INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

FINANCIAL STATEMENTS

JUNE 30, 2019

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RED WING, MINNESOTA
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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2019

BOARD OF EDUCATION

Arlen Diercks	Chairperson
Pam Roe	Vice-Chairperson
Mike Christensen	Treasurer
Heidi Jones	Clerk
Janie Farrar	Director
Jim Bryant	Director
Holly Tauer	Director

ADMINISTRATION

Karsten Anderson	Superintendent
Jackie Paradis	Business Manager from School Management Services

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

FINANCIAL SECTION

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Independent School District #256
Red Wing, 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 #256, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Independent School District #256'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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District #256 as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and each major special revenue fund for the year then ended in conformity 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 as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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 and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2018, from which such partial information was derived.

We have previously audited the District's 2018 financial statements and our report, dated November 15, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of the audit.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
October 15, 2019

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Independent School District #256's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

Total liabilities and deferred inflows of resources of Independent School District #256, Red Wing, Minnesota exceed its assets and deferred outflows of resources at the close of the most recent fiscal year causing a deficit $7,882,504 (net position). This was primarily due to changes in the District's share of underfunded pension liability for TRA and General Employees Retirement Fund.

Overall revenues and other sources for the General Fund were $33,636,547, while overall expenses totaled $33,639,706.

The General Fund Unassigned Fund Balance is $2,343,801. This represents a decrease of $130,601 from last fiscal year.

The Restricted General Fund balances included State required reserves for operating capital, long-term facilities me, and other items. These balances total $1,025,206 as compared to $898,775 last fiscal year.

The General Fund total fund balance decreased by $3,249 from the prior year.

The Food Service Fund total fund balance decreased by $14,840 from the prior year.

The Community Service Fund total fund balance decreased by $18,262 from the prior year.

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- The proprietary fund statements offer short-term and long-term financial information about the activities the District operates in a manner similar to businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

The two district-wide statements report the District's net position and how they have changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources– are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall health of the District you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements the District's activities are shown in one category: Governmental activities. Most of the District's basic services are included here, such as elementary and secondary regular instruction, special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements. The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (i.e. scholarship trust fund).

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The District has three kinds of funds:

- ***Governmental funds.*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or difference) between them.
- ***Proprietary funds.*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements. The District's sole proprietary fund is an internal service fund which charges the District's activities for the operation of the District medical clinic.
- ***Fiduciary funds.*** The District is the trustee, or fiduciary, for assets that belong to others, such as the Environmental Learning Center and the other postemployment benefit trust fund. 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. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The district's combined net position from Governmental activities was a deficit $7,882,504 on June 30, 2019. This was an increase of $11,301,655 from the prior year primarily due to change in assumptions of net pension liability for TRA and General Employees Retirement Fund.

	Total	
	2019	2018
Assets		
Current and other assets	$ 25,673,946	$ 27,726,364
Capital assets	33,415,670	30,776,281
Total assets	59,089,616	58,502,645
Deferred Outflows of Resources		
Total deferred outflows of resources	21,726,494	21,985,857
Liabilities		
Current liabilities	7,759,294	8,842,703
Long-Term liabilities	41,024,916	76,491,809
Total liabilities	48,784,210	85,334,512
Deferred Inflows of Resources		
Total deferred inflows of resources	39,914,404	14,338,149
Net Position		
Net investment in capital assets	9,469,797	10,019,680
Restricted	2,281,807	2,070,896
Unrestricted	(19,634,108)	(31,274,735)
Total net position	$ (7,882,504)	$ (19,184,159)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

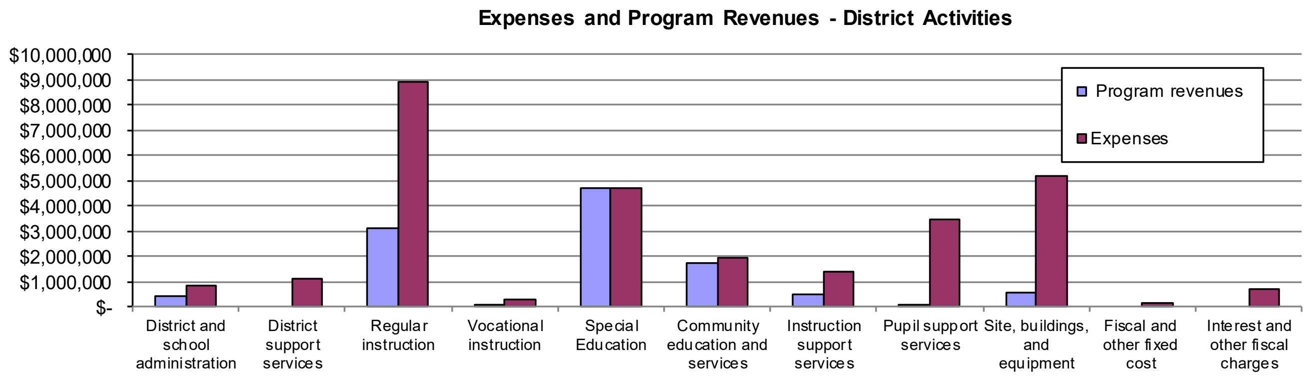
District's Revenue. The District's total revenues were $41,651,745 for the year ended June 30, 2019; compared to $40,556,854 on June 30, 2018. Local property taxes (levies) accounted for 24.5% (compared to 24.8% the previous year) of the total revenue, with the remaining revenue coming from other sources – primarily the State formula aid.

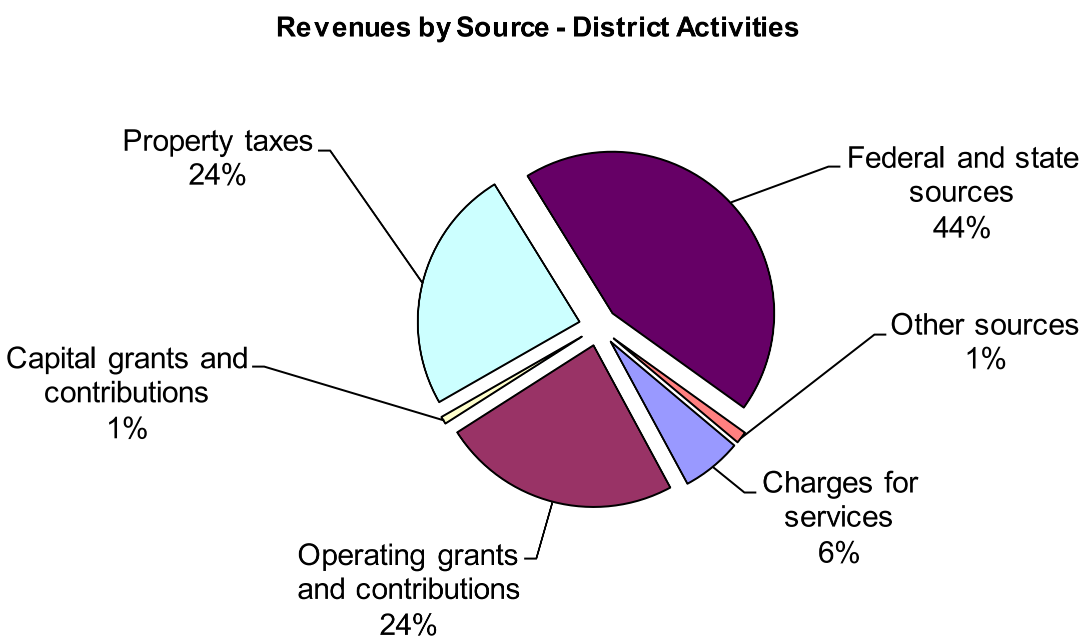
A condensed version of the Statement of Activities follows:

	Total	
	2019	2018
Revenue		
Program revenues:		
Charges for services	$ 2,502,721	$ 2,336,251
Operating grants and contributions	9,925,588	9,464,671
Capital grants and contributions	320,456	285,997
General revenues:		
Property taxes	10,194,541	10,069,731
Unrestricted state sources	18,208,306	17,897,513
Other sources	500,133	502,691
Total revenues	41,651,745	40,556,854
Expenses		
District and school administration	844,123	1,520,575
District support services	1,139,119	1,028,892
Regular instruction	8,897,767	18,475,663
Vocational instruction	275,464	594,079
Special education	4,712,475	7,670,688
Community education and services	1,967,402	2,721,070
Instruction support services	1,398,469	2,363,956
Pupil support services	3,434,469	3,537,676
Site, buildings, and equipment	5,216,750	7,108,247
Fiscal and other fixed cost programs	136,116	125,048
Food service	1,616,512	1,611,126
Interest and other fiscal charges	711,424	812,871
Total expenses	30,350,090	47,569,891
Change in net position	11,301,655	(7,013,037)
Net position, beginning of year	(19,184,159)	(12,171,122)
Net position, end of year	$ (7,882,504)	$ (19,184,159)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Below are specific graphs that provide comparisons of the district activities direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.





FUND BASIS FINANCIAL ANALYSIS

Financial Analysis of the District's Funds

The financial performance of the District as a school is reflected in its governmental funds as well. As the District completed the year, its Governmental Funds reported a combined fund balance of $5,117,828.

The District experienced an increase during the current fiscal year in the number of students served. It is likely the District will continue to experience fluctuating but generally declining enrollment for at least the next five years.

History of adjusted average daily membership served (ADM) is as follows:

Fiscal Year	ADM	% Change
2015	2,710.29	-1.2%
2016	2,732.05	0.8%
2017	2,703.32	-1.1%
2018	2,738.89	1.3%
2019	2,714.16	-0.9%

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

Total General Fund Operating Revenue, including other financing sources, increased in the current year by $1,078,729 from the previous year primarily due to formula increases in both general education revenue and special education revenue. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net revenue change.

FUND BASIS FINANCIAL ANALYSIS (Continued)

General fund revenues were as follows:

	2019	2018	Increase/ (Decrease)
Local property tax levies	$ 5,917,339	$ 5,728,020	$ 189,319
Other local and county sources	1,500,591	1,480,499	20,092
State sources	25,294,590	24,480,491	814,099
Federal sources	816,397	810,587	5,810
Investment income	106,994	58,131	48,863
Sales and other conversions of assets	546		546
Total General Fund Revenues and Other Financing Sources	$ 33,636,457	$ 32,557,728	$ 1,078,729

Total General Fund expenditures (excluding transfers out) increased by $1,629,063 from the previous year primarily due to increases in salaries and benefits per contracts plus the addition of four teachers. General fund expenditures were as follows:

	2019	2018	Increase/ (Decrease)
District and school administration	$ 1,285,839	$ 1,232,191	$ 53,648
District support services	1,159,253	1,020,665	138,588
Regular instruction	13,983,762	13,557,083	426,679
Vocational instruction	497,882	466,512	31,370
Special education	6,683,394	6,404,384	279,010
Instructional support services	1,901,131	1,955,873	(54,742)
Pupil support services	3,741,323	3,367,433	373,890
Site, buildings, and equipment	4,258,306	3,889,194	369,112
Fiscal and other fixed cost programs	128,816	117,308	11,508
Total General Fund Expenditures	$ 33,639,706	$ 32,010,643	$ 1,629,063

The total General Fund balance on June 30, 2019, is $3,614,465 compared to $3,617,714 on June 30, 2018 (decrease of $3,249). Of the 2019 amount, $1,270,664 is nonspendable, assigned or restricted for specific purposes by state requirements – leaving an amount of $2,343,801 in the Unassigned General Fund Balance.

Food Service Fund. The Food Service Fund accounts for the activities related to providing child nutrition services to support K-12 academic programs. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Food Service Fund Balance decreased by $14,840. On June 30, 2019 the fund balance was $73,096 compared to last year's balance of $87,936.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Food Service Fund (Continued)

The Food Service revenue for 2018-2019 totaled $1,660,751 compared to $1,557,919 the previous year – an increase of $102,832. Federal revenue increased due to more participation in the breakfast program; increase of 12,134 breakfasts served comparted to the previous year. Federal Commodities allocations from USDA increased $29,878 The District also continues to expand its Summer Food Service program, causing an increase in revenue of $29,429 over the prior year.

The Food Service expenditures for 2018-2019 totaled $1,675,591 compared to $1,626,613 the previous year – an increase in expenditures of $48,978. This increase is due to increased salary costs and retro payments from the labor contract that expired 6/30/2017.

Community Service Fund. The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten through Post-Grade 12 students. The fund operates on the goal of breaking even on a yearly basis so that is does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund Balance decreased by $18,262 during the current fiscal year.

Community Service Fund revenues for 2018-2019 totaled $2,319,074 compared to $2,465,894 in the previous year. This was a decrease in revenue of $146,820 from the previous year. This increase was primarily due to decreases in state adult basic education aid and the ice arena levy.

Community Service Fund expenditures for 2018-2019 totaled $2,337,336 compared to $2,462,220 in the previous year. This was a decrease in expenditures of $124,884 from the previous year. This is primarily due to a decrease in ice arena expenses due to replacement of the refrigerant in 2017-18.

Debt Service Fund. The Debt Service fund exists to service the principal and interest on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% or pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payment can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The Debt Service Restricted Fund Balance increased by $117,582 from the prior year.

The restricted fund balance is $622,206 as of June 30, 2019. This fund balance and the estimated 2018-2019 levy payable in 2020 and state aid is sufficient to make pending principal and interest payments on the School Building and Facility Bonds and other loans.

FUND BASIS FINANCIAL ANALYSIS (Continued)

Internal Service Fund

The employee medical clinic started in June 2013. Cost of operations (no fees charged to eligible employees and dependents) were $376,320 with the majority of costs allocated back departmentally. In January of 2016 the District entered into an agreement with the City of Red Wing to share the costs of the clinic by participation. For 2018-2019, there were 2,198 total visits, 1,631 were employees/dependents and 567 were City of Red Wing employees/dependents.

Fiduciary Funds. The Environmental Learning Center and the other postemployment benefit trust fund are Independent School District #256's fiduciary funds. The net position of the Fiduciary Funds is $10,101,585.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District provided a Revised 2018-2019 Budget in February of 2019. The Revised Budget showed a decrease of $390,489 in the District's Unassigned General Fund Balance. This was primarily due to conservatively budgeting for student enrollment.

The Actual FY19 revenue was $836,962 higher than the Revised Budget Revenue primarily due to student enrollment being higher than projected and an increase in special education aid.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2019, the District had invested $88,914,319, before depreciation, in a broad range of capital assets including school buildings, athletic facilities, technology equipment, and other types of equipment.

Capital assets are recorded in the District-wide financial statements, but are not reported in the Fund financial statements.

	Total (Net of Depreciation)	
	2019	2018
Land	$ 1,819,484	$ 1,819,484
Construction in progress	17,753,833	14,285,463
Land improvements	712,266	739,831
Buildings	11,170,990	11,626,176
Machinery and equipment	1,959,097	2,305,327
Total	$ 33,415,670	$ 30,776,281

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CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Long Term Liabilities. As of June 30, 2019, the District had $23,545,000 in bonds outstanding. The District also had $1,156,725 compensated absences payable and $18,716,915 pension liability at the end of the year. A summary of outstanding long-term liabilities as of June 30, 2019, is as follows:

	Total	
	2019	2018
General obligation bonds	$ 23,545,000	$ 26,520,000
Compensated absences	1,156,725	1,153,684
Total	$ 24,701,725	$ 27,673,684

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District is dependent on the State of Minnesota for a significant portion of its revenue. The State Legislature increased the basic funding formula for 18-19 as well as the 19-20 school year. The District will strive to maintain quality educational programming while addressing the challenges of declining enrollment. The District will carry on its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District #256, 2451 Eagle Ridge Drive, Red Wing, Minnesota, 55066.

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2019
With Comparative Data as of June 30, 2018

	Governmental Activities	
	2019	2018
Assets		
Cash and investments	$ 11,854,291	$ 15,671,286
Taxes receivable	6,632,783	4,944,069
Other receivables	266,668	226,895
Due from other governmental units	3,346,294	3,264,399
Due from other funds	218,420	73,598
Inventory	18,783	22,607
Prepaid expenses	60,287	77,285
Prefunded other postemployment benefit obligations	3,276,420	3,446,225
Capital Assets:		
Nondepreciable	19,573,317	16,104,947
Depreciable	13,842,353	14,671,334
TOTAL ASSETS	59,089,616	58,502,645
Deferred Outflows of Resources		
Deferred outflows from pension activity	21,632,009	21,985,857
Deferred outflows from OPEB activity	94,485	
TOTAL DEFERRED OUTFLOWS OF RESOURCES	21,726,494	21,985,857
Liabilities		
Accounts payable	1,176,281	2,563,732
Due to other governmental units	415,258	272,954
Accrued interest payable	282,135	321,593
Salaries and accrued liabilities payable	2,647,057	2,341,550
Unearned revenue	197,204	189,839
Long-Term Liabilities:		
Due within one year	3,041,359	3,153,035
Due in more than one year	22,308,001	25,208,840
Net pension liability	18,716,915	51,282,969
TOTAL LIABILITIES	48,784,210	85,334,512
Deferred Inflows of Resources		
Deferred inflows from pension activity	26,211,136	3,641,485
Deferred inflows from OPEB activity	769,187	1,027,828
Property taxes levied for subsequent year	12,934,081	9,668,836
TOTAL DEFERRED INFLOWS OF RESOURCES	39,914,404	14,338,149
Net Position		
Net investment in capital assets	9,469,797	10,019,680
Restricted:		
Operating capital purposes	1,025,206	898,775
Food service	73,096	87,936
Community service	561,299	579,561
Debt service	622,206	504,624
Unrestricted	(19,634,108)	(31,274,735)
TOTAL NET POSITION	$ (7,882,504)	$ (19,184,159)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019
With Partial Comparative Data for the Year Ended June 30, 2018

	2019			
		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
District and school administration	$ 844,123	$	$ 420,225	$
District support services	1,139,119			
Regular instruction	8,897,767	293,484	2,836,588	
Vocational instruction	275,464	1,740		
Special education	4,712,475	231,703	4,459,637	
Community education and services	1,967,402	1,006,186	723,954	
Instruction support services	1,398,469		526,635	
Pupil support services	3,434,469	9,345	21,251	
Site, buildings, and equipment	5,216,750	238,163		320,456
Fiscal and other fixed cost programs	136,116			
Food service	1,616,512	722,100	937,298	
Interest and other fiscal charges	711,424			
Total governmental activities	$ 30,350,090	$ 2,502,721	$ 9,925,588	$ 320,456
	General Revenues:			
	Property taxes levied for:			
	General purposes			
	Community service			
	Debt service			
	State aid not restricted to specific purposes			
	Miscellaneous			
	Investment income			
	Total general revenues and transfers			
	Change in net position			
	Net Position - Beginning			
	Net Position - Ending			

2019	2018
Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
Total Governmental Activities	Total Governmental Activities
$ (423,898)	$ (1,038,648)
(1,139,119)	(1,028,892)
(5,767,695)	(15,823,991)
(273,724)	(591,679)
(21,135)	(3,158,186)
(237,262)	(932,528)
(871,834)	(1,819,920)
(3,403,873)	(3,438,660)
(4,658,131)	(6,657,810)
(136,116)	(125,048)
42,886	(54,739)
(711,424)	(812,871)
(17,601,325)	(35,482,972)
5,906,513	5,725,652
515,188	611,311
3,772,840	3,732,768
18,208,306	17,897,513
316,252	325,699
183,881	176,992
28,902,980	28,469,935
11,301,655	(7,013,037)
(19,184,159)	(12,171,122)
$ (7,882,504)	$ (19,184,159)

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019
With Partial Comparative Data as of June 30, 2018

	General	Food Service	Community Service
Assets			
Cash and investments	$ 8,171,654	$ 111,885	$ 739,252
Current property taxes receivable	4,494,903		169,915
Delinquent property taxes receivable	32,864		1,835
Accounts receivable	120,950	1,354	94,155
Due from other Minnesota school districts	48,604	26,602	19,684
Due from Minnesota Department of Education	2,753,715		27,435
Due from Federal through Minnesota Department of Education	385,775	25,492	51,004
Due from other governmental units			
Due from other funds	332,059		
Inventory		18,783	
Prepaid expenses	60,287		
TOTAL ASSETS	$ 16,400,811	$ 184,116	$ 1,103,280
Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities			
Accounts payable	$ 924,039	$ 18,789	$ 42,212
Retainage payable			
Salaries and accrued liabilities payable	2,504,074	54,284	88,699
Due to other Minnesota school districts	462,529		6,871
Unearned revenue	105,349	37,947	53,908
TOTAL LIABILITIES	3,995,991	111,020	191,690
Deferred Inflows of Resources			
Unavailable revenue			
Property taxes	32,864		1,835
Taxes levied for subsequent year	8,757,491		348,456
TOTAL DEFERRED INFLOWS OF RESOURCES	8,790,355		350,291
Fund Balances			
Nonspendable	60,287	18,783	
Restricted	1,025,206	54,313	561,299
Assigned	185,171		
Unassigned	2,343,801		
TOTAL FUND BALANCES	3,614,465	73,096	561,299
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 16,400,811	$ 184,116	$ 1,103,280

See Notes to Financial Statements

		Total Governmental Funds	
Building Construction	Debt Service	2019	2018
$ 301,236	$ 2,530,264	$ 11,854,291	$ 15,503,069
	1,915,193	6,580,011	4,880,471
	18,073	52,772	63,598
22,000		238,459	207,465
		94,890	208,545
	7,983	2,789,133	2,706,457
		462,271	349,397
		332,059	379,708
		18,783	22,607
		60,287	77,285
$ 323,236	$ 4,471,513	$ 22,482,956	$ 24,398,602
$ 19,184	$ 3,100	$ 1,007,324	$ 2,409,463
57,290		57,290	51,393
		2,647,057	2,341,550
		469,400	342,498
		197,204	189,839
76,474	3,100	4,378,275	5,334,743
	18,073	52,772	63,598
	3,828,134	12,934,081	9,668,836
	3,846,207	12,986,853	9,732,434
		79,070	99,892
246,762	622,206	2,509,786	6,585,508
		185,171	173,993
		2,343,801	2,472,032
246,762	622,206	5,117,828	9,331,425
$ 323,236	$ 4,471,513	$ 22,482,956	$ 24,398,602

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2019
With Partial Comparative Data for the Year Ended June 30, 2018

	General	Food Service	Community Service
Revenues			
Local sources:			
Property tax levies	$ 5,917,339	$	$ 515,188
Other local and county sources	1,500,591		1,443,149
Investment income	106,994	1,353	8,604
State sources	25,294,590	88,225	301,129
Federal sources	816,397	840,341	51,004
Sales and other conversions of assets		730,832	
TOTAL REVENUES	33,635,911	1,660,751	2,319,074
Expenditures			
District and school administration	1,285,839		
District support services	1,159,253		
Regular instruction	13,983,762		
Vocational instruction	497,882		
Special education	6,683,394		
Community education and services			2,337,336
Instructional support services	1,901,131		
Pupil support services	3,741,323	1,675,591	
Site, buildings, and equipment	4,258,306		
Fiscal and other fixed cost programs	128,816		
TOTAL EXPENDITURES	33,639,706	1,675,591	2,337,336
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,795)	(14,840)	(18,262)
Other Financing Sources (Uses)			
Sale of capital assets	546		
NET CHANGE IN FUND BALANCES	(3,249)	(14,840)	(18,262)
FUND BALANCE - BEGINNING	3,617,714	87,936	579,561
FUND BALANCE - ENDING	$ 3,614,465	$ 73,096	$ 561,299

See Notes to Financial Statements

		Total Governmental Funds	
Building Construction	Debt Service	2019	2018
$	$ 3,772,840	$ 10,205,367	$ 10,072,099
126,693		3,070,433	3,017,783
28,276	38,654	183,881	176,992
	79,826	25,763,770	24,956,455
		1,707,742	1,613,599
		730,832	722,294
154,969	3,891,320	41,662,025	40,559,222
		1,285,839	1,232,191
		1,159,253	1,020,665
		13,983,762	13,557,083
		497,882	466,512
		6,683,394	6,404,384
		2,337,336	2,462,220
		1,901,131	1,955,873
		5,416,914	4,994,046
4,449,797		8,708,103	16,336,145
	3,773,738	3,902,554	3,892,080
4,449,797	3,773,738	45,876,168	52,321,199
(4,294,828)	117,582	(4,214,143)	(11,761,977)
		546	
(4,294,828)	117,582	(4,213,597)	(11,761,977)
4,541,590	504,624	9,331,425	21,093,402
$ 246,762	$ 622,206	$ 5,117,828	$ 9,331,425

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
DISTRICT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
June 30, 2019

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

Total governmental fund balances (pages 17 and 18)		$ 5,117,828
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	$ 88,743,297	
Less: Accumulated depreciation	55,438,791	
		33,304,506
Certain long-term assets not available to pay for current-period expenditures and, therefore, are unavailable in the funds:		
Delinquent property taxes		52,772
Long-term assets that pertain to governmental funds, such as the prefunded other postemployment benefit obligation, are not financial resources and therefore are not reported as assets		2,601,718
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	$(24,192,635)	
Accrued compensated absences	(1,156,725)	
Net pension liability	(23,296,042)	
Accrued interest	(282,135)	
		(48,927,537)
Internal service used to charge the cost of postemployment benefits for employees to departments. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position		(31,791)
Net position of governmental activities (page 14)		$ (7,882,504)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds (pages 19 and 20)		$ (4,213,597)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	$ 3,627,902	
Depreciation expense	(979,961)	
		2,647,941
Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent property taxes		(10,826)
The prefunded other postemployment benefit obligations are reported as an expenditure in the governmental funds but are not reflected in the statement of activities		183,321
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.		
Principal retirement on long-term debt	$ 2,975,000	
Change in accrued interest	39,458	
Amortization of bond premium	40,556	
		3,055,014
In the statement of activities, certain operating expenses - net pension liability and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
Change in net pension liability	9,642,555	
Change in accrued compensated absences	(3,041)	
		9,639,514
Change in net position of governmental activities (pages 15 and 16)		$ 11,301,655

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended June 30, 2019
With Partial Comparative Data for the Year Ended June 30, 2018

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 5,932,745	$ 5,938,764	$ 5,917,339	$ (21,425)	$ 5,728,020
Other local and county sources	1,311,051	1,318,426	1,500,591	182,165	1,480,499
Investment income	75,000	85,000	106,994	21,994	58,131
State sources	24,185,870	24,644,735	25,294,590	649,855	24,480,491
Federal sources	810,031	812,024	816,397	4,373	810,587
TOTAL REVENUES	32,314,697	32,798,949	33,635,911	836,962	32,557,728
Expenditures					
District and school administration	1,248,529	1,246,606	1,285,839	39,233	1,232,191
District support services	829,409	944,049	1,159,253	215,204	1,020,665
Regular instruction	13,485,252	13,582,098	13,983,762	401,664	13,557,083
Vocational instruction	448,853	507,727	497,882	(9,845)	466,512
Special education	6,712,278	6,505,936	6,683,394	177,458	6,404,384
Instructional support services	1,834,787	1,926,598	1,901,131	(25,467)	1,955,873
Pupil support services	3,485,651	3,782,687	3,741,323	(41,364)	3,367,433
Site, buildings, and equipment	4,643,319	4,568,737	4,258,306	(310,431)	3,889,194
Fiscal and other fixed cost programs	132,600	125,000	128,816	3,816	117,308
TOTAL EXPENDITURES	32,820,678	33,189,438	33,639,706	450,268	32,010,643
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(505,981)	(390,489)	(3,795)	386,694	547,085
Other Financing Sources (Uses)					
Sale of capital assets		546	546		
NET CHANGE IN FUND BALANCE	(505,981)	(389,943)	(3,249)	386,694	547,085
FUND BALANCE - BEGINNING	3,617,714	3,617,714	3,617,714		3,070,629
FUND BALANCE - ENDING	$ 3,111,733	$ 3,227,771	$ 3,614,465	$ 386,694	$ 3,617,714

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Fiscal Year Ended June 30, 2019
With Partial Comparative Data for the Year Ended June 30, 2018

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
Revenues					
State sources	$ 90,200	$ 98,000	$ 88,225	$ (9,775)	$ 82,642
Federal sources	856,400	889,307	840,341	(48,966)	751,451
Food sales	794,579	764,923	730,832	(34,091)	722,294
Investment income	350	1,500	1,353	(147)	1,532
TOTAL REVENUES	1,741,529	1,753,730	1,660,751	(92,979)	1,557,919
Expenditures					
Pupil support services	1,771,109	1,784,506	1,675,591	(108,915)	1,626,613
NET CHANGE IN FUND BALANCES	(29,580)	(30,776)	(14,840)	15,936	(68,694)
FUND BALANCES - BEGINNING	87,936	87,936	87,936		156,630
FUND BALANCES - ENDING	$ 58,356	$ 57,160	$ 73,096	$ 15,936	$ 87,936

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
COMMUNITY SERVICE FUND
For the Fiscal Year Ended June 30, 2019
With Partial Comparative Data for the Year Ended June 30, 2018

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local sources:					
Property tax levies	$ 514,843	$ 514,914	$ 515,188	$ 274	$ 611,311
Other local and county sources	1,216,472	1,240,392	1,443,149	202,757	1,442,878
Investment income	100	5,600	8,604	3,004	5,665
State sources	326,173	299,508	301,129	1,621	354,479
Federal sources	3,500	51,027	51,004	(23)	51,561
TOTAL REVENUES	2,061,088	2,111,441	2,319,074	207,633	2,465,894
Expenditures					
Community education and services	2,211,925	2,357,784	2,337,336	(20,448)	2,462,220
NET CHANGE IN FUND BALANCES	(150,837)	(246,343)	(18,262)	228,081	3,674
FUND BALANCES - BEGINNING	579,561	579,561	579,561		575,887
FUND BALANCES - ENDING	$ 428,724	$ 333,218	$ 561,299	$ 228,081	$ 579,561

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2019 and 2018

	Governmental Activities - Internal Service Fund	
	2019	2018
Assets		
Cash and cash equivalents	$	$
Accounts receivable	28,209	19,430
Capital Assets		
Buildings	171,022	171,022
Accumulated Depreciation	(59,858)	(51,306)
Total Assets	$ 139,373	$ 139,146
Liabilities		
Accounts payable	$ 57,525	$ 33,332
Due to other funds	113,639	137,893
Total Liabilities	171,164	171,225
Net Position		
Net investment in capital assets	111,164	119,716
Unrestricted	(142,955)	(151,795)
Total Net Position	(31,791)	(32,079)
TOTAL LIABILITIES AND NET POSITION	$ 139,373	$ 139,146

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019 and 2018

	Governmental Activities - Internal Service Fund	
	2019	2018
OPERATING REVENUES		
Charges for services	$ 376,608	$ 354,340
OPERATING EXPENSES		
Rent	12,533	12,048
General administration fees	284,388	261,361
Supplies and materials	70,847	71,668
Depreciation	8,552	8,551
Totaling Operating Expenses	376,320	353,628
Change in Net Position	288	712
Net Position - Beginning	(32,079)	(32,791)
Net Position - Ending	$ (31,791)	$ (32,079)

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Fiscal Year Ended June 30, 2019 and 2018

	Governmental Activities - Internal Service Fund	
	2019	2018
Cash Flows From Operating Activities		
Departmental charges received	$ 367,829	$ 349,103
Benefits paid	(343,575)	(346,692)
Net Cash Provided By Operating Activities	24,254	2,411
Cash Flows From Noncapital Financing Activities		
Due to other funds	(24,254)	(2,411)
Net Cash Provided By (Used In) Investing Activities	(24,254)	(2,411)
Increase in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning		
Cash and Cash Equivalents - Ending	$	$

Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities

	2019	2018
Operating Income (Loss)	$ 288	$ 712
Adjustments to reconcile Operating Income to Net Cash Provided By (Used In) Operating Activities:		
Depreciation expense	8,552	8,551
Increase in accounts receivable	(8,779)	(5,237)
Increase (Decrease) in accounts payable	24,193	(1,615)
Net Cash Provided By Operating Activities	$ 24,254	$ 2,411

See Notes to Financial Statements

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Agency Funds	Other Postemployment Benefit Trust
Assets		
Cash and investments	$	$ 10,081,722
Accounts receivable	263,530	
Interest receivable		19,863
Due from other entities	18,090	
Total Assets	$ 281,620	$ 10,101,585
Liabilities		
Accounts payable	$ 15,925	$
Due to others	218,420	
Due to student activities	47,275	
Total Liabilities	281,620	
Net Position		
Held in trust for other postemployment benefits		10,101,585
TOTAL LIABILITIES AND NET POSITION	$ 281,620	$ 10,101,585

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended June 30, 2019

	Other Postemployment Benefit Trust
Additions	
Earnings (losses) on investments	$ 583,726
Deductions	
Health insurance benefits	764,782
Life insurance benefits	605
Dental insurance benefits	1,666
Investment expenses	106,454
Miscellaneous	51,825
Total Deductions	925,332
DECREASE IN NET POSITION	(341,606)
NET POSITION - BEGINNING	10,443,191
NET POSITION - ENDING	$ 10,101,585

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies

Independent School District #256 was formed and operates pursuant to applicable Minnesota laws and statutes.

The governing body consists of a seven-member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments. The following is a summary of the more significant accounting policies:

Financial Reporting Entity

Independent School District #256 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. Based on the aforementioned criteria, the District has no component units.

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

1. Summary of Significant Accounting Policies (Continued)

Basic Financial Statement Presentation

The District-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary fund. Fiduciary funds are reported only in the Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position at the fund financial statement level.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense, and is reported separately on the Statement of Activities. Generally, the effect of material inter-fund activity has been removed from the District-wide financial statements.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The District-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts recognized in advance in accordance with a statutory “tax shift” described later in these notes.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

Governmental fund types are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual, i.e. both measurable and available to finance expenditures of the fiscal period. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes, state aids, fees, and interest. For this purpose, the District considers all revenues to be available if collected within 60 days after the end of the current period.

Expenditures are generally recognized using the modified accrual basis of accounting when a related fund liability is incurred. Exceptions to this rule include (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued, and (2) principal and interest on general long-term debt which is recognized when due.

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 revenues of the District's proprietary fund are services for which the District charges a fee. Operating expenses for the proprietary fund are charges to District activities for the estimated cost of health insurance and early retirement obligations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District's policy to use the restricted resources first, then unrestricted resources as they are needed.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Non-exchange transaction, in which the District receives value without directly giving equal value in return, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year in when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it is recognized.

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met are recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

Description of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which comprise its assets, liabilities, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District electively added as major funds, those which had specific community focus.

The major funds of the District are presented as follows:

The *general fund* is the District's primary operating fund. It accounts for all financial resources and transactions except those required to be accounted for in other funds.

The *food service fund* accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities.

The *community service fund* accounts for the resources designated for programs other than those for elementary and secondary students.

The *capital projects – building construction fund* accounts for the resources related to general obligation alternative and capital facility bonds issued for the addition/renovations of District building and property.

The *debt service fund* accounts for the accumulation of resources for, and the payment of long-term debt principal, interest and related costs.

The District reports the following proprietary fund:

Internal service fund accounts for the financing of services, provided by one fund to other funds of the District on a cost reimbursement basis. The School District's internal service fund and its purposes is as follows:

The *medical clinic fund* accounts for the activities related to the employee medical clinic setup by the District to provide health care services to is employees and to help the District control health insurance costs.

1. Summary of Significant Accounting Policies (Continued)

Description of Funds (Continued)

The District reports the following fiduciary funds:

The *other postemployment benefit trust fund* accounts for resources held by the District in trust for the payment of other postemployment benefits.

The *agency fund* accounts for cash and other assets held by the District as the agent for others. This fund accounts for funds held for Environmental Learning Center (ELC) and Student Activity Accounts.

Budgets and Budgetary Accounting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Fund, and Debt Service Funds. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

Cash and Investments

Except where otherwise required, the District maintains all deposits in bank accounts in the name of the District. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments, which is under the management of the District. Investments consist primarily of nonparticipating certificates of deposit recorded at cost, which approximates market.

The District has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary.

Use of Estimates

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

1. Summary of Significant Accounting Policies (Continued)

Unearned Revenue

Unearned revenues are in which resources are derived by the District before it has legal claim to them. The District has reported the following items as unearned revenue: arena advertising, retiree benefits collected, grants collected in advance of expenditures incurred, school lunch balances for students and excess TIF revenues received from county and local sources.

Inventories

Inventories are recorded using the consumption method of accounting and consist of food and commodities on hand at the end of the fiscal year. The food is recorded at the lower of cost or market, based on the latest invoice cost, which approximates the FIFO inventory method. Surplus commodities are stated at standardized commodities cost as determined by the Department of Agriculture.

Prefunded Other Postemployment Benefit Obligations

This represents an amount that was contributed in advance of the required contributions for other postemployment benefits.

Prepaid Expenses

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

Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred revenue (property taxes levied for subsequent year). The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. 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 $533,470 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 deferred inflows of resources.

1. Summary of Significant Accounting Policies (Continued)

Property Taxes (Continued)

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

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a capitalization threshold level of $1,500. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Deprecation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	Useful Life in Years
Buildings and improvements	20 - 30
Land improvements	20 - 30
Equipment	5 - 20

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

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

Compensated Absences

The District has employee and union contracts with several different employee groups. Employee benefits under the contracts are different, but generally include provisions for sick leave and vacation leave. The District accounts for the employee benefits as follows:

Vacation leave vests and may be carried forward for up to one year, depending on the contract. A liability is recorded for earned but unpaid vacation leave.

Substantially all District employees are entitled to sick leave at various rates for each month of full-time service. For certain employees, unused sick leave enters into the calculation of severance pay upon termination and is accounted for as follows:

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (continued)

Early Retirement Incentive Payment – Secretarial/Clerical Employees and Education Support Personnel – An early retirement incentive payment is available to employees who work at least 5 hours per day and have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave hour to a maximum of 1,050 unused sick leave hours. The formula starts at a payment of $10.00 per unused sick leave hour to $12.50 per unused sick leave hour to a maximum benefit amount of $12,075.

Early Retirement Incentive Payment – Food Service Employees – An early retirement incentive payment is available to food service employees who have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave hour to a maximum of 1,050 unused sick leave hours. The formula starts at a payment of $10.00 per unused sick leave hour to $12.50 per unused sick leave hour to a maximum benefit amount of $12,075.

Early Retirement Incentive Payment – Nonclassified Personnel – An early retirement incentive payment is available to employees, hired prior to July 1, 2001, who work at least 5 hours per day and have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave day to a maximum of 200 unused sick leave days. The formula starts at a payment of $65 per unused sick leave day to $80 per unused sick leave day to a maximum benefit of $14,500, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – District Coordinators and Directors – An early retirement incentive payment is available to full-time coordinators/directors, hired prior to July 1, 2001, who have completed at least 8 years of continuous service with the District and are at least 50 years of age. An eligible coordinator/director upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 130 days, less any District contributions to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Principals – A severance payment is available to principals who have completed at least 7 years of continuous service with the District. An eligible principal upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by a percentage of the employee's daily rate of pay, from 65% to 75%, not to exceed 100 days, less any District contribution to a matching deferred compensation program under M.S. 356.24.

An early retirement incentive payment is also available to principals who have completed at least 7 years of continuous service with the District. An eligible principal upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by a percentage of the employee's daily rate of pay, from 65% to 75%, not to exceed 100 days, less any District contributions to a matching deferred compensation program under M.S. 356.24

Early Retirement Incentive Payment – Teachers – An early retirement incentive payment is available to teachers who have completed at least 10 years of teaching service with the District and who are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a set formula for every unused sick leave day to a maximum of 120 unused sick leave days. The formula starts at a payment of $85 per unused sick leave day to $160 per unused sick leave day to a maximum benefit amount of $14,550.

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (continued)

Early Retirement Incentive Payment – Program Supervisors – An early retirement incentive payment is available to program supervisors, hired prior to July 1, 2001, who have completed at least 10 years of continuous service with the District and are at least 55 years of age. An eligible employee upon retirement will receive a payment based on a formula for every unused sick leave day to a maximum of 120 unused sick leave days. The formula starts at a payment of $85 per unused sick leave day to $160 per unused sick leave day to a maximum benefit of $14,550, less any District contribution to a matching deferred compensation program under M.S. 356.24.

Early Retirement Incentive Payment – Custodial Employees – An early retirement incentive payment is available to custodial employees who have completed at least 10 years of continuous service with the District and who are at least 55 years of age. An eligible custodial employee upon retirement will receive a payment based on a set formula for every unused sick leave day to maximum of 200 unused sick leave days. The formula starts at a payment of $65 per unused sick leave day to $80 per unused sick leave day to a maximum benefit of $14,500.

Early Retirement Incentive Payment – Superintendent – A severance payment is available to the superintendent upon completion of at least 8 years of continuous service with the District. The superintendent upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the superintendent's daily rate of pay, not to exceed 40 days.

An early retirement incentive payment is available to the superintendent upon completed of at least 8 years of continuous service with the District. The superintendent upon retirement shall receive an amount equal to the number of unused accumulated sick leave days multiplied by the superintendent's daily rate of pay, not to exceed 130 days.

At June 30, 2019, compensated absences payable totaling $1,156,725 is recorded in the financial statements.

Other Postemployment Benefits Payable

Under the provisions of the various employee and union contracts the District provides Health Care benefits if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. This amount was actuarially determined, in accordance with GASB 74 and 75. The District has established an Other Postemployment Benefit Trust Fund to receive contributions from the operating funds for the purpose of paying other postemployment benefits.

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has one type of item. The type of deferred outflow of resources is *pension related* and is reported in the statement of net position. This amount is deferred and will be recognized as an outflow of resources in the period that the amount becomes available.

1. Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

In addition to liabilities, the financial statement will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items. The first occurs become property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs in the governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type, *pension related,* is reported in the statement of net position. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

Long-term Obligations

In the District-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 interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses when incurred.

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

Fund Balance

In the fund financial statements, governmental fund types report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change.

Statement of Cash Flows

For the purposes of the statement of cash flows, the District considers demand deposit accounts to be cash and cash equivalents.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the prior year totals column have been reclassified to conform with the current year presentation.

Concentration of Credit Risk

Financial instruments which expose the District to a concentration of credit risk consist primarily of cash and investments. Credit risk associated with cash and investments are discussed in Note 3.

1. Summary of Significant Accounting Policies (Continued)

Net Position

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

Pensions

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

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

2. Stewardship and Accountability

Excess of expenditures over appropriations at the individual fund level during 2019 is as follows:

General Fund	$ 450,268

Excess expenditures were the result of planned process.

The District had the following interfund receivables and payables at June 30, 2019.

	Due From Other Funds	Due To Other Funds
General Fund	$ 332,059	$
Proprietary Fund		113,639
Agency Fund		218,420
	$ 332,059	$ 332,059

At June 30, 2019 the Internal Service Fund had a deficit net position of $31,791. This deficit will be reduced as future charges for services are collected.

3. Cash and Investments

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District's deposits are entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name.

Minnesota Statues require that all District deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statues also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

3. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk follows Minnesota Statutes for deposits. The District's deposits are entirely covered by federal depository insurance or by collateral held by the District's custodial banks in the District's name.

Minnesota Statues require that all District deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state or local government obligations and legal investments. Minnesota Statues also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Investments Authorized by Minnesota Statues

The District is authorized by Minnesota Statues to invest idle funds as follows:

a) Direct obligations or obligations guaranteed by the United States or its agencies.
b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
c) General obligations rated "A" or better; revenue obligations rated "AA" or better.
d) General obligations of the Minnesota Housing Finance Agency rated "A" or better.
e) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
f) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
g) 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, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
h) Guaranteed Investments 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.

Fair Value Measurement

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine Fair value disclosures. The District follows an accounting standard that defines fair value, established a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instrument fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant tot eh fair value measurement of the instrument. Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation technique as follows:

3. Cash and Investments (Continued)

Fair Value Measurement (continued)

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities

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

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

The District has no assets measured at fair value on a recurring basis.

At June 30, 2019, the District's investment balances were as follows:

	Amortized Cost
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	$ 3,129,653

The MSDLAF+ is an external investment pool and its investments are valued at amortized cost, which approximates fair in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuation interest rates on the market value of instruments.

Credit Risk

The MSDLAF+ pool is rated AAAm by Standard & Poor's.

	Amortized Cost
MN Trust Investment Shares Portfolio	$ 143,529
	$ 143,529

The MN Trust Investment Shares Portfolio is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2a-7 of the Investment Company Act of 1940. The fair value of the position in the pool is the same as the value of the pool shares.

Credit Risk – The MN Trust Term Series is not rated. The MN Trust Investment Shares Portfolio is rated AAA by Moody's Investor Service.

3. Cash and Investments (Continued)

Investments Held in Other Postemployment Benefit Trust

	Total	Less than 1 Year	1-2 Years	2-5 Years
Cash and Money Market Funds	$ 508,516	$ 508,516	$	$
Fixed Income	3,751,055	103,366	1,263,941	2,383,748
Equities	4,673,286	4,673,286		
Alternative Investments	1,090,706	1,090,706		
Real Estate Assets	877,036	877,036		
	$ 10,900,599	$ 7,252,910	$ 1,263,941	$ 2,383,748

The above investments are held within the other postemployment benefit trust fund. The funds are invested in accordance with the investment policy adopted by the District for the OPEB Trust. These investments may be invested as authorized by Minnesota Statutes Chapter 118A or Section 356A.06, Subdivision 7.

Risk and Uncertainties

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District does not have a policy for custodial credit risk and follows Minnesota Statutes for investments held in other postemployment benefit trust.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. The District has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Investment maturities are scheduled to coincide with projected needs for other postemployment benefits. Within these parameters, it is the District’s policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates. Information about the sensitivity of the fair values of the investments held in other postemployment benefit trust to market interest rate risk fluctuations is provided by the following table that shows the distribution of the investments held in other postemployment benefit trust by maturity.

	Total	Less than 1 Year
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	$ 232,305	$ 232,305
MN Trust Investment Share Portfolio	6,466,774	6,466,774
	$ 6,699,079	$ 6,699,079

3. Cash and Investments (Continued)

Interest Rate Risk (continued)

Investments Held in Other Postemployment Benefit Trust

	Total	Less than 1 Year	1-2 Years	2-5 Years
Fixed/Corporate Obligations	$ 1,999,261	$ 100,691	$ 632,534	$ 1,266,036
Fixed/Government Obligations	1,699,095		631,407	1,067,688
Fixed/Mortgage Backed Securities	50,024			50,024
Fixed/International Obligations	2,675	2,675		
	$ 3,751,055	$ 103,366	$ 1,263,941	$ 2,383,748

Credit Risk

Generally, credit risk is the risk that an issue of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the investments held in other postemployment benefit trust as rated by Moody's Investors Services:

Type	Credit Quality Ratings	Amount
Money Market	Not Rated	$ 508,516
Fixed/Corporate Obligations	AA1 to BAA2	1,999,261
Fixed/Government Obligations	AAA	1,699,095
Fixed/Mortgage Backed Securities	AAA	50,024
Fixed/Domestic Obligations	Not Rated	2,675
		$ 4,259,571

Concentration of Credit Risk

The District places no limit on the amount that may be invested with any one issuer or depository. There were two individual investments which each individually comprised more than 5% of the District's total investments held in the other postemployment benefit trust. These investments were Boston P Lng/Shrt Res-Ins which comprised 5.02%, Principal Enhanced Property ASP Fund which comprised 5.88% and ISHARES Core S&P 500 ETF which comprised 10.42%, respectively, of the District's total investments held in the other postemployment benefit trust.

3. Cash and Investments (Continued)

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

Cash on hand	$ 2,840
Deposits	7,759,392
Minnesota School District Liquid Asset Fund	3,129,653
MN Trust Investment Shares Portfolio	143,529
Wells Fargo Bank, N.A.	10,900,599
	$ 21,936,013
Cash and Investments per Statement of Net Position	$ 11,854,291
Cash and Investments per Statement of Fiduciary Net Position	10,081,722
Total Cash and Investments	$ 21,936,013

4. Due From Other Governmental Units

Amounts due from other governmental units at June 30, 2019 are as follows:

Fund	Minnesota Department of Education	Federal Government Through MDE	Other Minnesota School Districts	Total
General	$ 2,753,715	$ 385,775	$ 48,604	$ 3,188,094
Food Service		25,492	26,602	52,094
Community Service	27,435		19,684	47,119
Debt Service	7,983	51,004		58,987
	$ 2,789,133	$ 462,271	$ 94,890	$ 3,346,294

5. Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	$ 1,819,484	$	$	$ 1,819,484
Construction in progress	14,285,463	3,468,370		17,753,833
Total capital assets, not being depreciated	16,104,947	3,468,370		19,573,317
Capital assets, being depreciated:				
Buildings and improvements	50,587,552			50,587,552
Land improvements	3,780,869			3,780,869
Equipment	14,813,049	159,532		14,972,581
Total capital assets, being depreciated	69,181,470	159,532		69,341,002
Less accumulated depreciation for:				
Buildings and improvements	38,961,376	455,186		39,416,562
Land improvements	3,041,038	27,565		3,068,603
Equipment	12,507,722	505,762		13,013,484
Total accumulated depreciation	54,510,136	988,513		55,498,649
Total capital assets, being depreciated, net	14,671,334	(828,981)		13,842,353
Governmental activities capital assets, net	$ 30,776,281	$ 2,639,389	$	$ 33,415,670

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
District and school administration	$ 302
District support services	2,105
Regular instruction	657,995
Special education	2,027
Community education services	59,771
Instructional support services	12,755
Site, buildings and equipment	253,558
Total depreciation expense - governmental activities	$ 988,513

6. Long-Term Debt

The District has issued general obligation school building bonds to finance the construction or capital facilities, refinance previous bond issues and to provide for the payment of other postemployment benefits. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law. The District's General Fund, Food Service Fund and Community Service Fund finance compensated absences on the pay-as-you go basis.

A summary of interest rates, maturities and June 30, 2019 balances is as follows:

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance June 30, 2019
General Obligation Bonds:				
School Building Refunding, Series 2010B	2,025,000	2.70%	2020	$ 2,025,000
School Building Refunding, Series 2014A	1,590,000	2.00%-3.00%	2025	1,000,000
School Building Bonds, Series 2016A	21,935,000	2.00%-4.00%	2037	20,520,000
Compensated Absences				1,156,725
Bond Premium				647,635
Total				$ 25,349,360

The following is a summary of the changes in long-term debt obligations for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Bonds Payable:					
General Obligation Bonds:					
Capital Facilities Bonds of 2008A	$ 120,000	$	$ 120,000	$	$
Taxable OPEB Bonds of 2009B	1,910,000		1,910,000		
School Building Refunding Bonds of 2010B	2,025,000			2,025,000	2,025,000
School Building Refunding Bonds of 2014A	1,150,000		150,000	1,000,000	160,000
School Building Bonds of 2016A	21,315,000		795,000	20,520,000	780,000
Bond Premium	688,191		40,556	647,635	40,556
Other Liabilities:					
Compensated Absences	1,153,684	16,702	13,661	1,156,725	35,803
Governmental Activities Long-term Liabilities	$28,361,875	$ 16,702	$ 3,029,217	$ 25,349,360	$ 3,041,359

6. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2019, over the life of the debt, are summarized below:

	General Obligation Bonds		Total
Years	Principal	Interest	
2020	$ 2,965,000	$ 680,888	$ 3,645,888
2021	1,050,000	599,613	1,649,613
2022	1,080,000	569,713	1,649,713
2023	1,120,000	528,113	1,648,113
2024	1,160,000	485,013	1,645,013
2025-2029	5,710,000	1,816,563	7,526,563
2030-2034	6,285,000	1,055,313	7,340,313
2035-2037	4,175,000	233,155	4,408,155
Totals	$ 23,545,000	$ 5,968,368	$ 29,513,368

General Obligation Capital Facilities Bonds, Series 2008A

On August 1, 2008, the District issued $1,050,000 of General Obligation Capital Facilities Bonds, Series 2008A at interest rates of 2.25% to 3.90%. The bonds are due in varying annual installments each August 1 through August 1, 2018 with interest due semi-annually on February 1 and August 1. The proceeds of the issue were used for roof replacement. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

General Obligation Taxable OPEB Bonds, Series 2009B

On October 1, 2009, the District issued $12,885,000 of General Obligation Taxable OPEB Bonds, Series 2009B at interest rates of 2.50% to 4.65%. The bonds are due in varying annual installments each March 1 through March 1, 2019 with interest due semi-annually on March 1 and September 1. The proceeds of the issue were used to fund future other postemployment benefits. Assets of the OPEB Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

General Obligation School Building Refunding Bonds, Series 2010B

On November 1, 2010, the District issued $2,025,000 of General Obligation School Building Refunding Bonds, Series 2010B at an interest rate of 2.70%. These bonds are due on February 1, 2020 with interest due semi-annually on February 1 and August 1. The proceeds of the issue were used to current refund a portion of the February 1, 2011 maturity of the District's General Obligation School Building Refunding Bonds, Series 2007A. Assets of the Debt Service Fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

General Obligation School Building Refunding Bonds, Series 2014A

On June 26, 2014, the District issued $1,590,000 of General Obligation Alternative and Capital Facilities Bonds, Series 2014A at interest rates of 2.00% to 4.00%. These bonds are due on February 1, 2025 with interest due semi-annually on February 1 and August 1. The new issue was issued at a premium of $69,139. The proceeds of the issue were used to fund the costs of certain specified health and safety and capital projects. Assets of the Debt Service Fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

6. Long-Term Debt (Continued)

General Obligation School Building Bonds, Series 2016A

On August 18, 2016, the District issued $21,935,000 of General Obligation School Building Bonds, Series 2016A at interest rates of 2.00% to 3.00%. These bonds are due on February 1, 2037 with interest due semi-annually on February 1 and August 1. The new issue was issued at a premium of $679,434. The proceeds of the issue were used to fund the costs of certain specified capital projects. Assets of the Debt Service Fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

7. Short-Term Debt

On November 17, 2014, the District established a line of credit up to $1,000,000 from First Farmers and Merchants Bank. The District did not draw on the line of credit during the year ended June 30, 2019.

8. Fund Equity

In accordance with Government Accounting Standards, the District classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the school board through formal action (resolution) and remain binding unless removed by the school board by subsequent formal action.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The school board, by majority vote, may assigned fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Director of Finance, HR and Operations.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has a formal minimum fund balance policy, which identifies an unrestricted General Fund balance, including committed, assigned and unassigned, of at least 5% of the prior fiscal year's General Fund expenditures and no greater than 20% of the prior fiscal year's General Fund expenditures.

8. Fund Equity (Continued)

Restrictions of fund balance indicates that a portion of the fund balance is legally segregated for a specific future use. The following is a summary of the reserved fund balances for the governmental funds:

Restricted for Operating Capital – The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by State Statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General fund.

Restricted for Staff Development – Represents unspent staff development revenues set aside from General Education Revenue that were Restricted/Reserved for Staff Development related to Finance Code 316.

Restricted for Long-Term Facilities Maintenance – Represents available resources to be used for LTFM projects in accordance with the 10 year plan.

Restricted for Community Education - Represents available resources within the Community Service Fund for enrichment programs for any age level that are not part of the K-12 education program which are not taken for credit or required for graduation.

Restricted for Early Childhood and Family Education - Represents available resources within the Community Service Fund whose focus is to improve parenting skills of new and expectant parents, and/or to provide learning experiences for parents and children.

Restricted for School Readiness - Represents the resources available to provide for services for school readiness programs.

Restricted for Adult Basic Education – Represents accumulated resources available to provide adult basic education programming.

8. Fund Equity (Continued)

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

	General	Food Service	Community Service	Building Construction	Debt Service	2019 Totals	2018 Totals
Nonspendable							
Inventory	$	$ 18,783	$	$	$	$ 18,783	$ 22,607
Prepaid expenses	60,287					60,287	77,285
Total nonspendable	60,287	18,783				79,070	99,892
Restricted							
Staff development	86,117					86,117	183,662
Health and safety							3,645
Operating capital	372,935					372,935	414,933
Safe schools							24,519
Long-term facilities maintenance	566,154					566,154	272,016
Food service		54,313				54,313	58,670
Community education			283,585			283,585	251,180
Early childhood and family education			49,499			49,499	64,002
School readiness			19,269			19,269	36,545
Adult basic education			39,368			39,368	72,906
Community service			169,578			169,578	157,216
Building construction				246,762		246,762	4,541,590
Debt service					622,206	622,206	504,624
Total restricted	1,025,206	54,313	561,299	246,762	622,206	2,509,786	6,585,508
Assigned							
Student activity	185,171					185,171	173,993
Total assigned	185,171					185,171	173,993
Unassigned	2,343,801					2,343,801	2,472,032
Total Fund Balance	$ 3,614,465	$ 73,096	$ 561,299	$ 246,762	$ 622,206	$ 5,117,828	$ 9,331,425

9. Defined Benefit Pension Plans - Statewide

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

Plan Description

1. General Employees Retirement Fund

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 General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Association (TRA)

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

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

Benefits Provided

PERA and TRA provide retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

1. General Employees Plan Benefits

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.

9. Defined Benefit Pension Plans – Statewide (Continued)

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

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

2. TRA Benefits

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

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

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

With these provisions:

a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

b) 3 percent per year early retirement reduction factors for all years under normal retirement age.

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

or

9. Defined Benefit Pension Plans – Statewide (Continued)

Tier II Benefits

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

Members first employed after June 30, 1989, receive only the Tier II 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 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 also eligible for a refund of their employee contributions plus interest.

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

<u>Contributions</u>

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019 were $371,592. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended were:

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

The District's contributions to the TRA Fund for the year ended June 30, 2019 were $965,064. The District's contributions were equal to the required contributions as set by the state statute.

9. Defined Benefit Pension Plans – Statewide (Continued)

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

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

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

Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of $4,088,574 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $134,082. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was 0.0737 percent which was a decrease of 0.0023 percent from its proportion measured as of June 30, 2017.

District's proportionate share of net pension liability	$	4,088,574
State's proportionate share of the net pension liability associated with the district	$	134,082

9. Defined Benefit Pension Plans – Statewide (Continued)

For the year ended June 30, 2019, the District recognized pension expense of ($502,035) for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional $31,268 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 111,444	$ 122,644
Difference between projected and actual investment earnings		410,799
Changes in actuarial assumptions	401,691	469,208
Changes in proportion	8,119	224,139
Contributions paid to PERA subsequent to the measurement date	414,864	
Total	$ 936,118	$ 1,226,790

$414,864 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ending June 30:	Pension Expense Amount
2020	$ 11,644
2021	(257,152)
2022	(374,694)
2023	(85,334)

2. TRA Pension Costs

At June 30, 2019, the District reported a liability of $14,628,341 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.2329% at the end of the measurement period and 0.2326% for the beginning of the period.

9. Defined Benefit Pension Plans – Statewide (Continued)

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

District's proportionate share of net pension liability	$	14,628,341
State's proportionate share of the net pension liability associated with the district	$	1,374,472

For the year ended June 30, 2019, the District recognized pension expense of ($9,140,520). It also recognized $82,883 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 184,812	$ 294,699
Difference between projected and actual investment earnings		1,038,677
Changes in actuarial assumptions	19,412,085	21,662,254
Changes in proportion	67,769	1,988,716
Contributions paid to TRA subsequent to the measurement date	1,031,225	
Total	$ 20,695,891	$ 24,984,346

$1,031,225 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ending June 30:	Pension Expense Amount
2020	$ (1,387,154)
2021	(2,220,817)
2022	(1,049,501)
2023	(665,411)
2024	3,203

9. Defined Benefit Pension Plans – Statewide (Continued)

Aggregate Pension Costs

Pension expense recognized by the District for the fiscal year ended June 30, 2019 is as follows:

General Employees Retirement Fund	$	(470,767)
TRA		(9,057,637)
Total	$	(9,528,404)

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 following the actuarial assumptions:

1. General Employees Fund Actuarial Assumptions

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

9. Defined Benefit Pension Plans – Statewide (Continued)

Changes in Plan Provisions (Continued):

- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2. TRA Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2018
Experience Study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% for 10 years and 3.25%, thereafter
Projected Salary Increases	2.85 to 8.85% for 10 years and
	3.25 to 9.25%, thereafter
Cost of Living Adjustment	1% for January 2019 through January 2023, then
	increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions:	
Pre-Retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projections uses the MP-2015 scale.
Post-Retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustment of the rates. Generational projection uses the MP-2015 scale
Post-Disability:	RP-2014 disabled retiree morality table, without adjustment.

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

9. Defined Benefit Pension Plans – Statewide (Continued)

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

Asset Class	Target 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%	0.00%
Total	100%	

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

The following changes in TRA actuarial assumptions since the 2017 valuation:

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

9. Defined Benefit Pension Plans – Statewide (Continued)

Discount Rate

1. General Employees Fund Discount Rate

The discount rate used to measure the total pension liability in 2018 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 the rates specified in Minnesota Statutes. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. TRA Discount Rate

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

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employees Retirement Fund Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the General Employees Retirement Fund net pension liability	$ 6,644,456	$ 4,088,574	$ 1,978,766
TRA Discount Rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 23,215,053	$ 14,628,341	$ 7,544,285

Pension Plan Fiduciary Net Position

Detailed information about the General Employees Retirement Fund's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive 400, St. Paul, Minnesota, 55103-4000; or by calling (651) 296-2409 or 1-800-657-3669.

10. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2019, 2018, and 2017 were $124,500, $110,508, and $106,045, respectively. The related employee contributions were $394,145, $364,711, and $386,458 for the years ended June 30, 2019, 2018, and 2017, respectively.

11. Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employees of the District are eligible to participate in the plan if and when the collective bargaining agreement or contract with their group allows eligibility. Employees can elect to contribute pre-tax dollars withheld from compensation to the plan for health care and dependent care benefits.

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

Payments of insurance premiums (health, life, and disability) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the appropriate fund.

All plan property and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible health 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.

12. Other Post-Employment Benefits

Plan Description

The District operates single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the District's health insurance plan. There are 406 active participants, 73 retired participants and 17 spouses. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated at various times. The Plan does not issue a publicly available financial report.

Contributions

Contributions requirements are also negotiated between the District and union representatives. The District contributes the premiums for family medical or premiums for single medical for teachers hired before July 1, 2008 and retiring prior to July 1, 2010 and other eligible retired plan members. Also, for teachers hired before July 1, 2008 and retiring on or after July 1, 2010, a $11,500 annual contribution to an HRA will be made by the District. The District also contributes an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group. For fiscal year 2019, the District did not make any contributions to the plan.

12. Other Post-Employment Benefits (Continued)

Net OPEB Liability

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

Total OPEB liability	$	6,825,165
Plan fiduciary net position		10,101,585
District's net OPEB liability	$	(3,276,420)
Plan fiduciary net position as a percentage of the total OPEB liability		148.00%

Actuarial Assumptions

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

Discount rate	6.20%
Expected return on plan assets	6.20%
Inflation rate	2.50%
Mortality	Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
Medical trend rate	6.25% in fiscal year 2018 grading to 5.00% over 5 years. The medical trend rate has been chosen based on a review of historical medical increase rates, projected medical increase rates, and projected health care expenditures as a percentage of GDP. The components of health care costs were considered when developing the aggregate set of trend rates.

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%).

12. Other Post-Employment Benefits (Continued)

All results are then rounded to the nearest quarter percentage. Best-estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation	Expected Class Return
Cash	1%	2.50%
Fixed Income	39%	2.60%
Domestic Equity	26%	9.00%
International Equity	14%	10.00%
Real Estate	10%	8.70%
Other (Hedged Equity Funds)	10%	5.80%
Total Portfolio	100%	6.20%

Discount Rate

The discount rate used to measure the OPEB liability was 6.20%. Per GASB guidance, the single rate that produced the same present value of expected benefit payments as (1) the expected long-term rate of return on plan assets during the period when projected assets are sufficient to pay future retiree benefits, and (2) the 20-year municipal bond rate after assets are projected to be exhausted.

Changes in Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a-b)
Beginning Balance 6/30/2018	$ 6,996,966	$ 10,443,191	$ (3,446,225)
Changes for the Year			
Service Cost	190,756		190,756
Interest	427,426		427,426
Assumption changes	28,895		28,895
Projected Investment Return		647,478	(647,478)
Differences between Expected and Actual Experience		(170,206)	170,206
Benefit Payouts	(818,878)	(818,878)	
Net Changes	(171,801)	(341,606)	169,805
Balance End of Year 6/30/2019	$ 6,825,165	$ 10,101,585	$ (3,276,420)

12. Other Post-Employment Benefits (Continued)

Net OPEB Liability Sensitivity to Discount and Health-Care Trend Rate Changes

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

	Net OPEB Liability (Asset)
1% decrease in Discount Rate (5.20%)	$ (2,943,357)
Current Discount Rate (6.20%)	(3,276,420)
1% increase in Discount Rate (7.20%)	(3,588,320)

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

	Net OPEB Liability (Asset)
1% decrease in Trend Rates	$ (3,617,745)
Current Trend Rates	(3,276,420)
1% increase in Trend Rates	(2,883,445)

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

For the current year end, the District recognized OPEB expense of $183,321. As of year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$	$ 734,977
Difference between projected and actual investment earnings	69,718	
Change in actuarial assumption	24,767	34,210
Total	$ 94,485	$ 769,187

12. Other Post-Employment Benefits (Continued)

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

Year ending June 30:		OPEB Expense Amount
2020	$	(154,025)
2021		(154,023)
2022		(105,405)
2023		(115,673)
2024		(149,703)
Thereafter		4,127

13. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries insurance for employee health, liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There was no reduction in insurance coverage during 2019.

14. Operating Lease

The District has entered into operating leases for real estate and copiers. The minimum rental commitment on the leases in effect at June 30, 2019 is as follows:

Year Ending June 30,		Annual Lease Payments
2020	$	51,814

Rent expense under the operating leases for the year ending June 30, 2019 was $51,814.

15. Commitments and Contingencies

Federal and State Programs

The District participates in a number of federal and state agency assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District does not anticipate any audit adjustments or disallowed program expenditures that would be material in relation to the general purpose financial statements taken as a whole.

16. Jointly Governed Organization

The Goodhue County Education District No. 6051-61 was established by an act of the 1987 Legislature of the State of Minnesota. The primary objective of the District is to provide, by a cooperative effort, comprehensive educational programs and other related services as can be effectively operated by its five member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements, and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources. The jointly governed organization's financial statements are audited and available for inspection.

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

REQUIRED SUPPLEMENTAL INFORMATION

JUNE 30, 2019

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

Other Post-Employment Benefits Plan
Schedule of Changes in the District's Net OPEB
Liability and Related Ratios
Year Ended June 30, 2019 and 2018

	2019	2018
Total OPEB Liability		
Service cost	$ 190,756	$ 182,235
Interest cost	427,426	501,250
Differences between expected and actual experience		(1,028,969)
Changes of assumptions	28,895	(47,896)
Benefit payments	(818,878)	(756,001)
Net change in total OPEB liability	(171,801)	(1,149,381)
Total OPEB Liability - beginning of year	6,996,966	8,146,347
Total OPEB Liability - end of year	$ 6,825,165	$ 6,996,966
Plan Fiduciary Net Position		
Projected investment return	$ 647,478	$ 615,448
Differences between expected and actual experience	(170,206)	
Benefit payments	(818,878)	(756,001)
Net change in plan fiduciary net position	(341,606)	(140,553)
Plan Fiduciary Net Position - beginning of year	10,443,191	10,583,744
Plan Fiduciary Net Position - end of year	$ 10,101,585	$ 10,443,191
Net OPEB Liability - End of Year	$ (3,276,420)	$ (3,446,225)
Fiduciary Net Position as a Percentage of the Total OPEB Liability	148.0%	149.3%
Covered payroll	$ 17,973,472	$ 17,449,973
Net OPEB Liability as a Percentage of Covered payroll	-18.2%	-19.7%

Other Post-Employment Benefits Plan
Schedule of Investment Returns-
Year Ended June 30, 2019 and 2018

Year	Expected Long-Term Investment Return
2019	6.20%
2018	6.30%

See Note 12, Other Post-Employment Benefits, for more information.

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

Schedule of District's Contributions
GERF Retirement Funds
Last Ten Years

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	PERA	$ 366,876	$ 366,876	$	$ 4,966,332	7.39%
2016	PERA	348,307	348,307		4,644,219	7.50%
2017	PERA	352,666	352,666		4,702,213	7.50%
2018	PERA	367,290	367,290		4,897,200	7.50%
2019	PERA	371,592	371,592		4,954,560	7.50%
2020						
2021						
2022						
2023						
2024						

Schedule of District's Contributions
TRA Retirement Funds
Last Ten Years

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	TRA	$ 992,663	$ 992,663	$	$ 13,238,633	7.50%
2016	TRA	938,923	938,923		12,518,947	7.50%
2017	TRA	938,923	938,923		12,518,973	7.50%
2018	TRA	938,915	938,915		12,518,867	7.50%
2019	TRA	965,064	965,064		12,867,520	7.50%
2020						
2021						
2022						
2023						
2024						

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
Public Employees PERA
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the School (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0930%	$ 4,368,674	$	$ 4,368,674	$ 4,884,545	89%	78.70%
2015	0.0846%	4,384,411		4,384,411	4,644,219	94%	78.20%
2016	0.0758%	6,154,584	80,392	6,234,976	4,702,213	133%	68.90%
2017	0.0760%	4,851,790	61,021	4,912,811	4,897,200	100%	75.90%
2018	0.0737%	4,088,574	134,082	4,222,656	4,954,560	85%	79.53%
2019							
2020							
2021							
2022							
2023							

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability
TRA
Last Ten Years (presented prospectively)

Fiscal Year Ended June 30	District's Portion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	District's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (b)	Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.2791%	$ 12,860,727	$ 904,631	$ 13,765,358	$ 12,738,778	101%	81.5%
2015	0.2608%	16,133,059	1,978,944	18,112,003	12,518,947	129%	76.8%
2016	0.2407%	57,412,693	5,763,607	63,176,300	12,518,973	459%	44.9%
2017	0.2326%	46,431,179	4,488,622	50,919,801	12,518,867	371%	51.6%
2018	0.2329%	14,628,341	1,374,472	16,002,813	12,867,520	114%	78.1%
2019							
2020							
2021							
2022							
2023							

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

SINGLE AUDIT REPORTS

JUNE 30, 2019

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Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Independent School District #256
Red Wing, Minnesota

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #256, Red Wing, Minnesota, as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 15, 2019. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Purpose of this Report

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

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 15, 2019

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

To the Board of Education
Independent School District #256
Red Wing, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District #256, Red Wing, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Independent School District #256, Red Wing, Minnesota, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (Continued)

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #256, Red Wing, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated October 15, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

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

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 15, 2019

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program	Federal CFDA Number	Federal Expenditures			
U.S. Department of Education					
Direct Program					
Cash Assistance:					
Indian Education Grants to Local Education Agencies	84.060	$ 24,108			
Total Direct Program Assistance				$ 24,108	
Pass-Through Minnesota Department of Education					
Cash Assistance:					
Adult Education - Basic Grants to States	84.002	51,004			
Title I	84.010	353,785	***		
Title II - Part A	84.367	68,966			
Total Cash Assistance				473,755	
Total Passed Through Minnesota Department of Education					$ 497,863
Pass-Through Goodhue County Education District					
Cash Assistance:					
Special Education Cluster (IDEA):					
Special Education - Grants to States	84.027 &	317,588			
Special Education - Preschool Grants	84.173 &	22,022			
Subtotal Special Education Cluster (IDEA)				339,610	
Cash Assistance:					
Career and Technical Education	84.048	12,531			
Special Education - Grants for Infants and Families	84.181	17,397			
Subtotal				29,928	
Total Passed Through Goodhue County Education District					369,538
Subtotal U.S. Department of Education					867,401
US Department of Agriculture					
Pass-Through Minnesota Department of Education					
Child Nutrition Cluster:					
Non-Cash Assistance (Commodities):					
National School Lunch Program	10.555 #	115,269			
Total Non-Cash Assistance				115,269	
Cash Assistance:					
School Breakfast Program	10.553 #	149,052			
National School Lunch Program	10.555 #	441,748			
Summer Food Service	10.559 #	91,475			
Commodity Cash Rebate Program	10.555 #	2,463			
Total Cash Assistance				684,738	
Subtotal Child Nutrition Cluster					800,007
Cash Assistance:					
Child and Adult Care Food Program	10.558	37,869			
Commodity Cash Rebate Program	10.558	2,465			
Total Cash Assistance				40,334	
Subtotal					40,334
Subtotal U.S. Department of Agriculture					840,341
Total expenditures of federal awards					$ 1,707,742

\# - Child Nutrition Cluster
& - Special Education Cluster
*** Major Program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. General

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Independent School District #256, Red Wing, Minnesota under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in assets, or cash flows of the District.

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

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Food Distribution

Nonmonetary assistance is reported in the schedule with the National School Lunch Program at the fair market value of the commodities received and disbursed which totaled $115,269. Monetary assistance in the form of rebates are also included with the National School Lunch Program and totaled $2,465.

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the Independent School District #256 were prepared in accordance with GAAP.

2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of Independent School District #256, Red Wing, Minnesota, were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.

5. The auditor's report on compliance for the major federal award programs for Independent School District #256, Red Wing, Minnesota expresses an unmodified opinion on all major federal programs.

6. There were no audit findings relative to the major federal programs for Independent School District #256 reported in this schedule.

7. The program tested as a major program was the Title I Grants to Local Educational Agencies, which includes the following: CFDA #84.010.

8. The threshold for distinguishing Types A and B programs was $750,000.

9. Independent School District #256, Red Wing, Minnesota was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

No findings.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings.

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

STUDENT ACTIVITY FUNDS

JUNE 30, 2019

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SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District #256
Red Wing, Minnesota

We have audited the statements of cash receipts and disbursements of the student activity accounts of Independent School District #256, Red Wing, Minnesota for the year ended June 30, 2019. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with accounting standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. Accordingly, it was not practicable for us to extend our audit of such cash collections beyond the amounts recorded.

Because the financial statements are prepared on the basis of cash receipts and disbursements, revenue is recorded when received rather than when earned, and expenses are recognized when paid rather than when the obligations are incurred. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with United States generally accepted accounting principles.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statements referred to above presents fairly, in all material respects, the cash balances of the District's Student Activity Funds as of June 30, 2019, and the receipts and disbursements for the year then ended on the basis of accounting describe in the notes to the Student Activity Funds Financial Statement.

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 15, 2019

Red Wing Office • 519 Bush Street • Red Wing, MN 55066 • PH (651) 388-2858 • FAX (651) 388-6414
Offices in: Edina, Maplewood, and Rochester • www.smithschafer.com

INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA
STUDENT ACTIVITY FUNDS
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Fiscal Year Ended June 30, 2019

Funds	Balance 6/30/18	Receipts and Transfers	Disbursements and Transfers	Balance 6/30/19
Burnside School Store	$ 1,663	$	$ 205	$ 1,458
TBMS Student Council	787	862	434	1,215
RWHS - DECA	2,188		317	1,871
RWHS FFA	4,862	13,143	13,559	4,446
RWHS - HOSA	3,618	10,719	7,712	6,625
RWHS German Club	5,140		350	4,790
RWHS - 8th & 9th Student Council	1,383	1,164		2,547
RWHS Sustainability	514	250		764
RWHS Spanish Club	5,107	5		5,112
RWHS Student Council	15,309	7,632	7,190	15,751
RWHS Skills USA	335	5,817	5,322	830
RWHS Key Club	458	1,176	488	1,146
RWHS School Store	2,837	318	3,155	
RWHS Interact	475	254	9	720
TOTAL	$ 44,676	$ 41,340	$ 38,741	$ 47,275

NOTES TO STUDENT ACTIVITY FUNDS FINANCIAL STATEMENTS

1. General

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

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

The accounts of the Student Activity Funds are maintained, and the accompanying financial statements have been prepared, on the cash basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

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SMITH•SCHAFER
& ASSOCIATES, LTD.
Certified Public Accountants and Consultants

Members of American Institute of CPA's,
Private Companies Practice Section, Minnesota Society of CPA's

MINNESOTA LEGAL COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District #256
Red Wing, Minnesota

We have audited the statements of cash receipts and disbursements of the extracurricular student activity accounts of Independent School District #256, Red Wing, Minnesota for the year ended June 30, 2019, and have issued our report thereon dated October 15, 2019.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Manual for Activity Fund Accounting for Minnesota School Districts,* issued by the Minnesota Department of Education.

The *Manual for Activity Fund Accounting for Minnesota School Districts* provides financial and accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the District complied with the provisions referred to in the preceding paragraph, except as described in the accompanying schedule of findings.

The report is intended for the information of the School Board, management, and students of Independent School District #256 and the Minnesota Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Smith, Schafer and Associates, Ltd.

Red Wing, Minnesota
October 15, 2019

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

STUDENT ACTIVITY FUND
SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2019

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Red Wing Public Schools
2451 Eagle Ridge Drive
Red Wing, MN 55066

Red Wing Public Schools ISD # 256

Phone 651.385.4500 www.redwing.k12.mn.us Fax 651.385.4510

STUDENT ACTIVITY FUNDS
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

FINDING 2019-001 **Minnesota Legal Compliance – No Signed Statements of Purpose**

Condition: In accordance with the Manual for Activity Fund Accounting (MAFA), each activity must have a signed statement of purpose. For the activities listed on the schedules of activity funds, no current statements of purpose were on file for Burnside School Store, RWHS-FFA, RWHS-Skills USA and RWHS-School Store.

Recommendation: We recommend that the District adopt a policy to comply with MAFA and perform a periodic internal review to ensure compliance is monitored and changes made as necessary.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings:
There is no disagreement with the audit finding.

Actions Planned in Response to Findings:
The District will adopt a policy to comply with MAFA, review each activity for inactivity, and conduct periodic internal reviews to monitor compliance.

Official Responsible for Ensuring CAP:
Jackie Paradis, Business Manager is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP:
Change will be done immediately.

Plan to Monitor Completion of CAP:
Karsten Anderson, Superintendent, will be monitoring this corrective action plan.

Red Wing Public Schools
2451 Eagle Ridge Drive
Red Wing, MN 55066

Red Wing
Public Schools
ISD # 256

Phone 651.385.4500 www.redwing.k12.mn.us Fax 651.385.4510

STUDENT ACTIVITY FUNDS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

FINDING 2018-001 **Minnesota Legal Compliance – No Activity**

Condition: In accordance with the Manual for Activity Fund Accounting (MAFA), each student activity account must have activity during the year. Inactive student activity accounts must be closed in a timely manner. Three student activity accounts listed on the schedules of activity funds including Burnside School Store, RWHS School Store and RWHS-Interact, had no activity.

Current Status: During our testing, finding did not reoccur in 2019.

Red Wing Public Schools
2451 Eagle Ridge Drive
Red Wing, MN 55066

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Public Schools
ISD # 256

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STUDENT ACTIVITY FUNDS
SCHEDULE OF PRIOR FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

FINDING 2018-002 **Minnesota Legal Compliance – No Signed Statements of Purpose**

Condition: In accordance with the Manual for Activity Fund Accounting (MAFA), each activity must have a signed statement of purpose. For the activities listed on the schedules of activity funds, no current statements of purpose were on file for Burnside School Store, RWHS-DECA, RWHS-FFA, RWHS-Skills USA and RWHS-School Store.

Current Status: During our testing, four student activity accounts including Burnside School Store, RWHS-FFA, RWHS-Skills USA and RWHS School Store, had no signed statement of purpose.

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INDEPENDENT SCHOOL DISTRICT #256
RED WING, MINNESOTA

COMPLIANCE TABLE

June 30, 2019

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Fiscal Compliance Report - 6/30/2019
District: RED WING (256-1)

01 GENERAL FUND

	Audit	UFARS	Audit - UFARS
Total Revenue	$33,635,911	$33,635,912	($1)
Total Expenditures	$33,639,706	$33,639,707	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$60,287	$60,287	$0
Restricted / Reserved:			
4.03 Staff Development	$86,117	$86,117	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$372,935	$372,935	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$566,154	$566,154	$0
4.72 Medical Assistance	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$185,171	$185,171	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,343,801	$2,343,801	$0

02 FOOD SERVICES

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,660,751	$1,660,751	$0
Total Expenditures	$1,675,591	$1,675,591	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$18,783	$18,783	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$54,313	$54,314	($1)
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$2,319,074	$2,319,073	$1
Total Expenditures	$2,337,336	$2,337,334	$2
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$283,585	$283,585	$0
4.32 E.C.F.E	$49,499	$49,499	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$19,269	$19,269	$0
4.47 Adult Basic Education	$39,368	$39,368	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$169,578	$169,578	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	$154,969	$154,969	$0
Total Expenditures	$4,449,797	$4,449,797	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$246,762	$246,762	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$1,870,290	$1,870,290	$0
Total Expenditures	$1,774,923	$1,774,923	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$171,130	$171,130	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

20 INTERNAL SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$376,608	$376,608	$0
Total Expenditures	$376,320	$376,319	$1
4.22 Unassigned Fund Balance (Net Assets)	($31,791)	($31,790)	($1)

25 OPEB REVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

	Audit	UFARS	Audit - UFARS
Total Revenue	$583,726	$583,726	$0
Total Expenditures	$925,332	$925,332	$0
4.22 Unassigned Fund Balance (Net Assets)	$10,101,585	$10,101,585	$0

47 OPEB DEBT SERVICE

	Audit	UFARS	Audit - UFARS
Total Revenue	$2,021,030	$2,021,030	$0
Total Expenditures	$1,998,815	$1,998,815	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$451,077	$451,077	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0