018



The largest share of the District’s revenue is received from the state, including the general education aid formula and most of the operating grants. This significant reliance on the state for funding has placed tremendous pressure on local school districts as a result of limited funding increases in recent years.

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

Figure B – Expenses for Fiscal Years 2019 and 2018



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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Major funds			
General	\$ 3,627,480	\$ 6,491,454	\$ (2,863,974)
Capital Projects – Building Construction	11,694,477	–	11,694,477
Debt Service	1,953,234	1,643,822	309,412
Nonmajor funds			
Food Service Special Revenue	443,794	558,018	(114,224)
Community Service Special Revenue	<u>(68,744)</u>	<u>(24,025)</u>	<u>(44,719)</u>
 Total governmental funds	 <u>\$ 17,650,241</u>	 <u>\$ 8,669,269</u>	 <u>\$ 8,980,972</u>

The fund balance of the General Fund decreased \$2,863,974 from current year operations, compared to a \$4,034,997 decrease approved in the budget. The increase in the Capital Projects – Building Construction Fund was due to the issuance of \$12.2 million of certificates of participation in fiscal 2019 to finance construction of the District's new Woodland Campus.

Analysis of the General Fund

Table 4 summarizes the amendments to the General Fund budget:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Revenue	<u>\$ 55,738,503</u>	<u>\$ 55,190,569</u>	<u>\$ (547,934)</u>	<u>(1.0%)</u>
Expenditures	<u>\$ 56,383,948</u>	<u>\$ 59,230,766</u>	<u>\$ 2,846,818</u>	<u>5.0%</u>
Other financing sources	<u>\$ –</u>	<u>\$ 5,200</u>	<u>\$ 5,200</u>	<u>100.0%</u>

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to above as the original budget. During the year, the District may amend that budget for known changes in circumstances such as enrollment levels, legislative funding, or employee contract settlements. Budgeted revenues and other financing sources were decreased \$542,734, and budgeted expenditures increased \$2,846,818, through amendments adopted during the year.

Table 5 summarizes the operating results of the General Fund:

Table 5 General Fund Operating Results					
	<u>2019 Actual</u>	<u>Over (Under) Final Budget</u>		<u>Over (Under) Prior Year</u>	
		Amount	Percent	Amount	Percent
Revenue	\$ 55,940,240	\$ 749,671	1.4%	\$ 278,182	0.5%
Expenditures	59,112,984	\$ (117,782)	(0.2%)	\$ 461,567	0.8%
Other financing sources	<u>308,770</u>	\$ 303,570	5,837.9%	\$ 113,808	58.4%
Net change in fund balances	<u>\$ (2,863,974)</u>				

Total General Fund revenue for the year ended June 30, 2019 was \$55,940,240, which exceeded budget by \$749,671. Most of the variance was in state sources, which was \$705,172 over budget, mainly due to higher than projected state aid for general education and special education. Revenue was \$278,182 more than the 2018 fiscal year, as increases in state aids discussed above were offset by a decrease in revenues from other local sources, due to the District receiving a significant dissolution payout from the Oak Land Vocational Cooperative last year.

Total General Fund expenditures for the year ended June 30, 2019 were \$59,112,984. This amount was \$117,782 under budget, a variance of just 0.2 percent. Expenditures increased \$461,567 compared to the previous year, from the 2018 fiscal year. Personnel costs increased \$1,686,246 (3.7 percent), due to employee contract settlements and inflationary increases to benefits. This was partially offset by a decrease of \$1,039,136 in capital outlay, due to the timing of maintenance projects.

COMMENTS ON SIGNIFICANT ACTIVITIES IN OTHER FUNDS

The Capital Projects – Building Construction Fund balance increased \$11,694,477 from last year, mainly due to the issuance of \$12.2 million of certificates of participation late in the year, that will be used to finance the construction of the District’s new Education Learning Center.

The Debt Service Fund balance increased \$309,412 from last year, as property tax and state aid revenues exceeded scheduled principal and interest payments on the District’s outstanding bonds. The total fund balance of \$1,953,234 at the end of the 2019 fiscal year is restricted for general debt service.

The (nonmajor) Food Service Special Revenue Fund revenues were \$2,198,076 for the year ended June 30, 2019, which was \$25,193 below budget, mainly in federal reimbursement revenue. Expenditures for fiscal 2019 were \$2,312,300, which was \$6,241 (0.3 percent) over budget. The total fund balance for the Food Service Special Revenue Fund decreased from \$558,018 at the beginning of the year to \$443,794 at the end of the 2019 fiscal year.

The (nonmajor) Community Service Special Revenue Fund revenues were \$2,490,054 for the year ended June 30, 2019, which was \$86,632 over budget, mainly in program fees and tuition. Expenditures for fiscal 2019 were \$2,534,773, \$184,115 higher than budget, mainly in salaries and benefits. The total fund balance for the Community Service Special Revenue Fund decreased from a deficit net position of \$24,025 at the beginning of the year, to a deficit net position of \$68,744 at the end of the 2019 fiscal year.

CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets

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

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 3,298,986	\$ 3,298,986	\$ -
Buildings and improvements	115,919,669	114,077,503	1,842,166
Furniture and equipment	9,148,317	8,992,405	155,912
Pupil transportation vehicles	9,024,627	8,986,322	38,305
Construction in progress	530,022	850,499	(320,477)
Less accumulated depreciation	<u>(66,192,282)</u>	<u>(62,086,885)</u>	<u>(4,105,397)</u>
Total	<u>\$ 71,729,339</u>	<u>\$ 74,118,830</u>	<u>\$ (2,389,491)</u>
Depreciation expense	<u>\$ 4,551,614</u>	<u>\$ 4,536,788</u>	<u>\$ 14,826</u>

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

By the end of fiscal 2019, the District had invested \$137,921,621 in a broad range of capital assets, including school buildings, athletic facilities, technology infrastructure and equipment, land and improvements, and furniture and equipment. These assets have a net value after depreciation of \$71,729,339. Total depreciation expense for the year was \$4,551,614.

The changes presented in the table above reflect the ongoing activity and completion of projects at district sites during fiscal year 2019.

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

Long-Term Liabilities

Table 7 shows the components of the District's long-term liabilities and the change from the prior year:

	<u>2019</u>	<u>2018</u>	<u>Change</u>
General obligation bonds	\$ 47,550,000	\$ 51,480,000	\$ (3,930,000)
Certificates of participation	14,385,000	2,325,000	12,060,000
Premium (discount)	3,097,237	3,177,564	(80,327)
Capital leases payable	304,301	138,412	165,889
Compensated absences	314,077	322,156	(8,079)
Net pension liability	41,278,079	110,510,204	(69,232,125)
Severance benefits	398,595	290,131	108,464
Total OPEB liability	<u>1,761,937</u>	<u>2,006,858</u>	<u>(244,921)</u>
Total	<u>\$ 109,089,226</u>	<u>\$ 170,250,325</u>	<u>\$ (61,161,099)</u>

The decrease in general obligation bonds is due to scheduled principal payments made during the year. The increase in certificates of participation reflect the sale of \$12.2 million of new certificates in fiscal 2019.

The differences in the net pension liabilities reflect the change in the District's proportionate share of the state-wide pension obligations for the PERA and the TRA.

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

District's market value	\$ 2,251,411,700
Limit rate	<u>15%</u>
Legal debt limit	<u>\$ 337,711,755</u>

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

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District does not have a voter-approved operating referendum, therefore the District is highly dependent on the state of Minnesota for a majority of its revenue authority.

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

These financial statements are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about these statements or need additional financial information, contact the Finance Department, Independent School District No. 911, 625A Main Street North, Cambridge, Minnesota 55008-1270.

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BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Governmental Activities	
	2019	2018
Assets		
Cash and temporary investments	\$ 29,263,325	\$ 18,344,507
Receivables		
Current taxes	5,279,927	5,326,232
Delinquent taxes	134,336	153,894
Accounts and interest	84,520	93,174
Due from other governmental units	6,080,650	7,659,316
Inventory	120,548	58,856
Prepaid items	67,045	432,167
Capital assets, net of accumulated depreciation		
Not depreciated	3,829,008	4,149,485
Depreciated, net of accumulated depreciation	67,900,331	69,969,345
Total capital assets, net of accumulated depreciation	<u>71,729,339</u>	<u>74,118,830</u>
Total assets	112,759,690	106,186,976
Deferred outflows of resources		
Pension plan deferments	46,167,678	62,235,061
OPEB plan deferments	122,011	187,972
Total deferred outflows of resources	<u>46,289,689</u>	<u>62,423,033</u>
Total assets and deferred outflows of resources	<u>\$ 159,049,379</u>	<u>\$ 168,610,009</u>
Liabilities		
Salaries payable	\$ 2,877,911	\$ 2,708,147
Accounts and contracts payable	5,875,413	6,372,165
Accrued interest payable	706,671	724,465
Due to other governmental units	188,261	420,431
Unearned revenue	69,727	52,188
Long-term liabilities		
Due within one year	4,971,738	4,568,706
Due in more than one year	104,117,488	165,681,619
Total long-term liabilities	<u>109,089,226</u>	<u>170,250,325</u>
Total liabilities	118,807,209	180,527,721
Deferred inflows of resources		
Property taxes levied for subsequent year	10,338,037	10,514,194
Pension plan deferments	60,080,281	19,637,728
OPEB plan deferments	216,130	—
Total deferred inflows of resources	<u>70,634,448</u>	<u>30,151,922</u>
Net position		
Net investment in capital assets	18,391,579	17,136,266
Restricted for		
Capital asset acquisition	722,028	839,351
Debt service	1,277,034	951,684
Food service	429,648	545,351
Other purposes (state funding restrictions)	512,117	579,708
Unrestricted	(51,724,684)	(62,121,994)
Total net position	<u>(30,392,278)</u>	<u>(42,069,634)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 159,049,379</u>	<u>\$ 168,610,009</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

Functions/Programs	2019			2018	
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Governmental Activities
Governmental activities					
Administration	\$ 2,181,886	\$ —	\$ —	\$ (2,181,886)	\$ (3,423,093)
District support services	1,647,517	—	—	(1,647,517)	(1,781,037)
Elementary and secondary regular instruction	16,155,554	936,527	710,733	(14,508,294)	(30,302,698)
Vocational education instruction	930,457	14,447	7,738	(908,272)	(1,364,143)
Special education instruction	7,620,996	264,275	6,788,134	(568,587)	(8,883,072)
Instructional support services	3,741,397	—	—	(3,741,397)	(5,886,469)
Pupil support services	5,763,629	7,679	41,468	(5,714,482)	(5,708,542)
Sites and buildings	6,269,600	55,790	1,182,194	(5,031,616)	(5,909,020)
Fiscal and other fixed cost programs	207,467	—	—	(207,467)	(200,545)
Food service	2,300,312	995,457	1,192,758	(112,097)	(156,527)
Community service	2,225,725	1,549,762	556,664	(119,299)	(853,583)
Depreciation not allocated directly to programs	2,055,386	—	—	(2,055,386)	(2,052,650)
Interest and fiscal charges	1,641,971	—	—	(1,641,971)	(2,310,763)
Total governmental activities	\$ 52,741,897	\$ 3,823,937	\$ 10,479,689	(38,438,271)	(68,832,142)
General revenues					
Taxes					
Property taxes, levied for general purposes				5,415,853	5,149,502
Property taxes, levied for community service				380,096	348,044
Property taxes, levied for debt service				4,922,430	6,004,881
General grants and aids				38,779,070	40,160,415
Other general revenues				335,297	796,694
Investment earnings				282,881	335,427
Total general revenues				50,115,627	52,794,963
Change in net position				11,677,356	(16,037,179)
Net position – beginning				(42,069,634)	(26,032,455)
Net position – ending				\$ (30,392,278)	\$ (42,069,634)

INDEPENDENT SCHOOL DISTRICT NO. 911

Balance Sheet
Governmental Funds
as of June 30, 2019

(With Partial Comparative Information as of June 30, 2018)

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund
Assets			
Cash and temporary investments	\$ 7,704,082	\$ 11,694,625	\$ 4,140,449
Receivables			
Current taxes	2,774,322	–	2,310,590
Delinquent taxes	99,006	–	31,972
Accounts and interest	44,387	–	–
Due from other governmental units	5,923,240	–	87,676
Due from other funds	–	–	–
Inventory	99,393	–	–
Prepaid items	67,045	–	–
	<u>16,711,475</u>	<u>11,694,625</u>	<u>6,570,687</u>
Total assets	\$ 16,711,475	\$ 11,694,625	\$ 6,570,687
Liabilities			
Salaries payable	\$ 2,778,622	\$ –	\$ –
Accounts and contracts payable	4,756,087	148	–
Due to other governmental units	81,242	–	–
Due to other funds	–	–	–
Unearned revenue	17,666	–	–
	<u>7,633,617</u>	<u>148</u>	<u>–</u>
Total liabilities	7,633,617	148	–
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	97,078	–	30,471
Property taxes levied for subsequent year	5,353,300	–	4,586,982
	<u>5,450,378</u>	<u>–</u>	<u>4,617,453</u>
Total deferred inflows of resources	5,450,378	–	4,617,453
Fund balances (deficit)			
Nonspendable	166,438	–	–
Restricted	1,234,145	11,694,477	1,953,234
Assigned	327,345	–	–
Unassigned	1,899,552	–	–
	<u>3,627,480</u>	<u>11,694,477</u>	<u>1,953,234</u>
Total fund balances	3,627,480	11,694,477	1,953,234
	<u>16,711,475</u>	<u>11,694,625</u>	<u>6,570,687</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ 16,711,475	\$ 11,694,625	\$ 6,570,687

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 779,052	\$ 24,318,208	\$ 14,208,351
195,015	5,279,927	5,326,232
3,358	134,336	153,894
19,392	63,779	78,018
53,285	6,064,201	7,659,316
–	–	27,895
21,155	120,548	58,856
–	67,045	432,167
<u>\$ 1,071,257</u>	<u>\$ 36,048,044</u>	<u>\$ 27,944,729</u>
\$ 99,289	\$ 2,877,911	\$ 2,708,147
143,877	4,900,112	5,407,793
–	81,242	420,431
–	–	27,895
52,061	69,727	52,188
<u>295,227</u>	<u>7,928,992</u>	<u>8,616,454</u>
3,225	130,774	144,812
397,755	10,338,037	10,514,194
<u>400,980</u>	<u>10,468,811</u>	<u>10,659,006</u>
21,155	187,593	491,023
503,869	15,385,725	3,705,135
–	327,345	995,742
(149,974)	1,749,578	3,477,369
<u>375,050</u>	<u>17,650,241</u>	<u>8,669,269</u>
<u>\$ 1,071,257</u>	<u>\$ 36,048,044</u>	<u>\$ 27,944,729</u>

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INDEPENDENT SCHOOL DISTRICT NO. 911

Reconciliation of the Balance Sheet to the
Statement of Net Position
Governmental Funds
as of June 30, 2019

(With Partial Comparative Information as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Total fund balances – governmental funds	\$ 17,650,241	\$ 8,669,269
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets are included in net position, but are excluded from fund balances because they do not represent financial resources.</p>		
Cost of capital assets	137,921,621	136,205,715
Accumulated depreciation	(66,192,282)	(62,086,885)
<p>Long-term liabilities are included in net position, but are excluded from fund balances until due and payable.</p>		
General obligation bonds	(47,550,000)	(51,480,000)
Certificates of participation	(14,385,000)	(2,325,000)
(Premium) discount on bonds	(3,097,237)	(3,177,564)
Capital leases payable	(304,301)	(138,412)
Compensated absences	(314,077)	(322,156)
Net pension liability	(41,278,079)	(110,510,204)
Severance benefits	(398,595)	(290,131)
Total OPEB liability	(1,761,937)	(2,006,858)
<p>Accrued interest payable on long-term debt is included in net position, but is excluded from fund balances until due and payable.</p>		
	(706,671)	(724,465)
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.</p>		
	3,899,987	3,186,940
<p>The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.</p>		
Deferred outflows of resources – pension plan deferments	46,167,678	62,235,061
Deferred outflows of resources – OPEB plan deferments	122,011	187,972
Deferred inflows of resources – pension plan deferments	(60,080,281)	(19,637,728)
Deferred inflows of resources – OPEB plan deferments	(216,130)	–
Deferred inflows of resources – delinquent taxes receivable	130,774	144,812
Total net position – governmental activities	<u>\$ (30,392,278)</u>	<u>\$ (42,069,634)</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>General Fund</u>	<u>Capital Projects – Building Construction Fund</u>	<u>Debt Service Fund</u>
Revenue			
Local sources			
Property taxes	\$ 5,427,735	\$ –	\$ 4,924,286
Investment earnings	112,159	–	82,016
Other	1,608,159	–	–
State sources	47,857,784	–	884,255
Federal sources	934,403	–	–
Total revenue	<u>55,940,240</u>	<u>–</u>	<u>5,890,557</u>
Expenditures			
Current			
Administration	2,821,627	–	–
District support services	1,601,007	–	–
Elementary and secondary regular instruction	23,964,769	–	–
Vocational education instruction	1,304,037	–	–
Special education instruction	12,029,964	–	–
Instructional support services	4,832,515	–	–
Pupil support services	5,543,503	–	–
Sites and buildings	6,418,531	–	–
Fiscal and other fixed cost programs	207,467	–	–
Food service	–	–	–
Community service	–	–	–
Capital outlay	–	529,115	–
Debt service			
Principal	297,025	–	3,930,000
Interest and fiscal charges	92,539	225,114	1,651,145
Total expenditures	<u>59,112,984</u>	<u>754,229</u>	<u>5,581,145</u>
Excess (deficiency) of revenue over expenditures	(3,172,744)	(754,229)	309,412
Other financing sources (uses)			
Capital leases	302,914	–	–
Debt issued	–	12,220,000	–
Premium on debt issued	–	228,706	–
Sale of capital assets	5,856	–	–
Payment to refunded bond escrow agent	–	–	–
Total other financing sources (uses)	<u>308,770</u>	<u>12,448,706</u>	<u>–</u>
Net change in fund balances	(2,863,974)	11,694,477	309,412
Fund balances			
Beginning of year	<u>6,491,454</u>	<u>–</u>	<u>1,643,822</u>
End of year	<u>\$ 3,627,480</u>	<u>\$ 11,694,477</u>	<u>\$ 1,953,234</u>

Nonmajor Funds	Total Governmental Funds	
	2019	2018
\$ 380,396	\$ 10,732,417	\$ 11,579,218
13,093	207,268	315,685
2,545,219	4,153,378	5,023,522
690,887	49,432,926	48,187,175
1,058,535	1,992,938	2,248,234
<u>4,688,130</u>	<u>66,518,927</u>	<u>67,353,834</u>
–	2,821,627	2,786,223
–	1,601,007	1,669,367
–	23,964,769	24,042,348
–	1,304,037	1,075,197
–	12,029,964	11,585,344
–	4,832,515	4,667,586
–	5,543,503	5,491,788
–	6,418,531	6,581,299
–	207,467	200,545
2,296,057	2,296,057	2,272,432
2,525,259	2,525,259	2,423,388
25,757	554,872	151,491
–	4,227,025	5,538,741
–	1,968,798	2,103,255
<u>4,847,073</u>	<u>70,295,431</u>	<u>70,589,004</u>
(158,943)	(3,776,504)	(3,235,170)
–	302,914	194,962
–	12,220,000	–
–	228,706	–
–	5,856	–
–	–	(19,817,374)
<u>–</u>	<u>12,757,476</u>	<u>(19,622,412)</u>
(158,943)	8,980,972	(22,857,582)
<u>533,993</u>	<u>8,669,269</u>	<u>31,526,851</u>
<u>\$ 375,050</u>	<u>\$ 17,650,241</u>	<u>\$ 8,669,269</u>

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INDEPENDENT SCHOOL DISTRICT NO. 911

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

(With Partial Comparative Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Total net change in fund balances – governmental funds	\$ 8,980,972	\$ (22,857,582)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are recorded as net position and the cost is allocated over their estimated useful lives as depreciation expense. However, fund balances are reduced for the full cost of capital outlays at the time of purchase.		
Capital outlays	2,162,518	2,312,579
Depreciation expense	(4,551,614)	(4,536,788)
A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change in net position. However, only the sale proceeds are included in the change in fund balances.		
	(395)	(4,376)
The amount of debt issued is reported in the governmental funds as a source of financing. Debt obligations are not revenues in the Statement of Activities, but rather constitute long-term liabilities.		
Certificates of participation	(12,220,000)	–
Capital leases payable	(302,914)	(194,962)
Repayment of long-term debt does not affect the change in net position. However, it reduces fund balances.		
General obligation bonds	3,930,000	32,170,000
Certificates of participation	160,000	155,000
Capital leases payable	137,025	148,741
Interest on long-term debt is included in the change in net position as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.		
	17,794	(86,458)
Debt issuance premiums and discounts are included in the change in net position as they are amortized over the life of the debt. However, they are included in the change in fund balances upon issuance as other financing sources and uses.		
	80,327	(7,238,676)
Certain expenses are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.		
Compensated absences	8,079	17,479
Net pension liability	69,232,125	23,145,097
Severance benefits	(108,464)	77,022
Total OPEB liability	244,921	(13,818)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is included in the governmental activities in the Statement of Activities.		
	713,047	190,491
The recognition of certain revenues and expenses/expenditures differ between the full accrual governmental activities financial statements and the modified accrual governmental fund financial statements.		
Deferred outflows of resources – pension plan deferments	(16,067,383)	(21,026,382)
Deferred outflows of resources – OPEB plan deferments	(65,961)	(9,422)
Deferred inflows of resources – pension plan deferments	(40,442,553)	(18,208,333)
Deferred inflows of resources – OPEB plan deferments	(216,130)	–
Deferred inflows of resources – delinquent taxes receivable	(14,038)	(76,791)
Change in net position – governmental activities	<u>\$ 11,677,356</u>	<u>\$ (16,037,179)</u>

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INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenue				
Local sources				
Property taxes	\$ 5,438,843	\$ 5,407,001	\$ 5,427,735	\$ 20,734
Investment earnings	50,000	50,000	112,159	62,159
Other	1,842,465	1,675,896	1,608,159	(67,737)
State sources	47,377,853	47,152,612	47,857,784	705,172
Federal sources	1,029,342	905,060	934,403	29,343
Total revenue	<u>55,738,503</u>	<u>55,190,569</u>	<u>55,940,240</u>	<u>749,671</u>
Expenditures				
Current				
Administration	2,813,030	2,920,583	2,821,627	(98,956)
District support services	1,745,672	1,733,204	1,601,007	(132,197)
Elementary and secondary regular instruction	23,410,482	24,408,668	23,964,769	(443,899)
Vocational education instruction	1,069,155	1,078,571	1,304,037	225,466
Special education instruction	10,853,235	12,036,835	12,029,964	(6,871)
Instructional support services	4,296,508	4,623,809	4,832,515	208,706
Pupil support services	5,180,624	5,341,569	5,543,503	201,934
Sites and buildings	6,232,394	6,303,879	6,418,531	114,652
Fiscal and other fixed cost programs	200,000	200,800	207,467	6,667
Debt service				
Principal	490,353	490,353	297,025	(193,328)
Interest and fiscal charges	92,495	92,495	92,539	44
Total expenditures	<u>56,383,948</u>	<u>59,230,766</u>	<u>59,112,984</u>	<u>(117,782)</u>
Excess (deficiency) of revenue over expenditures	(645,445)	(4,040,197)	(3,172,744)	867,453
Other financing sources				
Capital leases	—	—	302,914	302,914
Sale of capital assets	—	5,200	5,856	656
Total other financing sources	<u>—</u>	<u>5,200</u>	<u>308,770</u>	<u>303,570</u>
Net change in fund balances	<u>\$ (645,445)</u>	<u>\$ (4,034,997)</u>	<u>(2,863,974)</u>	<u>\$ 1,171,023</u>
Fund balances				
Beginning of year			<u>6,491,454</u>	
End of year			<u>\$ 3,627,480</u>	

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and temporary investments	\$ 4,945,117	\$ 4,136,156
Receivables		
Accounts and interest	20,741	15,156
Due from other governments	16,449	-
Total current assets	<u>4,982,307</u>	<u>4,151,312</u>
Liabilities		
Current liabilities		
Claims payable	975,301	964,372
Due to other governments	107,019	-
Total liabilities	<u>1,082,320</u>	<u>964,372</u>
Net position		
Unrestricted	<u>\$ 3,899,987</u>	<u>\$ 3,186,940</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Operating revenue		
Charges for services		
Contributions from governmental funds	\$ 8,048,994	\$ 8,753,674
Operating expenses		
Health benefit claims	6,427,142	7,530,243
Dental benefit claims	374,644	401,945
Fees and stop loss	609,774	650,737
Total operating expenses	<u>7,411,560</u>	<u>8,582,925</u>
Operating income	637,434	170,749
Nonoperating revenue		
Investment earnings	<u>75,613</u>	<u>19,742</u>
Change in net position	713,047	190,491
Net position		
Beginning of year	<u>3,186,940</u>	<u>2,996,449</u>
End of year	<u>\$ 3,899,987</u>	<u>\$ 3,186,940</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2019

(With Partial Comparative Information for the Year Ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Contributions from governmental funds	\$ 8,043,409	\$ 8,756,273
Payment for claims	(6,700,287)	(7,780,717)
Payment for fees and stop loss	(609,774)	(650,737)
Net cash flows from operating activities	<u>733,348</u>	<u>324,819</u>
Cash flows from investing activities		
Investment income received	<u>75,613</u>	<u>19,742</u>
Net change in cash and cash equivalents	808,961	344,561
Cash and cash equivalents		
Beginning of year	<u>4,136,156</u>	<u>3,791,595</u>
End of year	<u><u>\$ 4,945,117</u></u>	<u><u>\$ 4,136,156</u></u>
Reconciliation of operating income to net cash flows from operating activities		
Operating income	\$ 637,434	\$ 170,749
Adjustments to reconcile operating income to net cash flows from operating activities		
Changes in assets and liabilities		
Accounts receivable	(5,585)	2,599
Due from other governments	(16,449)	-
Claims payable	10,929	151,471
Due to other governments	<u>107,019</u>	<u>-</u>
Net cash flows from operating activities	<u><u>\$ 733,348</u></u>	<u><u>\$ 324,819</u></u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 538,080	\$ 672,957
Receivables		
Accounts and interest	1,105	10,398
Due from other governmental units	328,997	4,835,754
Prepaid items	<u>—</u>	<u>62,083</u>
Total assets	<u>\$ 868,182</u>	<u>\$ 5,581,192</u>
Liabilities		
Salaries payable	\$ 858	\$ 403,621
Accounts and contracts payable	323,121	814,957
Due to other governmental units	544,203	4,362,114
Unearned revenue	<u>—</u>	<u>500</u>
Total liabilities	<u>\$ 868,182</u>	<u>\$ 5,581,192</u>

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INDEPENDENT SCHOOL DISTRICT NO. 911

Notes to Basic Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Independent School District No. 911 (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a seven-member School Board elected by the voters of the District to serve four-year terms. The District's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

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

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

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's School Board can elect to either control or not control extracurricular activities. The District's School Board has elected to exercise control over extracurricular activities. Therefore, the transactions of the extracurricular student activity accounts are included in the District's General 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. Generally, the effect of material interfund activity has been removed from the government-wide financial statements. Transactions representing interfund services provided and used are not eliminated.

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 instead as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements, and aggregated information for the remaining nonmajor governmental funds is reported in a single column.

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

- 1. Revenue Recognition** – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to funding formulas established by Minnesota Statutes. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.
- 2. Recording of Expenditures** – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and other long-term liabilities, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. In the General Fund, capital outlay expenditures are included within the applicable functional areas.

Internal service funds are presented in the proprietary fund financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting described earlier in these notes. These funds account for the financing of goods or services provided by one department to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Agency funds are presented in the fiduciary fund financial statements. Agency funds are custodial in nature and have no measurement focus, but utilize the accrual basis of accounting. Since, by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

Description of Funds

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

Major Governmental Funds

General Fund – The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects – Building Construction Fund – The Capital Projects – Building Construction Fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue or capital levies.

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

Nonmajor Governmental Funds

Food Service Special Revenue Fund – The Food Service Special Revenue Fund is primarily used to account for the District’s child nutrition program.

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

Proprietary Funds

Internal Service Funds – The District’s Internal Service Funds are used to account for health and dental insurance benefits offered by the District to its employees as self-insured plans.

Fiduciary Funds

Agency Funds – Agency funds are established to account for cash and other assets held by the District as the agent for others. These funds are used to account for the transactions of the East Central Minnesota Educational Cable Cooperative, the Rum River Special Education Cooperative, and the Oak Land Vocational Cooperative.

E. Budgetary Information

The School Board generally adopts an annual budget for all governmental funds except the Capital Projects – Building Construction Fund, prepared on the same basis of accounting as the financial statements. Legal budgetary control is at the fund level. Budgeted expenditure appropriations lapse at year-end. Actual expenditures for fiscal 2019 exceeded budget by \$6,241 in the Food Service Special Revenue Fund and \$184,115 in the Community Service Special Revenue Fund. Revenues in excess of budget or available fund balance financed these variances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Temporary Investments

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

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

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

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

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

G. Receivables

When necessary, the District utilizes an allowance for uncollectible accounts to value its receivables. However, the District considers all of its current receivables to be collectible. The only receivables not expected to be fully collected within one year are property taxes receivable. At year-end, the District reported the following receivables due from other governmental units:

Due from the MDE	\$	5,518,037
Due from other Minnesota school districts		345,638
Due from other governmental units		<u>216,975</u>
Total	\$	<u><u>6,080,650</u></u>

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Purchased food and supplies 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.

I. Prepaid Items

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

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

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. Currently, the mandated tax shift recognizes \$356,100 of the property tax levy collectible in 2019 as revenue to the District in fiscal year 2018–2019. The remaining portion of the taxes collectible in 2019 is recorded as a deferred inflow of resources (property taxes levied for the subsequent year).

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated acquisition value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$1,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements, but are not reported in the 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 or scrapped when declared as no longer fit or needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for buildings and improvements and 5 to 20 years for furniture, equipment, and vehicles. Land and construction in progress are not depreciated.

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

L. Long-Term Obligations

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

In the governmental fund financial statements, 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences

Eligible employees accrue vacation and sick leave at varying rates as specified by contract, portions of which may be carried over to future years. Employees are reimbursed for any unused, accrued vacation upon termination. Unused sick leave enters into the calculation of severance benefits for some employees upon termination. Compensated absences are accrued in the governmental fund statements only to the extent they have been used or otherwise matured prior to year-end. Unused vacation is accrued as it is earned in the government-wide financial statements.

N. Severance Benefits

The District provides lump sum severance benefits to eligible employees in accordance with provisions in certain collectively bargained contracts. Eligibility for these benefits is based on years of service and/or minimum age requirements. The amount of the severance benefit is calculated by converting a portion of unused accumulated sick leave subject to certain limitations. No individual can receive severance benefits in excess of one year's salary. Severance benefits are required to be paid out within 30 days following the effective date of retirement. Retirement benefits for eligible teachers are paid into a post-employment healthcare savings plan, administered by the Minnesota State Retirement System. For all other employees, severance benefits are paid out directly to the employee.

Members of certain employee groups may also elect to receive district matching contributions paid into a tax-deferred matching contribution plan. The amount of any severance benefit due an individual will be reduced by the total matching contributions made by the District to such a plan over the course of that individual's employment.

Severance pay based on convertible sick leave is accrued in the government-wide financial statements as it is earned and it becomes probable that it will vest at some point in the future. Severance pay is accrued in the governmental fund financial statements as the liability matures, due to employee retirement.

O. State-Wide Pension Plans

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred outflows or inflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) or inflow of financial resource (revenue) until then.

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

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

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

Q. Risk Management and Self-Insurance

- 1. General Insurance** – The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters. The District carries commercial insurance for workers' compensation coverage. 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.
- 2. Self-Insurance** – The District has established internal service funds to account for and finance its risk of loss for employee health and dental self-insured plans. Under these plans, the respective Internal Service Fund provides coverage to participating employees and their dependents for various healthcare or dental costs as described in the plans.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2018	\$ 795,516	\$ 7,530,243	\$ 7,384,179	\$ 941,580
2019	\$ 941,580	\$ 6,427,142	\$ 6,411,499	\$ 957,223

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

	<u>Balance – Beginning of Year</u>	<u>Charges and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance – End of Year</u>
2018	\$ 17,385	\$ 401,945	\$ 396,538	\$ 22,792
2019	\$ 22,792	\$ 374,644	\$ 379,358	\$ 18,078

R. Use of Estimates

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

S. Net Position

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

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Unrestricted Net Position** – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Within the fund balance policy approved by the School Board, the District’s director of finance and operations is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

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

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

U. Prior Period Comparative Financial Information/Reclassification

The basic financial statements include certain prior year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District’s financial statements for the year ended June 30, 2018, from which the summarized information was derived. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year’s presentation.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$ 316,468
Investments	29,484,937
	<hr/>
Total	<u>\$ 29,801,405</u>

Cash and temporary investments are presented in the financial statements as follows:

Cash and temporary investments	
Statement of Net Position	\$ 29,263,325
Statement of Fiduciary Net Position	538,080
	<hr/>
Total	<u>\$ 29,801,405</u>

B. Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the School Board, including checking accounts, savings accounts, and nonnegotiable certificates of deposit. The following is considered the most significant risk associated with deposits:

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

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

The District’s deposits were carried at \$316,468 at year-end. The bank balance of \$523,833 was fully insured or covered by collateral held by the District’s agent in the District’s name.

C. Deposits

The District has the following investments at year-end:

Investment Type	Credit Risk		Fair Value Measurements Using	Interest Risk – Maturity Duration	Total
	Rating	Agency			
Investment pools/mutual funds					
MSDLAF – Liquid Class	AAA	S&P	Not Applicable	No maturity date	\$ 13,482,714
MSDLAF – MAX Class	AAA	S&P	Not Applicable	No maturity date	3,778,632
First American Government Obligation Fund	AAA	S&P	Level 2	No maturity date	12,223,591
					<hr/>
Total investments					<u>\$ 29,484,937</u>

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investment pools managed by the Minnesota School District Liquid Asset Fund (MSDLAF) are external investment pools regulated by Minnesota Statutes not registered with the Securities and Exchange Commission. The District's investments in these investment pools are measured at the net asset value per share provided by the pools, which are based on amortized cost methods that approximate fair value. There are no restrictions or limitations on withdrawals from the MSDLAF – Liquid Class investment pool. Investments in the MSDLAF MAX Class must be deposited for a minimum of 14 calendar days, with the exception of direct investments of funds distributed by the state of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24-hour hold on all requests for redemptions.

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

Custodial Credit Risk – This is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Although the District's investment policies do not directly address custodial credit risk, it typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the District's investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated "A" or better; revenue obligations rated "AA" or better; general obligations of the Minnesota Housing Finance Agency rated "A" or better; bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The District's investment policies do not address credit risk.

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

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

NOTE 3 – CAPITAL ASSETS

Capital assets activity for the year is as follows:

	Balance – Beginning of Year	Additions	Deletions	Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 3,298,986	\$ –	\$ –	\$ –	\$ 3,298,986
Construction in progress	850,499	1,475,086	–	(1,795,563)	530,022
Total capital assets, not depreciated	4,149,485	1,475,086	–	(1,795,563)	3,829,008
Capital assets, depreciated					
Buildings and improvements	114,077,503	75,602	–	1,766,564	115,919,669
Furniture and equipment	8,992,405	138,725	(11,812)	28,999	9,148,317
Pupil transportation vehicles	8,986,322	473,105	(434,800)	–	9,024,627
Total capital assets, depreciated	132,056,230	687,432	(446,612)	1,795,563	134,092,613
Less accumulated depreciation for					
Buildings and improvements	(49,462,949)	(3,353,489)	–	–	(52,816,438)
Furniture and equipment	(6,587,601)	(519,287)	11,417	–	(7,095,471)
Pupil transportation vehicles	(6,036,335)	(678,838)	434,800	–	(6,280,373)
Total accumulated depreciation	(62,086,885)	(4,551,614)	446,217	–	(66,192,282)
Net capital assets, depreciated	69,969,345	(3,864,182)	(395)	1,795,563	67,900,331
Total capital assets, net	\$ 74,118,830	\$ (2,389,096)	\$ (395)	\$ –	\$ 71,729,339

Depreciation expense for the year was charged to the following governmental functions:

Administration	\$ 5,405
District support services	64,574
Elementary and secondary regular instruction	113,085
Vocational education instruction	6,827
Special education instruction	6,345
Instructional support services	5,499
Pupil support services	118,140
Sites and buildings	741,487
Community service	1,434,866
Depreciation not allocated directly to programs	2,055,386
Total depreciation expense	\$ 4,551,614

NOTE 4 – LONG-TERM LIABILITIES

A. General Obligation Bonds

The District currently has the following general obligation bonds outstanding:

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2010A Capital Facilities Bonds	10/21/2010	2.00–3.00%	\$ 665,000	02/01/2021	\$ 145,000
2012A School Building Refunding Bonds	08/01/2012	3.00%	\$ 26,000,000	02/01/2030	17,885,000
2013A Alternative Facilities Bonds	12/19/2013	2.00–3.50%	\$ 2,940,000	02/01/2034	1,580,000
2014A School Building Bonds	03/25/2014	2.35–3.00%	\$ 9,565,000	02/01/2024	7,905,000
2016C Alternative Facilities Refunding Bonds	02/18/2016	5.00%	\$ 3,215,000	02/01/2023	2,245,000
2016D School Building Refunding Bonds	04/13/2016	2.00–5.00%	\$ 19,135,000	02/01/2030	17,790,000
Total general obligation bonds					<u>\$ 47,550,000</u>

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

B. Certificates of Participation

The District current has the following certificates of participation outstanding:

<u>Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Face/Par Value</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2014B Certificates of Participation	08/07/2014	1.15–4.85%	\$ 2,740,000	02/01/2030	\$ 2,165,000
2019A Certificates of Participation	06/13/2019	3.00–5.00%	\$ 12,220,000	02/01/2039	12,220,000
Total certificates of participation					<u>\$ 14,385,000</u>

These certificates of participation, authorized under Minnesota Statutes § 123B.51, were issued to finance the construction of capital facilities. Scheduled future ad valorem lease obligation tax levies will be made to finance the retirement of principal and interest payments on the certificates, which are being paid by the General Fund.

C. Capital Leases

The District entered into three capital leases for technology equipment totaling \$497,876, with annual lease payments through July 2019, July 2020, and August 2021, respectively. The leases are noninterest-bearing, and potential imputed interest was not considered material. Individual assets acquired through the capital leases were below the District’s capitalization threshold. The leases are being repaid through the General Fund.

D. Other Long-Term Liabilities

The District offers a number of benefits to its employees, including compensated absences, pensions, severance benefits, and OPEB. The details of these various benefits are discussed elsewhere in these notes. Such benefits are generally paid from the General Fund and special revenue funds.

NOTE 4 – LONG-TERM LIABILITIES (CONTINUED)

District employees participate in two state-wide, cost-sharing, multiple-employer defined benefit pension plans administered by the PERA and the TRA. The following is a summary of the net pension liabilities, deferred outflows and inflows of resources, and pension expense reported for these plans as of and for the year ended June 30, 2019:

Pension Plans	Net Pension Liabilities	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
PERA	\$ 10,407,279	\$ 2,717,552	\$ 2,651,896	\$ 828,112
TRA	30,870,800	43,450,126	57,428,385	(12,667,888)
Total	<u>\$ 41,278,079</u>	<u>\$ 46,167,678</u>	<u>\$ 60,080,281</u>	<u>\$ (11,839,776)</u>

E. Minimum Debt Payments

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

Year Ending June 30,	General Obligation Bonds		Certificates of Participation		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 4,055,000	\$ 1,532,045	\$ 375,000	\$ 340,433	\$ 127,661	\$ –
2021	4,190,000	1,413,745	620,000	475,383	99,416	–
2022	4,245,000	1,277,045	645,000	456,453	77,224	–
2023	4,380,000	1,140,243	665,000	436,315	–	–
2024	3,870,000	998,955	695,000	405,495	–	–
2025–2029	19,935,000	2,988,013	3,910,000	1,595,238	–	–
2030–2034	6,875,000	442,550	3,590,000	901,890	–	–
2035–2039	–	–	3,885,000	356,700	–	–
	<u>\$ 47,550,000</u>	<u>\$ 9,792,596</u>	<u>\$ 14,385,000</u>	<u>\$ 4,967,907</u>	<u>\$ 304,301</u>	<u>\$ –</u>

F. Changes in Long-Term Liabilities

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Due Within One Year
General obligation bonds	\$ 51,480,000	\$ –	\$ 3,930,000	\$ 47,550,000	\$ 4,055,000
Certificates of participation	2,325,000	12,220,000	160,000	14,385,000	375,000
Premium (discount)	3,177,564	228,706	309,033	3,097,237	–
Total bonds and certificates of participation payable	56,982,564	12,448,706	4,399,033	65,032,237	4,430,000
Capital leases payable	138,412	302,914	137,025	304,301	127,661
Compensated absences	322,156	478,973	487,052	314,077	314,077
Net pension liability	110,510,204	1,013,543	70,245,668	41,278,079	–
Severance benefits	290,131	197,675	89,211	398,595	100,000
Total OPEB liability	2,006,858	159,181	404,102	1,761,937	–
	<u>\$ 170,250,325</u>	<u>\$ 14,600,992</u>	<u>\$ 75,762,091</u>	<u>\$ 109,089,226</u>	<u>\$ 4,971,738</u>

NOTE 5 – FUND BALANCES

A. Classifications

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

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

	General Fund	Capital Projects – Building Construction Fund	Debt Service Fund	Nonmajor Funds	Total
Nonspendable					
Inventory	\$ 99,393	\$ –	\$ –	\$ 21,155	\$ 120,548
Prepaid items	67,045	–	–	–	67,045
Total nonspendable	166,438	–	–	21,155	187,593
Restricted					
Operating capital	306,308	–	–	–	306,308
Learning and development	142,127	–	–	–	142,127
Area learning center	1,413	–	–	–	1,413
Gifted and talented	863	–	–	–	863
Basic skills	219,154	–	–	–	219,154
Safe schools levy	144,351	–	–	–	144,351
Basic skills extended time	4,209	–	–	–	4,209
Long-term facilities maintenance	415,720	–	–	–	415,720
Certificates of participation	–	11,694,477	–	–	11,694,477
Debt service	–	–	1,953,234	–	1,953,234
Food service	–	–	–	422,639	422,639
School readiness	–	–	–	5,154	5,154
Adult basic education	–	–	–	40,218	40,218
Community service	–	–	–	35,858	35,858
Total restricted	1,234,145	11,694,477	1,953,234	503,869	15,385,725
Assigned					
Student activities	327,345	–	–	–	327,345
Unassigned					
Early childhood family education programs restricted account deficit	–	–	–	(14,974)	(14,974)
Community education programs restricted account deficit	–	–	–	(135,000)	(135,000)
Unassigned	1,899,552	–	–	–	1,899,552
Total unassigned	1,899,552	–	–	(149,974)	1,749,578
Total	\$ 3,627,480	\$ 11,694,477	\$ 1,953,234	\$ 375,050	\$ 17,650,241

B. Minimum Fund Balance Policy

The School Board has formally adopted a fund balance policy regarding the fund balance for the General Fund. The policy establishes that the District will strive to maintain a minimum unrestricted General Fund balance (assigned and unassigned fund balances, excluding restricted fund balance account deficits) of 10.0–15.0 percent of the annual budget. At June 30, 2019, the unrestricted General Fund balance was equal to 3.8 percent of fiscal 2019 budgeted expenditures.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Descriptions

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

1. General Employees Retirement Fund (GERF)

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

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

2. Teachers Retirement Association (TRA)

The TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. The TRA is a separate statutory entity, administered by a Board of Trustees. The Board of Trustees consists of four active members, one retired member, and three statutory officials.

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

B. Benefits Provided

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

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

1. GERF Benefits

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

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

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

2. TRA Benefits

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

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

Tier I Benefits

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

With these provisions:

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

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

Tier II Benefits

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

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

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

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5 percent for Coordinated Plan members. The District’s contributions to the GERF for the year ended June 30, 2019, were \$860,219. The District’s contributions were equal to the required contributions as set by state statutes.

2. TRA Contributions

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

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

The District’s contributions to the TRA for the plan’s fiscal year ended June 30, 2019, were \$1,966,900. The District’s contributions were equal to the required contributions for each year as set by state statutes.

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

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

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

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

D. Pension Costs

1. GERF Pension Costs

At June 30, 2019, the District reported a liability of \$10,407,279 for its proportionate share of the GERF’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by the PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of the PERA’s participating employers. The District’s proportionate share was 0.1876 percent at the end of the measurement period and 0.1867 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 10,407,279
State’s proportionate share of the net pension liability associated with the District	\$ 341,283

For the year ended June 30, 2019, the District recognized pension expense of \$748,484 for its proportionate share of the GERF’s pension expense. In addition, the District recognized an additional \$79,628 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota’s contribution of \$16 million to the GERF.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 274,201	\$ 276,839
Changes in actuarial assumptions	906,719	1,165,529
Difference between projected and actual investment earnings	–	1,169,363
Changes in proportion	676,413	40,165
District’s contributions to the GERF subsequent to the measurement date	<u>860,219</u>	<u>–</u>
Total	<u>\$ 2,717,552</u>	<u>\$ 2,651,896</u>

A total of \$860,219 reported as deferred outflows of resources related to pensions resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the GERF pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 526,845
2021	\$ (276,530)
2022	\$ (827,660)
2023	\$ (217,218)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of \$30,870,800 for its proportionate share of the TRA’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions to the TRA in relation to total system contributions, including direct aid from the state of Minnesota, City of Minneapolis, and Special School District No. 1, Minneapolis Public Schools. The District’s proportionate share was 0.4915 percent at the end of the measurement period and 0.4939 percent for the beginning of the period.

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

District’s proportionate share of the net pension liability	\$ 30,870,800
State’s proportionate share of the net pension liability associated with the District	\$ 2,900,525

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

For the year ended June 30, 2019, the District recognized negative pension expense of \$10,643,515. It also recognized \$2,024,373 as a decrease to pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 334,546	\$ 625,279
Changes in actuarial assumptions	40,419,051	52,692,234
Difference between projected and actual investment earnings	–	2,359,520
Changes in proportion	729,629	1,751,352
District’s contributions to the TRA subsequent to the measurement date	1,966,900	–
Total	\$ 43,450,126	\$ 57,428,385

A total of \$1,966,900 reported as deferred outflows of resources related to pensions resulting from district contributions to the TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to the TRA pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2020	\$ 3,249,160
2021	\$ 1,549,423
2022	\$ (77,590)
2023	\$ (12,243,327)
2024	\$ (8,422,825)

E. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the GEF and 1.00 percent for January 2019 through January 2023, then increasing by 0.10 percent each year up to 1.50 percent annually for the TRA.

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

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

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

1. GERF

CHANGES IN ACTUARIAL ASSUMPTIONS

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

CHANGES IN PLAN PROVISIONS

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

2. TRA

CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

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

- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30 %
Bonds (fixed income)	20	0.75 %
Alternative assets (private markets)	25	5.90 %
Cash	2	– %
	100 %	
Total		

F. Discount Rate

1. GERF

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

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

2. TRA

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

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the GERF net pension liability	\$ 16,913,161	\$ 10,407,279	\$ 5,036,859
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	\$ 48,991,835	\$ 30,870,800	\$ 15,921,066

H. Pension Plan Fiduciary Net Position

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

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

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

A. Plan Description

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

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

B. Benefits provided

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

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

C. Contributions

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to prefund benefits as determined periodically by the District. The District's current year required pay-as-you-go contributions to finance the benefits described in the previous section totaled \$122,011.

D. Membership

Membership in the plan consisted of the following as of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	33
Active plan members	<u>592</u>
Total members	<u><u>625</u></u>

The District is no longer Rum River Special Education Cooperative's (Rum River) fiscal host as of July 1, 2018. Therefore, individuals considered to be employees of Rum River going forward are excluded from this plan.

E. Total OPEB Liability of the District

The District's total OPEB liability of \$1,761,937 as of year-end was measured as of July 1, 2018, and was determined by an actuarial valuation as of that date.

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

F. Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial study with a valuation date as of July 1, 2017 and measurement date as of July 1, 2018, using the entry-age method, and using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.50%
20-year municipal bond yield	3.50%
Inflation rate	2.50%
Salary increases	3.00%
Medical trend rate	6.25%, grading to 5.00% over 5 years

The actuarial assumptions used in the latest valuation were based on those used to value pension liabilities for Minnesota school district employees. The state pension plans base their assumptions on periodic experience studies. Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information, as well as for consistency with the other economic assumptions.

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield rate of 3.50 percent, which was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date. The District discount rate used in the prior measurement date was 3.40 percent.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

Future retirees electing coverage is assumed to be 100 percent when a pre-age 65 subsidy is available, and 50 percent when a pre-age 65 subsidy is not available, with the exception of instructional assistants, which are assumed to be 15 percent when a pre-age 65 subsidy is not available. Married future retirees electing spouse coverage is assumed to be 20 percent when a pre-age 65 subsidy is not available.

G. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Beginning balance	\$ 2,006,858
Changes for the year	
Service cost	125,859
Interest	69,344
Assumption changes	(11,233)
Differences between expected and actual experience	(240,919)
Benefit payments	(187,972)
Total net changes	<u>(244,921)</u>
Ending balance	<u>\$ 1,761,937</u>

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

H. Total OPEB Liability Sensitivity to Discount and Healthcare Cost Trend Rate Changes

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
OPEB discount rate	2.50%	3.50%	4.50%
Total OPEB liability	\$ 1,876,186	\$ 1,761,937	\$ 1,652,335

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

	<u>1% Decrease in Medical Trend Rates</u>	<u>Medical Trend Rate</u>	<u>1% Increase in Medical Trend Rates</u>
Medical Trend Rate	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Total OPEB liability	\$ 1,579,985	\$ 1,761,937	\$ 1,976,297

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

The District recognized OPEB expense of \$159,181 in the current year, and at year-end reported the following deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ –	\$ 206,502
Changes in actuarial assumptions	–	9,628
District’s contributions subsequent to the measurement date	<u>122,011</u>	<u>–</u>
Total	<u>\$ 122,011</u>	<u>\$ 216,130</u>

A total of \$122,011 reported as deferred outflows of resources related to OPEB resulting from district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ (36,022)
2021	\$ (36,022)
2022	\$ (36,022)
2023	\$ (36,022)
2024	\$ (36,022)
Thereafter	\$ (36,020)

NOTE 8 – FLEXIBLE BENEFIT PLAN

The District has established the Independent School District No. 911 Flexible Spending Plan (the Plan). The Plan is a “cafeteria plan” under § 125 of the IRC. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the Plan for health insurance, healthcare, and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pretax 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.

The Plan is set up through Educators Benefit Consultants, LLC and is administered by the District. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant. Payments of insurance premiums are made by the District directly to the designated insurance companies. The Plan is included in the financial statements of the General Fund.

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 the eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 9 – STEWARDSHIP AND ACCOUNTABILITY

At June 30, 2019, the District had a deficit net position total in the Community Service Special Revenue Fund of \$68,744. This deficit is expected to be eliminated through the future operations of the Community Service Special Revenue Fund.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. Federal and State Revenues

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

B. Legal Claims

The District has the usual and customary types of legal claims pending at year-end, mostly of a minor nature and usually covered by insurance carried for that purpose. The District’s management believes that the District will not incur any material liabilities to these claims, and none have been accrued at year-end.

C. Construction Commitments

At June 30, 2019, the District had commitments totaling \$5,443,241 under various construction contracts for which the work was not yet completed. In July 2019, the District awarded additional construction contracts totaling \$4,024,246 for construction of a new special education facility.

NOTE 11 – JOINTLY GOVERNED ORGANIZATIONS

The District is a member of several cooperative entities organized to provide various services to their member districts. The governing body of each of these organizations is comprised of an equal number of representatives from each of their respective member districts. Therefore, none of the individual member districts appoint a voting majority to any of these organizations' governing bodies. Further, the member districts do not have any obligation for, or residual interest in, the respective organizations.

A. Central Minnesota Educational Research and Development Council (CMERDC)

CMERDC is a consortium of Minnesota school districts that provides data processing services and support to its member districts. During the 2019 fiscal year, the District paid CMERDC \$51,887 for services provided.

B. East Central Minnesota Educational Cable Cooperative (ECMECC)

ECMECC is a cooperative that provides cable television access for educational programming to 12 member school districts and 1 technical college. During the 2019 fiscal year, the District paid \$45,586 for its share of ECMECC's expenditures. The District serves as fiscal agent for ECMECC, for which it received \$42,004 during 2019.

C. Oak Land Vocational Cooperative (Oak Land)

Oak Land is a cooperative that provided vocational instruction to students from its three member districts. Oak Land's Governing Board passed a resolution calling for the dissolution of the cooperative at the end of the 2016 fiscal year. Oak Land is no longer serving students, but is still holding assets until they can be sold. During 2019, the District paid \$10,684 for the repayment of utilities incurred at Oak Land West building. The District serves as fiscal agent for Oak Land, for which it received \$1,309 during 2019.

D. Rum River Special Education Cooperative (Rum River)

Rum River is a cooperative that provides special educational low incidence services to students from its seven member districts. Each member district passes through state aid due to Rum River based on state funding formulas for staff hired by Rum River. In addition, each member district pays a share of Rum River's excess operating costs proportionate to the District's share of the general education of students in Rum River's attendance area. During 2019, the District paid \$619,244 for its share of such costs.

NOTE 12 – SUBSEQUENT EVENTS

The District ended its membership in Rum River effective June 30, 2019. Under the terms of the joint-powers agreement, member districts are entitled to or responsible for their proportionate share of Rum River's net assets or liabilities upon termination of membership. In November 2019, the District reached an agreement with Rum River under which it will receive \$350,000 for its portion of Rum River's net assets. The payment will be made through a transfer of that amount of Rum River's carryover federal special education entitlement, which may then be used by the District to fund its fiscal 2020 special education costs. This sum represents the full and final release of all claims.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 911

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

District Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.1752%	\$ 8,230,018	\$ -	\$ 8,230,018	\$ 9,205,016	89.41%	78.70%
06/30/2016	06/30/2015	0.1742%	\$ 9,027,948	\$ -	\$ 9,027,948	\$ 10,241,642	88.15%	78.20%
06/30/2017	06/30/2016	0.1711%	\$ 13,892,471	\$ 181,405	\$ 14,073,876	\$ 10,613,776	130.89%	68.90%
06/30/2018	06/30/2017	0.1867%	\$ 11,918,805	\$ 149,845	\$ 12,068,650	\$ 12,010,498	99.24%	75.90%
06/30/2019	06/30/2018	0.1876%	\$ 10,407,279	\$ 341,283	\$ 10,748,562	\$ 12,597,803	82.61%	79.50%

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

District Fiscal Year-End Date	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 757,066	\$ 757,066	\$ -	\$ 10,241,642	7.39%
06/30/2016	\$ 796,199	\$ 796,199	\$ -	\$ 10,613,776	7.50%
06/30/2017	\$ 900,719	\$ 900,719	\$ -	\$ 12,010,498	7.50%
06/30/2018	\$ 944,662	\$ 944,662	\$ -	\$ 12,597,803	7.50%
06/30/2019	\$ 860,219	\$ 860,219	\$ -	\$ 11,470,257	7.50%

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

INDEPENDENT SCHOOL DISTRICT NO. 911

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

District Fiscal Year-End	TRA Fiscal Year-End Date (Measurement Date)	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	District's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Proportionate Share of the Net Pension Liability and the District's Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/2015	06/30/2014	0.5050%	\$ 23,270,036	\$ 1,636,937	\$ 24,906,973	\$ 23,052,003	100.95%	81.50%
06/30/2016	06/30/2015	0.4818%	\$ 29,804,095	\$ 3,655,774	\$ 33,459,869	\$ 24,666,296	120.83%	76.80%
06/30/2017	06/30/2016	0.5021%	\$ 119,762,830	\$ 12,021,112	\$ 131,783,942	\$ 26,051,977	459.71%	44.88%
06/30/2018	06/30/2017	0.4939%	\$ 98,591,399	\$ 9,529,745	\$ 108,121,144	\$ 26,585,239	370.85%	51.57%
06/30/2019	06/30/2018	0.4915%	\$ 30,870,800	\$ 2,900,525	\$ 33,771,325	\$ 27,152,282	113.70%	78.07%

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

District Fiscal Year-End	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
06/30/2015	\$ 1,849,908	\$ 1,849,908	\$ -	\$ 24,666,296	7.50%
06/30/2016	\$ 1,958,787	\$ 1,958,787	\$ -	\$ 26,051,977	7.52%
06/30/2017	\$ 1,995,877	\$ 1,995,877	\$ -	\$ 26,585,239	7.51%
06/30/2018	\$ 2,036,381	\$ 2,036,381	\$ -	\$ 27,152,282	7.50%
06/30/2019	\$ 1,966,900	\$ 1,966,900	\$ -	\$ 25,514,421	7.71%

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

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Fiscal Year Ended June 30,	
	2018	2019
Total OPEB liability		
Service cost	\$ 141,950	\$ 125,859
Interest	69,262	69,344
Assumption changes	-	(11,233)
Differences between expected and actual experience	-	(240,919)
Benefit payments	(197,394)	(187,972)
Net change in total OPEB liability	<u>13,818</u>	<u>(244,921)</u>
Total OPEB liability – beginning of year	<u>1,993,040</u>	<u>2,006,858</u>
Total OPEB liability – end of year	<u>\$ 2,006,858</u>	<u>\$ 1,761,937</u>
Covered-employee payroll	<u>\$ 30,666,177</u>	<u>\$ 28,109,532</u>
Total OPEB liability as a percentage of covered-employee payroll	<u>6.54%</u>	<u>6.27%</u>

Note 1: The District has not established a trust fund to finance GASB Statement No. 75-related benefits.

Note 2: The District implemented GASB Statement No. 75 for the year ended June 30, 2018. This schedule is intended to present 10-year trend information. Additional years will be added as they become available.

INDEPENDENT SCHOOL DISTRICT NO. 911

Notes to Required Supplementary Information
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND

2018 CHANGES IN PLAN PROVISIONS

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

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2017 CHANGES IN PLAN PROVISIONS

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

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 911

Notes to Required Supplementary Information (continued)
June 30, 2019

PERA – GENERAL EMPLOYEES RETIREMENT FUND (CONTINUED)

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

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

INDEPENDENT SCHOOL DISTRICT NO. 911

Notes to Required Supplementary Information (continued)
June 30, 2019

TEACHERS RETIREMENT ASSOCIATION (TRA)

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The cost of living adjustment (COLA) was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90.00 percent for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.
- The single discount rate changed from 5.12 percent to 7.50 percent.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The COLA was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the CSA loads. The active load was reduced from 1.40 percent to zero percent, the vested inactive load increased from 4.00 percent to 7.00 percent, and the nonvested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.

INDEPENDENT SCHOOL DISTRICT NO. 911

Notes to Required Supplementary Information (continued)
June 30, 2019

TEACHERS RETIREMENT ASSOCIATION (TRA) (CONTINUED)

2017 CHANGES IN ACTUARIAL ASSUMPTIONS (CONTINUED)

- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for 10 years, followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate changed from 4.66 percent to 5.12 percent.

2016 CHANGES IN ACTUARIAL ASSUMPTIONS

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

2015 CHANGES IN PLAN PROVISIONS

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

2015 CHANGES IN ACTUARIAL ASSUMPTIONS

- The annual COLA for the June 30, 2015 valuation assumed 2.00 percent. The prior year valuation used 2.00 percent, with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

INDEPENDENT SCHOOL DISTRICT NO. 911

Notes to Required Supplementary Information (continued)
June 30, 2019

OTHER POST-EMPLOYMENT BENEFITS PLAN

2018 CHANGES IN ACTUARIAL ASSUMPTIONS

- The discount rate was changed from 3.40 percent to 3.50 percent based on updated 20-year municipal bond rates.

2017 CHANGES IN ACTUARIAL ASSUMPTIONS

- The healthcare trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.40 percent.
- The percentage of future district instructional assistants, who are assumed to continue on one of the District's medical plans post-employment, was reduced from 50.00 percent to 15.00 percent.

2017 CHANGES IN ACTUARIAL METHODS

- The actuarial cost method was changed from projected unit credit to entry-age as prescribed by GASB Statement No. 75.

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SUPPLEMENTAL INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Assets			
Cash and temporary investments	\$ 520,444	\$ 258,608	\$ 779,052
Receivables			
Current taxes	–	195,015	195,015
Delinquent taxes	–	3,358	3,358
Accounts and interest	2,416	16,976	19,392
Due from other governmental units	1,000	52,285	53,285
Inventory	21,155	–	21,155
Total assets	\$ 545,015	\$ 526,242	\$ 1,071,257
Liabilities			
Salaries payable	\$ 3,501	\$ 95,788	\$ 99,289
Accounts and contracts payable	45,659	98,218	143,877
Unearned revenue	52,061	–	52,061
Total liabilities	101,221	194,006	295,227
Deferred inflows of resources			
Unavailable revenue – delinquent taxes	–	3,225	3,225
Property taxes levied for subsequent year	–	397,755	397,755
Total deferred inflows of resources	–	400,980	400,980
Fund balances (deficit)			
Nonspendable	21,155	–	21,155
Restricted	422,639	81,230	503,869
Unassigned	–	(149,974)	(149,974)
Total fund balances (deficit)	443,794	(68,744)	375,050
Total liabilities, deferred inflows of resources, and fund balances	\$ 545,015	\$ 526,242	\$ 1,071,257

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Special Revenue Funds		Total
	Food Service	Community Service	
Revenue			
Local sources			
Property taxes	\$ -	\$ 380,396	\$ 380,396
Investment earnings	9,861	3,232	13,093
Other	995,457	1,549,762	2,545,219
State sources	134,223	556,664	690,887
Federal sources	1,058,535	-	1,058,535
Total revenue	<u>2,198,076</u>	<u>2,490,054</u>	<u>4,688,130</u>
Expenditures			
Current			
Food service	2,296,057	-	2,296,057
Community service	-	2,525,259	2,525,259
Capital outlay	16,243	9,514	25,757
Total expenditures	<u>2,312,300</u>	<u>2,534,773</u>	<u>4,847,073</u>
Net change in fund balances	(114,224)	(44,719)	(158,943)
Fund balances (deficit)			
Beginning of year	<u>558,018</u>	<u>(24,025)</u>	<u>533,993</u>
End of year	<u>\$ 443,794</u>	<u>\$ (68,744)</u>	<u>\$ 375,050</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 7,704,082	\$ 9,028,106
Receivables		
Current taxes	2,774,322	2,615,945
Delinquent taxes	99,006	113,420
Accounts and interest	44,387	70,181
Due from other governmental units	5,923,240	7,552,619
Due from other funds	-	27,895
Inventory	99,393	45,690
Prepaid items	67,045	431,767
	<u> </u>	<u> </u>
Total assets	<u>\$ 16,711,475</u>	<u>\$ 19,885,623</u>
Liabilities		
Salaries payable	\$ 2,778,622	\$ 2,619,632
Accounts and contracts payable	4,756,087	5,267,957
Due to other governmental units	81,242	420,431
Unearned revenue	17,666	10,078
	<u> </u>	<u> </u>
Total liabilities	7,633,617	8,318,098
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	97,078	108,960
Property taxes levied for subsequent year	5,353,300	4,967,111
	<u> </u>	<u> </u>
Total deferred inflows of resources	5,450,378	5,076,071
Fund balances		
Nonspendable for inventory	99,393	45,690
Nonspendable for prepaid items	67,045	431,767
Restricted for staff development	-	167
Restricted for health and safety	-	108,818
Restricted for operating capital	306,308	418,450
Restricted for learning and development	142,127	141,962
Restricted for area learning center	1,413	-
Restricted for gifted and talented	863	14,949
Restricted for basic skills	219,154	218,186
Restricted for safe schools levy	144,351	200,235
Restricted for basic skills extended time	4,209	4,209
Restricted for long-term facilities maintenance	415,720	312,083
Assigned for separation/retirement benefits	-	27,874
Assigned for student activities	327,345	302,423
Assigned for subsequent year's budget	-	665,445
Unassigned	1,899,552	3,599,196
	<u> </u>	<u> </u>
Total fund balances	3,627,480	6,491,454
Total liabilities, deferred inflows of resources, and fund balances		
	<u>\$ 16,711,475</u>	<u>\$ 19,885,623</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Revenue				
Local sources				
Property taxes	\$ 5,407,001	\$ 5,427,735	\$ 20,734	\$ 5,206,438
Investment earnings	50,000	112,159	62,159	54,727
Other	1,675,896	1,608,159	(67,737)	2,612,175
State sources	47,152,612	47,857,784	705,172	46,673,162
Federal sources	905,060	934,403	29,343	1,115,556
Total revenue	<u>55,190,569</u>	<u>55,940,240</u>	<u>749,671</u>	<u>55,662,058</u>
Expenditures				
Current				
Administration				
Salaries	2,067,509	2,065,612	(1,897)	2,030,188
Employee benefits	719,893	663,642	(56,251)	660,163
Purchased services	69,401	29,904	(39,497)	38,688
Supplies and materials	20,550	11,541	(9,009)	17,020
Other expenditures	43,230	50,928	7,698	40,164
Total administration	<u>2,920,583</u>	<u>2,821,627</u>	<u>(98,956)</u>	<u>2,786,223</u>
District support services				
Salaries	759,561	755,364	(4,197)	740,859
Employee benefits	272,543	369,750	97,207	328,012
Purchased services	430,021	332,684	(97,337)	373,175
Supplies and materials	31,255	49,744	18,489	59,559
Capital expenditures	226,524	85,442	(141,082)	155,746
Other expenditures	13,300	8,023	(5,277)	12,016
Total district support services	<u>1,733,204</u>	<u>1,601,007</u>	<u>(132,197)</u>	<u>1,669,367</u>
Elementary and secondary regular instruction				
Salaries	15,783,491	15,637,392	(146,099)	15,555,912
Employee benefits	6,184,299	5,933,944	(250,355)	5,688,123
Purchased services	1,253,057	1,354,386	101,329	1,691,126
Supplies and materials	826,721	725,688	(101,033)	758,381
Capital expenditures	246,375	196,426	(49,949)	233,974
Other expenditures	114,725	116,933	2,208	114,832
Total elementary and secondary regular instruction	<u>24,408,668</u>	<u>23,964,769</u>	<u>(443,899)</u>	<u>24,042,348</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Vocational education instruction				
Salaries	663,288	843,294	180,006	699,402
Employee benefits	294,358	348,423	54,065	264,617
Purchased services	16,265	20,112	3,847	21,022
Supplies and materials	55,410	61,586	6,176	80,087
Capital expenditures	39,500	20,934	(18,566)	–
Other expenditures	9,750	9,688	(62)	10,069
Total vocational education instruction	1,078,571	1,304,037	225,466	1,075,197
Special education instruction				
Salaries	7,608,405	7,543,081	(65,324)	7,286,366
Employee benefits	3,108,469	3,011,225	(97,244)	2,666,353
Purchased services	1,219,943	1,351,611	131,668	1,508,185
Supplies and materials	27,268	34,311	7,043	64,184
Capital expenditures	8,750	16,051	7,301	762
Other expenditures	64,000	73,685	9,685	59,494
Total special education instruction	12,036,835	12,029,964	(6,871)	11,585,344
Instructional support services				
Salaries	2,661,639	2,774,358	112,719	2,693,289
Employee benefits	972,130	1,014,285	42,155	928,215
Purchased services	191,035	271,682	80,647	145,034
Supplies and materials	606,041	389,460	(216,581)	382,810
Capital expenditures	139,080	43,779	(95,301)	244,337
Other expenditures	53,884	338,951	285,067	273,901
Total instructional support services	4,623,809	4,832,515	208,706	4,667,586
Pupil support services				
Salaries	3,220,979	3,272,420	51,441	3,184,808
Employee benefits	887,787	1,011,564	123,777	938,285
Purchased services	264,595	328,012	63,417	(36,315)
Supplies and materials	407,908	428,729	20,821	468,734
Capital expenditures	553,000	490,532	(62,468)	929,264
Other expenditures	7,300	12,246	4,946	7,012
Total pupil support services	5,341,569	5,543,503	201,934	5,491,788

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Sites and buildings				
Salaries	1,865,546	1,965,972	100,426	1,908,678
Employee benefits	667,325	664,930	(2,395)	615,740
Purchased services	2,008,873	2,111,023	102,150	2,073,821
Supplies and materials	277,912	233,265	(44,647)	261,369
Capital expenditures	1,491,971	1,444,671	(47,300)	1,772,888
Other expenditures	<u>(7,748)</u>	<u>(1,330)</u>	<u>6,418</u>	<u>(51,197)</u>
Total sites and buildings	6,303,879	6,418,531	114,652	6,581,299
Fiscal and other fixed cost programs				
Purchased services	200,800	207,467	6,667	200,545
Debt service				
Principal	490,353	297,025	(193,328)	303,741
Interest and fiscal charges	92,495	92,539	44	247,979
Total debt service	<u>582,848</u>	<u>389,564</u>	<u>(193,284)</u>	<u>551,720</u>
Total expenditures	<u>59,230,766</u>	<u>59,112,984</u>	<u>(117,782)</u>	<u>58,651,417</u>
Excess (deficiency) of revenue over expenditures	(4,040,197)	(3,172,744)	867,453	(2,989,359)
Other financing sources				
Capital leases	–	302,914	302,914	194,962
Sale of capital assets	<u>5,200</u>	<u>5,856</u>	<u>656</u>	<u>–</u>
Total other financing sources	<u>5,200</u>	<u>308,770</u>	<u>303,570</u>	<u>194,962</u>
Net change in fund balances	<u>\$ (4,034,997)</u>	(2,863,974)	<u>\$ 1,171,023</u>	(2,794,397)
Fund balances				
Beginning of year		<u>6,491,454</u>		<u>9,285,851</u>
End of year		<u>\$ 3,627,480</u>		<u>\$ 6,491,454</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 520,444	\$ 631,686
Receivables		
Accounts and interest	2,416	6,397
Due from other governmental units	1,000	-
Inventory	<u>21,155</u>	<u>13,166</u>
Total assets	<u>\$ 545,015</u>	<u>\$ 651,249</u>
Liabilities		
Salaries payable	\$ 3,501	\$ 4,393
Accounts and contracts payable	45,659	47,528
Unearned revenue	<u>52,061</u>	<u>41,310</u>
Total liabilities	101,221	93,231
Fund balances		
Nonspendable for inventory	21,155	13,166
Restricted for food service	<u>422,639</u>	<u>544,852</u>
Total fund balances	<u>443,794</u>	<u>558,018</u>
Total liabilities and fund balances	<u>\$ 545,015</u>	<u>\$ 651,249</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	2019		Over (Under) Budget	2018
	Budget	Actual		Actual
Revenue				
Local sources				
Investment earnings	\$ 3,500	\$ 9,861	\$ 6,361	\$ 3,526
Other – primarily meal sales	954,533	995,457	40,924	963,839
State sources	144,486	134,223	(10,263)	139,961
Federal sources	1,120,750	1,058,535	(62,215)	1,130,932
Total revenue	<u>2,223,269</u>	<u>2,198,076</u>	<u>(25,193)</u>	<u>2,238,258</u>
Expenditures				
Current				
Salaries	830,804	813,124	(17,680)	783,861
Employee benefits	302,080	268,137	(33,943)	246,449
Purchased services	170,600	177,498	6,898	177,334
Supplies and materials	986,775	1,034,198	47,423	1,060,333
Other expenditures	3,800	3,100	(700)	4,455
Capital outlay	12,000	16,243	4,243	67,790
Total expenditures	<u>2,306,059</u>	<u>2,312,300</u>	<u>6,241</u>	<u>2,340,222</u>
Net change in fund balances	<u>\$ (82,790)</u>	(114,224)	<u>\$ (31,434)</u>	(101,964)
Fund balances				
Beginning of year		<u>558,018</u>		<u>659,982</u>
End of year		<u>\$ 443,794</u>		<u>\$ 558,018</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 258,608	\$ 354,057
Receivables		
Current taxes	195,015	188,844
Delinquent taxes	3,358	3,847
Accounts and interest	16,976	1,440
Due from other governmental units	52,285	22,540
Prepaid items	<u>–</u>	<u>400</u>
Total assets	<u>\$ 526,242</u>	<u>\$ 571,128</u>
Liabilities		
Salaries payable	\$ 95,788	\$ 84,122
Accounts and contracts payable	98,218	92,308
Due to other funds	–	27,895
Unearned revenue	<u>–</u>	<u>800</u>
Total liabilities	<u>194,006</u>	<u>205,125</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	3,225	3,525
Property taxes levied for subsequent year	<u>397,755</u>	<u>386,503</u>
Total deferred inflows of resources	<u>400,980</u>	<u>390,028</u>
Fund balances (deficit)		
Nonspendable for prepaid items	–	400
Restricted for early childhood family education programs	–	28,811
Restricted for school readiness	5,154	6,954
Restricted for adult basic education	40,218	30,955
Restricted for community service	35,858	30,682
Unassigned – early childhood family education programs restricted account deficit	(14,974)	–
Unassigned – community education programs restricted account deficit	<u>(135,000)</u>	<u>(121,827)</u>
Total fund balances (deficit)	<u>(68,744)</u>	<u>(24,025)</u>
Total liabilities, deferred inflows of resources, and fund balances		
	<u>\$ 526,242</u>	<u>\$ 571,128</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	2019			2018
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 375,703	\$ 380,396	\$ 4,693	\$ 350,006
Investment earnings	1,500	3,232	1,732	2,932
Other – primarily tuition and fees	1,473,403	1,549,762	76,359	1,447,508
State sources	552,816	556,664	3,848	535,028
Federal sources	–	–	–	1,746
Total revenue	<u>2,403,422</u>	<u>2,490,054</u>	<u>86,632</u>	<u>2,337,220</u>
Expenditures				
Current				
Salaries	1,502,876	1,630,006	127,130	1,565,104
Employee benefits	491,959	527,738	35,779	457,150
Purchased services	230,070	255,592	25,522	268,273
Supplies and materials	108,428	108,891	463	126,469
Other expenditures	1,525	3,032	1,507	6,392
Capital outlay	15,800	9,514	(6,286)	58,135
Total expenditures	<u>2,350,658</u>	<u>2,534,773</u>	<u>184,115</u>	<u>2,481,523</u>
Net change in fund balances	<u>\$ 52,764</u>	(44,719)	<u>\$ (97,483)</u>	(144,303)
Fund balances (deficit)				
Beginning of year		<u>(24,025)</u>		<u>120,278</u>
End of year		<u>\$ (68,744)</u>		<u>\$ (24,025)</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	<u>\$ 11,694,625</u>	<u>\$ –</u>
Liabilities		
Accounts payable	\$ 148	\$ –
Fund balances		
Restricted for certificates of participation	<u>11,694,477</u>	<u>–</u>
Total liabilities and fund balances	<u>\$ 11,694,625</u>	<u>\$ –</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

Capital Projects – Building Construction Fund
 Comparative Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue		
Local sources		
Investment earnings	\$ –	\$ 23
Expenditures		
Capital outlay		
Purchased services	529,115	–
Capital expenditures	–	25,566
Debt service		
Fiscal charges and other	225,114	–
Total expenditures	<u>754,229</u>	<u>25,566</u>
Excess (deficiency) of revenue over expenditures	(754,229)	(25,543)
Other financing sources		
Debt issued	12,220,000	–
Premium on debt issued	228,706	–
Total other financing sources	<u>12,448,706</u>	<u>–</u>
Net change in fund balances	11,694,477	(25,543)
Fund balances		
Beginning of year	<u>–</u>	<u>25,543</u>
End of year	<u>\$ 11,694,477</u>	<u>\$ –</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	<u>2019</u>	<u>2018</u>
Assets		
Cash and temporary investments	\$ 4,140,449	\$ 4,194,502
Receivables		
Current taxes	2,310,590	2,521,443
Delinquent taxes	31,972	36,627
Due from other governmental units	<u>87,676</u>	<u>84,157</u>
Total assets	<u>\$ 6,570,687</u>	<u>\$ 6,836,729</u>
Deferred inflows of resources		
Unavailable revenue – delinquent taxes	\$ 30,471	\$ 32,327
Property taxes levied for subsequent year	<u>4,586,982</u>	<u>5,160,580</u>
Total deferred inflows of resources	4,617,453	5,192,907
Fund balances		
Restricted for debt service	<u>1,953,234</u>	<u>1,643,822</u>
Total deferred inflows of resources and fund balances	<u>\$ 6,570,687</u>	<u>\$ 6,836,729</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	2019		2018	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Local sources				
Property taxes	\$ 5,074,326	\$ 4,924,286	\$ (150,040)	\$ 6,022,774
Investment earnings	10,000	82,016	72,016	254,477
State sources	722,867	884,255	161,388	839,024
Total revenue	<u>5,807,193</u>	<u>5,890,557</u>	<u>83,364</u>	<u>7,116,275</u>
Expenditures				
Debt service				
Principal	3,930,000	3,930,000	–	5,235,000
Interest	1,646,220	1,646,220	–	1,846,226
Fiscal charges and other	5,000	4,925	(75)	9,050
Total expenditures	<u>5,581,220</u>	<u>5,581,145</u>	<u>(75)</u>	<u>7,090,276</u>
Excess of revenue over expenditures	225,973	309,412	83,439	25,999
Other financing sources (uses)				
Payment to refunded bond escrow agent	–	–	–	(19,817,374)
Net change in fund balances	<u>\$ 225,973</u>	<u>309,412</u>	<u>\$ 83,439</u>	<u>(19,791,375)</u>
Fund balances				
Beginning of year		<u>1,643,822</u>		<u>21,435,197</u>
End of year		<u>\$ 1,953,234</u>		<u>\$ 1,643,822</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

Internal Service Funds
 Combining Statement of Net Position
 as of June 30, 2019

(With Comparative Totals as of June 30, 2018)

	Health Benefits Self-Insurance	Dental Benefits Self-Insurance	Totals	
			2019	2018
Assets				
Current assets				
Cash and temporary investments	\$ 4,852,591	\$ 92,526	\$ 4,945,117	\$ 4,136,156
Receivables				
Accounts and interest	19,435	1,306	20,741	15,156
Due from other governments	16,047	402	16,449	—
Total current assets	<u>4,888,073</u>	<u>94,234</u>	<u>4,982,307</u>	<u>4,151,312</u>
Liabilities				
Current liabilities				
Claims payable	957,223	18,078	975,301	964,372
Due to other governments	101,715	5,304	107,019	—
Total liabilities	<u>1,058,938</u>	<u>23,382</u>	<u>1,082,320</u>	<u>964,372</u>
Net position				
Unrestricted	<u>\$ 3,829,135</u>	<u>\$ 70,852</u>	<u>\$ 3,899,987</u>	<u>\$ 3,186,940</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Health Benefits	Dental Benefits	Totals	
	Self-Insurance	Self-Insurance	2019	2018
Operating revenue				
Charges for services				
Contributions from governmental funds	\$ 7,679,002	\$ 369,992	\$ 8,048,994	\$ 8,753,674
Operating expenses				
Health benefit claims	6,427,142	—	6,427,142	7,530,243
Dental benefit claims	—	374,644	374,644	401,945
Fees and stop loss	582,667	27,107	609,774	650,737
Total operating expenses	<u>7,009,809</u>	<u>401,751</u>	<u>7,411,560</u>	<u>8,582,925</u>
Operating income (loss)	669,193	(31,759)	637,434	170,749
Nonoperating revenue				
Investment earnings	<u>69,564</u>	<u>6,049</u>	<u>75,613</u>	<u>19,742</u>
Change in net position	738,757	(25,710)	713,047	190,491
Net position				
Beginning of year	<u>3,090,378</u>	<u>96,562</u>	<u>3,186,940</u>	<u>2,996,449</u>
End of year	<u>\$ 3,829,135</u>	<u>\$ 70,852</u>	<u>\$ 3,899,987</u>	<u>\$ 3,186,940</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

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

	Health Benefits	Dental Benefits	Totals	
	Self-Insurance	Self-Insurance	2019	2018
Cash flows from operating activities				
Contributions from governmental funds	\$ 7,674,723	\$ 368,686	\$ 8,043,409	\$ 8,756,273
Payments for claims	(6,325,831)	(374,456)	(6,700,287)	(7,780,717)
Payment for fees and stop loss	(582,667)	(27,107)	(609,774)	(650,737)
Net cash flows from operating activities	<u>766,225</u>	<u>(32,877)</u>	<u>733,348</u>	<u>324,819</u>
Cash flows from investing activities				
Investment income received	<u>69,564</u>	<u>6,049</u>	<u>75,613</u>	<u>19,742</u>
Net change in cash and cash equivalents	835,789	(26,828)	808,961	344,561
Cash and cash equivalents				
Beginning of year	<u>4,016,802</u>	<u>119,354</u>	<u>4,136,156</u>	<u>3,791,595</u>
End of year	<u>\$ 4,852,591</u>	<u>\$ 92,526</u>	<u>\$ 4,945,117</u>	<u>\$ 4,136,156</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	\$ 669,193	\$ (31,759)	\$ 637,434	\$ 170,749
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Changes in assets and liabilities				
Accounts receivable	(4,279)	(1,306)	(5,585)	2,599
Due from other governments	(16,047)	(402)	(16,449)	-
Claims payable	15,643	(4,714)	10,929	151,471
Due to other governments	<u>101,715</u>	<u>5,304</u>	<u>107,019</u>	<u>-</u>
Net cash flows from operating activities	<u>\$ 766,225</u>	<u>\$ (32,877)</u>	<u>\$ 733,348</u>	<u>\$ 324,819</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

Agency Funds
 Combining Statement of Fiduciary Net Position
 as of June 30, 2019

	East Central Minnesota Educational Cable Cooperative	Rum River Special Education Cooperative	Oak Land Vocational Cooperative	Total
Assets				
Cash and temporary investments	\$ 297,497	\$ 225,436	\$ 15,147	\$ 538,080
Receivables				
Accounts and interest	1,105	-	-	1,105
Due from other governmental units	328,803	-	194	328,997
	<u>\$ 627,405</u>	<u>\$ 225,436</u>	<u>\$ 15,341</u>	<u>\$ 868,182</u>
Liabilities				
Salaries payable	\$ 858	\$ -	\$ -	\$ 858
Accounts and contracts payable	82,921	225,436	14,764	323,121
Due to other governmental units	543,626	-	577	544,203
	<u>\$ 627,405</u>	<u>\$ 225,436</u>	<u>\$ 15,341</u>	<u>\$ 868,182</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

Agency Funds
 Combining Statement of Changes in Assets and Liabilities
 Year Ended June 30, 2019

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
East Central Minnesota Educational Cable Cooperative				
Assets				
Cash and temporary investments	\$ 658,492	\$ 297,497	\$ 658,492	\$ 297,497
Receivables				
Accounts and interest	1,683	1,105	1,683	1,105
Due from other governmental units	17,969	328,803	17,969	328,803
	<u>678,144</u>	<u>627,405</u>	<u>678,144</u>	<u>627,405</u>
Total assets	<u>\$ 678,144</u>	<u>\$ 627,405</u>	<u>\$ 678,144</u>	<u>\$ 627,405</u>
Liabilities				
Salaries payable	\$ –	\$ 858	\$ –	\$ 858
Accounts and contracts payable	70,548	82,921	70,548	82,921
Due to other governmental units	607,096	543,626	607,096	543,626
Unearned revenue	500	–	500	–
	<u>678,144</u>	<u>627,405</u>	<u>678,144</u>	<u>627,405</u>
Total liabilities	<u>\$ 678,144</u>	<u>\$ 627,405</u>	<u>\$ 678,144</u>	<u>\$ 627,405</u>
Rum River Special Education Cooperative				
Assets				
Cash and temporary investments	\$ –	\$ 225,436	\$ –	\$ 225,436
Receivables				
Accounts and interest	8,715	–	8,715	–
Due from other governmental units	4,815,829	–	4,815,829	–
Prepaid items	62,083	–	62,083	–
	<u>4,886,627</u>	<u>225,436</u>	<u>4,886,627</u>	<u>225,436</u>
Total assets	<u>\$ 4,886,627</u>	<u>\$ 225,436</u>	<u>\$ 4,886,627</u>	<u>\$ 225,436</u>
Liabilities				
Salaries payable	\$ 403,621	\$ –	\$ 403,621	\$ –
Accounts and contracts payable	729,561	225,436	729,561	225,436
Due to other governmental units	3,753,445	–	3,753,445	–
	<u>4,886,627</u>	<u>225,436</u>	<u>4,886,627</u>	<u>225,436</u>
Total liabilities	<u>\$ 4,886,627</u>	<u>\$ 225,436</u>	<u>\$ 4,886,627</u>	<u>\$ 225,436</u>

INDEPENDENT SCHOOL DISTRICT NO. 911

Agency Funds
 Combining Statement of Changes in Assets and Liabilities (continued)
 Year Ended June 30, 2019

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Oak Land Vocational Cooperative				
Assets				
Cash and temporary investments	\$ 14,465	\$ 15,147	\$ 14,465	\$ 15,147
Receivables				
Due from other governmental units	1,956	194	1,956	194
Total assets	<u>\$ 16,421</u>	<u>\$ 15,341</u>	<u>\$ 16,421</u>	<u>\$ 15,341</u>
Liabilities				
Accounts and contracts payable	\$ 14,848	\$ 14,764	\$ 14,848	\$ 14,764
Due to other governmental units	1,573	577	1,573	577
Total liabilities	<u>\$ 16,421</u>	<u>\$ 15,341</u>	<u>\$ 16,421</u>	<u>\$ 15,341</u>
Total – All Agency Funds				
Assets				
Cash and temporary investments	\$ 672,957	\$ 538,080	\$ 672,957	\$ 538,080
Receivables				
Accounts and interest	10,398	1,105	10,398	1,105
Due from other governmental units	4,835,754	328,997	4,835,754	328,997
Prepaid items	62,083	–	62,083	–
Total assets	<u>\$ 5,581,192</u>	<u>\$ 868,182</u>	<u>\$ 5,581,192</u>	<u>\$ 868,182</u>
Liabilities				
Salaries payable	\$ 403,621	\$ 858	\$ 403,621	\$ 858
Accounts and contracts payable	814,957	323,121	814,957	323,121
Due to other governmental units	4,362,114	544,203	4,362,114	544,203
Unearned revenue	500	–	500	–
Total liabilities	<u>\$ 5,581,192</u>	<u>\$ 868,182</u>	<u>\$ 5,581,192</u>	<u>\$ 868,182</u>

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OTHER DISTRICT INFORMATION

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INDEPENDENT SCHOOL DISTRICT NO. 911

Government-Wide Revenue by Source
Last Ten Fiscal Years

Year Ended June 30,	Program Revenues		General Revenues			Total
	Charges for Services	Operating Grants and Contributions	Property Taxes	General Grants and Aids	Investment Earnings and Other	
2010	\$ 3,261,049 6.5%	\$ 6,330,482 12.5%	\$ 7,906,475 15.7%	\$ 32,183,133 63.9%	\$ 698,861 1.4%	\$ 50,380,000 100.0%
2011	3,428,547 6.6%	6,450,910 12.4%	9,330,385 17.9%	32,349,758 62.1%	554,761 1.0%	52,114,361 100.0%
2012	3,453,415 6.6%	6,147,301 11.7%	7,769,429 14.8%	34,289,703 65.4%	763,253 1.5%	52,423,101 100.0%
2013	3,375,477 6.4%	6,790,148 12.9%	8,129,358 15.4%	33,742,744 64.0%	688,784 1.3%	52,726,511 100.0%
2014	3,247,955 6.0%	7,224,480 13.5%	7,077,095 13.2%	35,312,928 65.8%	784,356 1.5%	53,646,814 100.0%
2015	2,950,591 5.1%	7,330,001 12.7%	9,573,670 16.5%	37,205,834 64.3%	799,477 1.4%	57,859,573 100.0%
2016	3,515,459 5.6%	8,540,987 13.7%	11,833,710 19.0%	38,137,262 61.1%	365,700 0.6%	62,393,118 100.0%
2017	3,784,169 5.7%	9,467,782 14.3%	10,955,531 16.6%	41,079,917 62.1%	846,978 1.3%	66,134,377 100.0%
2018	4,226,828 6.3%	10,258,013 15.2%	11,502,427 17.1%	40,160,415 59.7%	1,132,121 1.7%	67,279,804 100.0%
2019	3,823,937 5.9%	10,479,689 16.3%	10,718,379 16.6%	38,779,070 60.2%	618,178 1.0%	64,419,253 100.0%

Note: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized was particularly significant in fiscal years 2011 and 2014. These changes were offset by equal adjustments to state aid payments.

INDEPENDENT SCHOOL DISTRICT NO. 911

Government-Wide Expenses by Function
Last Ten Fiscal Years

Year Ended June 30,	Administration	District Support Services	Elementary and Secondary Regular Instruction	Vocational Education Instruction	Special Education Instruction	Instructional Support Services	Pupil Support Services
2010	\$ 2,096,294 4.4%	\$ 835,565 1.7%	\$ 19,263,761 40.2%	\$ 853,661 1.8%	\$ 5,643,968 11.8%	\$ 2,242,076 4.7%	\$ 3,462,857 7.2%
2011	2,181,910 4.5%	823,967 1.7%	18,670,634 38.6%	840,320 1.7%	6,295,709 13.0%	2,441,825 5.0%	3,575,120 7.4%
2012	2,225,573 4.4%	657,805 1.3%	19,893,586 39.2%	805,487 1.6%	6,463,543 12.7%	3,229,217 6.4%	3,961,815 7.8%
2013	2,268,993 4.3%	744,580 1.4%	20,022,884 38.0%	815,653 1.5%	6,888,914 13.1%	3,014,787 5.7%	4,160,585 7.9%
2014	2,228,425 4.2%	930,563 1.7%	19,949,097 37.4%	945,216 1.8%	7,095,794 13.3%	3,012,967 5.6%	4,300,892 8.1%
2015	2,302,173 4.0%	1,608,709 2.8%	21,069,878 36.7%	1,018,878 1.8%	7,849,899 13.7%	3,193,916 5.5%	4,411,648 7.7%
2016	2,452,571 4.1%	1,746,656 2.9%	21,302,223 35.6%	1,005,933 1.7%	9,416,611 15.7%	3,726,799 6.2%	4,566,090 7.6%
2017	3,469,169 4.3%	1,801,338 2.2%	31,765,547 39.4%	1,558,133 1.9%	14,992,746 18.6%	5,506,128 6.8%	5,392,578 6.7%
2018	3,423,093 4.1%	1,781,037 2.1%	32,238,881 38.7%	1,468,469 1.8%	16,070,569 19.3%	5,937,211 7.1%	5,749,880 6.9%
2019	2,181,886 4.1%	1,647,517 3.1%	16,155,554 30.6%	930,457 1.8%	7,620,996 14.5%	3,741,397 7.1%	5,763,629 10.9%

Sites and Buildings	Fiscal and Other Fixed Cost Programs	Food Service	Community Service	Unallocated Depreciation	Interest and Fiscal Charges	Total
\$ 4,653,302 9.7%	\$ 180,490 0.4%	\$ 2,112,118 4.4%	\$ 1,753,955 3.7%	\$ 1,831,846 3.8%	\$ 3,019,682 6.3%	\$ 47,949,575 100.0%
4,588,382 9.5%	124,705 0.3%	2,273,183 4.7%	1,750,064 3.6%	1,829,918 3.8%	2,959,983 6.1%	48,355,720 100.0%
4,723,582 9.3%	134,713 0.3%	2,189,489 4.3%	1,772,718 3.5%	1,824,876 3.6%	2,856,158 5.6%	50,738,562 100.0%
4,869,496 9.2%	155,670 0.3%	2,484,179 4.7%	2,030,622 3.8%	1,817,249 3.4%	3,471,970 6.6%	52,745,582 100.0%
5,200,398 9.7%	211,516 0.4%	2,271,722 4.3%	2,002,088 3.8%	1,814,662 3.4%	3,348,169 6.3%	53,311,509 100.0%
6,983,206 12.1%	222,829 0.4%	2,197,231 3.8%	1,873,701 3.3%	1,808,367 3.1%	2,921,842 5.1%	57,462,277 100.0%
6,643,990 11.1%	263,226 0.4%	2,250,063 3.8%	2,163,779 3.6%	1,921,997 3.2%	2,477,312 4.1%	59,937,250 100.0%
6,146,620 7.6%	109,778 0.1%	2,575,858 3.2%	2,744,363 3.4%	2,020,568 2.5%	2,634,387 3.3%	80,717,213 100.0%
6,854,761 8.2%	200,545 0.2%	2,391,259 2.9%	2,837,865 3.4%	2,052,650 2.5%	2,310,763 2.8%	83,316,983 100.0%
6,269,600 11.9%	207,467 0.4%	2,300,312 4.4%	2,225,725 4.2%	2,055,386 3.9%	1,641,971 3.1%	52,741,897 100.0%

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INDEPENDENT SCHOOL DISTRICT NO. 911

General Fund Revenue by Source
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Local Property Tax Revenues</u>	<u>State Revenue</u>	<u>Federal Revenue</u>	<u>Other Local and Miscellaneous</u>	<u>Total</u>
2010	\$ 2,832,203	\$ 31,707,316	\$ 4,894,719	\$ 1,850,261	\$ 41,284,499
2011	3,103,581	34,944,015	2,003,692	1,742,803	41,794,091
2012	1,839,218	36,402,819	1,829,865	1,983,064	42,054,966
2013	1,885,800	37,437,186	1,338,690	1,689,719	42,351,395
2014	1,114,169	39,345,612	1,082,421	1,731,343	43,273,545
2015	3,344,896	40,858,535	1,144,477	2,041,071	47,388,979
2016	5,274,646	42,670,899	1,188,826	1,856,337	50,990,708
2017	4,927,935	45,395,526	730,060	2,063,190	53,116,711
2018	5,206,438	46,673,162	1,115,556	2,666,902	55,662,058
2019	5,427,735	47,857,784	934,403	1,720,318	55,940,240

Note 1: The impact of legislative changes to the “tax shift” on the amount of tax revenue recognized was particularly significant in fiscal years 2011 and 2014. These changes were offset by equal adjustments to state aid payments.

Note 2: In fiscal 2010, \$3,015,969 of general education state aid was replaced with federal fiscal stabilization funds.

INDEPENDENT SCHOOL DISTRICT NO. 911

General Fund Expenditures by Program
Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Administration</u>	<u>District Support Services</u>	<u>Elementary and Secondary Regular Instruction</u>	<u>Vocational Education Instruction</u>	<u>Special Education Instruction</u>
2010	\$ 2,118,457	\$ 833,213	\$ 19,467,621	\$ 871,404	\$ 5,610,200
2011	2,188,365	920,081	18,790,985	865,198	6,299,682
2012	2,214,687	754,621	19,941,859	793,996	6,412,349
2013	2,266,341	771,523	20,345,039	824,429	6,898,483
2014	2,249,549	941,938	20,088,506	947,339	7,101,106
2015	2,340,939	1,694,804	21,300,823	1,034,272	7,996,294
2016	2,484,248	1,661,931	22,015,919	1,043,592	9,849,540
2017	2,727,110	1,683,632	22,761,731	1,144,340	10,271,062
2018	2,786,223	1,669,367	24,042,348	1,075,197	11,585,344
2019	2,821,627	1,601,007	23,964,769	1,304,037	12,029,964

<u>Instructional Support Services</u>	<u>Pupil Support Services</u>	<u>Sites and Buildings</u>	<u>Other Programs</u>	<u>Total</u>
\$ 2,220,187	\$ 4,022,934	\$ 4,933,657	\$ 219,410	\$ 40,297,083
2,483,506	3,433,000	4,885,532	182,983	40,049,332
3,215,680	4,054,188	4,954,219	194,403	42,536,002
3,035,083	4,175,130	5,663,279	207,504	44,186,811
3,026,039	4,406,453	5,040,166	235,734	44,036,830
3,277,670	4,801,515	5,411,264	246,299	48,103,880
3,951,053	4,462,049	5,564,106	357,730	51,390,168
4,371,324	4,769,460	5,963,478	457,508	54,149,645
4,667,586	5,491,788	6,581,299	752,265	58,651,417
4,832,515	5,543,503	6,418,531	597,031	59,112,984

INDEPENDENT SCHOOL DISTRICT NO. 911

Salary Expenditures by Fund
 General and Special Revenue Funds
 Last Ten Fiscal Years

Year Ended June 30,	General Fund	Food Service Special Revenue Fund	Community Service Special Revenue Fund
2010	\$ 24,434,801	\$ 669,686	\$ 1,054,965
2011	24,304,519	686,930	1,025,828
2012	25,017,657	688,023	1,008,120
2013	25,727,286	664,395	1,120,603
2014	26,390,625	752,258	1,140,346
2015	28,661,794	724,552	1,220,037
2016	30,258,521	748,772	1,391,140
2017	32,284,095	866,155	1,537,598
2018	34,099,502	783,861	1,565,104
2019	34,857,493	813,124	1,630,006

INDEPENDENT SCHOOL DISTRICT NO. 911

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

<u>Year Collectible</u>	<u>General Fund</u>	<u>Community Service Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
Levies				
2010	\$ 2,146,237	\$ 427,288	\$ 6,123,167	\$ 8,696,692
2011	1,813,057	401,040	6,180,338	8,394,435
2012	1,873,951	346,744	6,041,621	8,262,316
2013	1,721,595	332,850	5,908,515	7,962,960
2014	3,074,180	317,035	6,029,776	9,420,991
2015	5,155,138	299,956	6,348,161	11,803,255
2016	4,866,696	317,911	5,727,104	10,911,711
2017	4,956,446	356,612	6,133,034	11,446,092
2018	5,353,994	386,503	5,160,580	10,901,077
2019	5,709,400	397,755	4,586,982	10,694,137
Tax capacity rates				
2010	6.533	1.609	22.970	31.112
2011	5.989	1.699	26.078	33.766
2012	7.631	1.737	30.118	39.486
2013	7.309	1.746	30.829	39.884
2014	7.150	1.738	32.878	41.766
2015	13.785	1.557	32.807	48.149
2016	10.929	1.524	27.449	39.902
2017	9.966	1.635	28.110	39.711
2018	10.519	1.637	21.862	34.018
2019	11.407	1.583	18.256	31.246
Referendum market value rates				
2010	0.01875			
2011	0.02095			
2012	0.01984			
2013	0.01955			
2014	0.10899			
2015	0.14657			
2016	0.13916			
2017	0.14198			
2018	0.13548			
2019	0.12591			

Source: State of Minnesota School Tax Report

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INDEPENDENT SCHOOL DISTRICT NO. 911

Tax Capacities
Last Ten Fiscal Years

<u>For Taxes Collectible</u>	<u>Agricultural Valuation</u>	<u>Nonagricultural Valuation</u>	<u>Total Taxable Valuation</u>
2010	\$ 4,178,230	\$ 22,437,711	\$ 26,615,941
2011	4,350,145	19,207,512	23,557,657
2012	3,044,448	16,887,347	19,931,795
2013	2,808,837	16,156,791	18,965,628
2014	3,005,072	15,241,637	18,246,709
2015	2,782,009	16,423,607	19,205,616
2016	2,914,042	17,887,311	20,801,353
2017	2,870,229	18,662,540	21,532,769
2018	3,127,217	20,417,955	23,545,172
2019	3,313,120	21,739,091	25,052,211

Note: Nonagricultural valuation includes net tax capacity for personal property and is reduced for tax increment net tax capacity.

Source: State of Minnesota School Tax Report

INDEPENDENT SCHOOL DISTRICT NO. 911

Property Tax Levies and Receivables
Last Ten Fiscal Years

<u>For Taxes Collectible</u>	<u>Original Levy</u>		
	<u>Local Spread</u>	<u>Property Tax Credits</u>	<u>Total Spread</u>
2010	\$ 8,103,364	\$ 593,328	\$ 8,696,692
2011	7,732,067	662,368	8,394,435
2012	8,146,364	115,952	8,262,316
2013	7,854,840	108,120	7,962,960
2014	9,316,618	104,373	9,420,991
2015	11,666,383	136,872	11,803,255
2016	10,783,741	127,970	10,911,711
2017	11,331,287	114,805	11,446,092
2018	10,647,771	253,306	10,901,077
2019	10,443,180	250,957	10,694,137

Note 1: A portion of the total spread levy is paid through property tax credits for residential homestead and agricultural properties, which are paid through state aids. The tax credit program for residential homestead property was discontinued after the 2011 levy year.

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

Source: State of Minnesota School Tax Report

Uncollected Taxes Receivable as of June 30, 2019

Delinquent		Current	
Amount	Percent	Amount	Percent
\$ -	- %	\$ -	- %
-	-	-	-
-	-	-	-
25,981	0.3	-	-
7,604	0.1	-	-
8,887	0.1	-	-
15,501	0.1	-	-
25,248	0.2	-	-
51,115	0.5	-	-
-	-	<u>5,279,927</u>	49.4
<u>\$ 134,336</u>		<u>\$ 5,279,927</u>	

INDEPENDENT SCHOOL DISTRICT NO. 911

Student Enrollment
Last Ten Fiscal Years

Year Ended June 30,		Average Daily Membership (ADM) (For Pupils Served or Tuition Paid)					Total Pupil Units
		Pre-Kindergarten and Handicapped Kindergarten	Kindergarten	Elementary	Secondary	Total	
2010	Served by ISD No. 911	76.39	348.64	2,307.36	2,224.75	4,957.14	5,701.33
	Served by Oak Land	-	-	1.71	154.92	156.63	202.37
	Total	76.39	348.64	2,309.07	2,379.67	5,113.77	5,903.70
2011	Served by ISD No. 911	66.00	366.09	2,325.42	2,273.30	5,030.81	5,786.26
	Served by Oak Land	-	10.08	3.98	130.85	144.91	180.52
	Total	66.00	376.17	2,329.40	2,404.15	5,175.72	5,966.78
2012	Served by ISD No. 911	71.97	363.76	2,327.64	2,255.57	5,018.94	5,770.20
	Served by Oak Land	-	9.91	5.44	124.40	139.75	173.59
	Total	71.97	373.67	2,333.08	2,379.97	5,158.69	5,943.79
2013	Served by ISD No. 911	73.28	374.95	2,308.47	2,221.06	4,977.76	5,710.93
	Served by Oak Land	-	5.77	4.58	136.72	147.07	186.15
	Total	73.28	380.72	2,313.05	2,357.78	5,124.83	5,897.08
2014	Served by ISD No. 911	69.32	376.91	2,351.65	2,225.05	5,022.93	5,762.31
	Served by Oak Land	-	3.65	1.39	132.39	137.43	175.85
	Total	69.32	380.56	2,353.04	2,357.44	5,160.36	5,938.16
2015	Served by ISD No. 911	84.95	314.40	2,277.38	2,178.24	4,854.97	5,290.62
	Served by Oak Land	-	-	5.13	125.19	130.32	155.37
	Total	84.95	314.40	2,282.51	2,303.43	4,985.29	5,445.99
2016	Served by ISD No. 911	100.26	283.82	2,244.01	2,155.24	4,783.33	5,214.36
	Served by Oak Land	-	-	5.14	138.66	143.80	171.53
	Total	100.26	283.82	2,249.15	2,293.90	4,927.13	5,385.89
2017	Served by ISD No. 911	101.63	322.79	2,287.38	2,238.49	4,950.29	5,397.99
2018	Served by ISD No. 911	112.35	281.67	2,284.72	2,262.85	4,941.59	5,394.15
2019	Served by ISD No. 911	121.57	279.81	2,245.36	2,315.42	4,962.16	5,425.23

Note 1: Most recent year is estimated.

Note 2: The total student enrollment reported by the District included students served by Oak Land Vocational Cooperative (Oak Land) for which the general education aid is passed through to Oak Land. Oak Land ceased operating after the year ended June 30, 2016.

Note 3: ADM is weighted as follows in computing pupil units:

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

INDEPENDENT SCHOOL DISTRICT NO. 911

Food Service Meals and Pricing
Last Ten Fiscal Years

Year Ended June 30,	Lunch Served to Students			
	Regular Priced Meals	Reduced-Price Meals	Free Meals	Total
2010	359,109	82,618	168,135	609,862
2011	343,337	90,192	178,347	611,876
2012	330,885	76,118	200,497	607,500
2013	295,702	73,268	187,802	556,772
2014	273,544	63,496	178,442	515,482
2015	274,113	67,963	165,762	507,838
2016	267,876	69,009	157,100	493,985
2017	269,338	65,647	159,040	494,025
2018	263,629	64,123	144,189	471,941
2019	262,759	58,965	124,889	446,613

Year Ended June 30,	Breakfast Served to Students			
	Regular Priced Meals	Reduced-Price Meals	Free Meals	Total
2010	23,155	21,898	59,589	104,642
2011	27,060	25,620	69,464	122,144
2012	26,404	22,987	67,763	117,154
2013	27,028	21,171	68,289	116,488
2014	31,460	21,448	67,197	120,105
2015	43,621	25,187	73,653	142,461
2016	58,974	30,424	78,439	167,837
2017	69,561	29,160	74,902	173,623
2018	65,864	27,675	67,317	160,856
2019	70,014	24,586	60,582	155,182

Year Ended June 30,	Lunch Meal Prices			
	Regular Priced Meals		Reduced-Price	Adult Meals
	Elementary	Secondary	Meals	
2010	\$ 2.00	\$ 2.25	\$ 0.40	\$ 3.15
2011	2.00	2.25	0.40	3.15
2012	2.05	2.30	0.40	3.25
2013	2.10	2.35	0.40	3.30
2014	2.15	2.40	0.40	3.35
2015	2.20	2.30	0.40 (1)	3.40
2016	2.20	2.30	0.40 (1)	3.40
2017	2.20	2.30	0.40 (1)	3.50
2018	2.20	2.30	0.40 (1)	3.50
2019	2.30	2.30	0.40 (1)	3.65

Year Ended June 30,	Breakfast Meal Prices			
	Regular Priced Meals		Reduced-Price	Adult Meals
	Elementary	Secondary	Meals	
2010	\$ 2.00	\$ 1.10	\$ 0.40	\$ 1.50
2011	2.30	1.10	0.40	1.50
2012	2.30	1.10	0.40	1.60
2013	2.30	1.10	0.40	1.60
2014	2.30	1.10	0.30	1.60
2015	2.30	1.25	0.30 (1)	1.65
2016	2.35	1.25	0.30 (1)	1.65
2017	2.35	1.25	0.30 (1)	1.70
2018	2.35	1.25	0.30 (1)	1.70
2019	2.35	1.25	0.30 (1)	1.75

(1) The state of Minnesota began reimbursing the District this amount in 2015; therefore, the District did not charge families.

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