Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Financial Statements

June 30, 2019

Independent School District No. 877
Table of Contents

Independent School District No. 877
Table of Contents

Independent School District No. 877
Board of Education and Administration
June 30, 2019

Board of Education	Position	Term Expires
Dave Wilson	Chairperson	December 31, 2020
Sue Lee	Vice Chairperson	December 31, 2020
Melissa Brings	Clerk	December 31, 2020
Laurie Raymond	Treasurer	December 31, 2020
Bob Sansevere	Director	December 31, 2022
Amanda Reineck	Director	December 31, 2022
Ken Ogden	Director	December 31, 2022

Administration	
Scott Thielman	Superintendent
Gary Kawlewski	Director of Finance and Operations
Miranda Kramer	Controller

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, 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 as listed in the Table of Contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of June 30, 2019, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information and the Uniform Financial Accounting and Reporting Standards Compliance Table identified in the Table of Contents 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 financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the 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 accompanying supplementary information 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.

Other Matters (Continued)

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 October 8, 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 14, 2019, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bergan KDV Ltd.

Minneapolis, Minnesota
October 14, 2019

Independent School District No. 877
Management's Discussion and Analysis
June 30, 2019

This section of Independent School District No. 877's (the "District") annual financial report presents a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current year (2018-2019) and the prior year (2017-2018) is required in the MD&A.

FINANCIAL HIGHLIGHTS

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

- The District's total combined net position increased 45.5% over the course of the year and was a negative $20.1 million at June 30, 2019. This change was directly related to the recognition of the district's portion of the net TRA and PERA pension liability from the State of Minnesota.

- During the year, the District's expenses were $63.0 million and its revenues were $79.7 million. Revenues increased by $.9 million from the prior year.

- The General Fund reported an unassigned fund balance this year of $6.1 million, a decrease of $2.2 million from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts: Independent Auditor's Report, required supplementary information which includes the MD&A, the basic financial statements and supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the 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 financial statements.

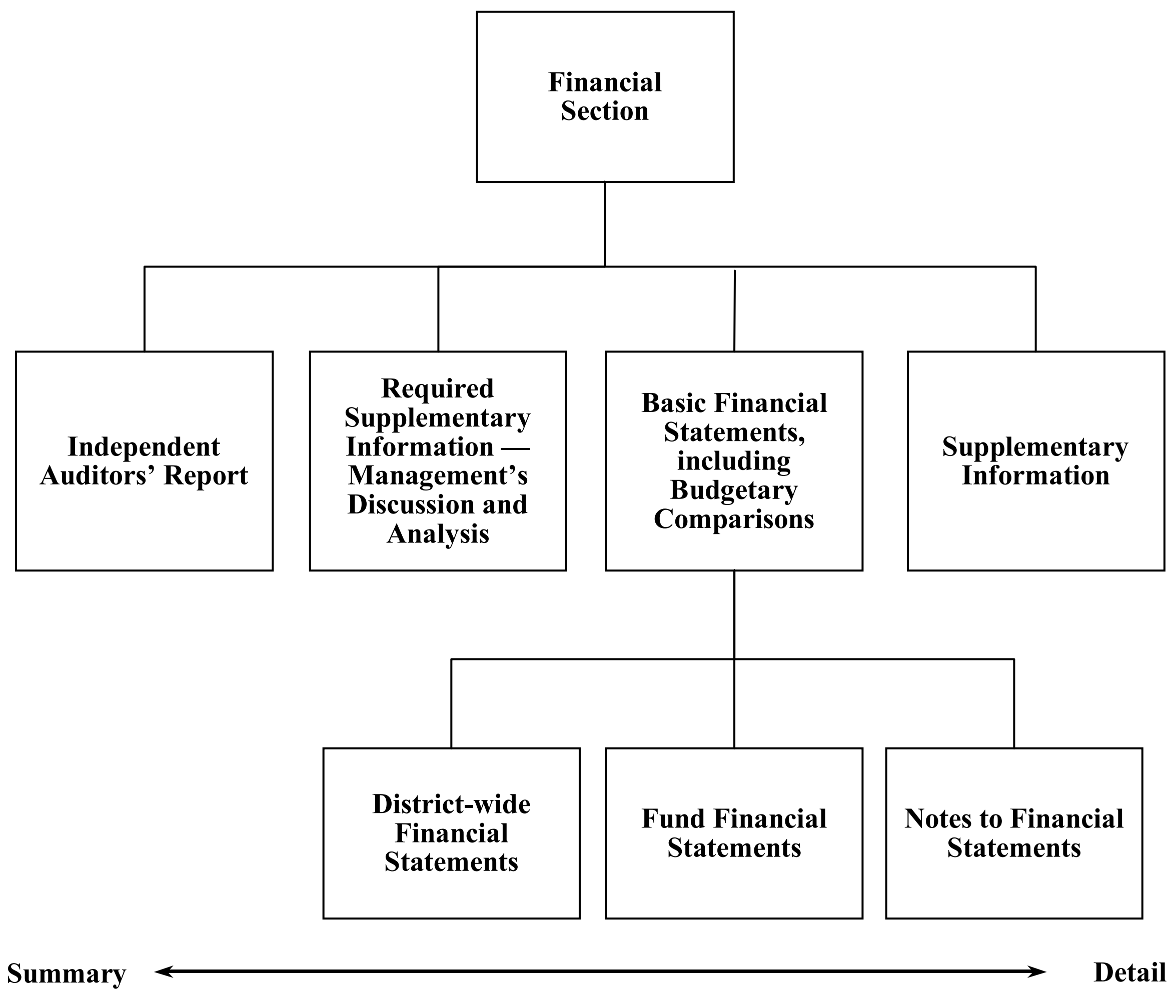
- The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain in more detail information in the basic financial statements. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Annual Financial Report



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2
Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements - Governmental	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District that are not proprietary, such as special education, building maintenance, food service and community education	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resource focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be consumed and liabilities paid during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

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 or 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. The term "net position" is defined as the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources and is one way to measure the District's financial health or position.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- To assess the overall health of the District, you need to consider additional nonfinancial 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 regular and special education, transportation, administration, food services and community education. Property taxes and state appropriations finance most of these activities.

Fund Financial Statements

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

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

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

The District has one type of fund:

- **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 to determine whether the District's working capital will be sufficient to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide reconciliations between the governmental funds statements and the district-wide statements, which do present a long-term focus.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's consolidated net position increased 45.5% and was a negative $20,054,791 on June 30, 2019 (See Table A-1). The District's total assets and deferred outflows decreased 12.36%. Total liabilities and deferred inflows decreased 17.57% due to changes in the district's net pension liability. More information about the change in pension liability can be found in Note 6 of the financial statements. Bonds payable went down due to the general obligation refunding bond that was paid in fiscal year 2019.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Net Position (Continued)

The net investment in capital assets increased primarily due to recognizing a significantly lower pension liability because of an accounting change by the State of Minnesota. The net position also increased because the District is paying off long-term debt faster than the rate of depreciation of assets is occurring.

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2019	2018	Change
Assets			
Current and other assets	$ 36,700,594	$ 43,789,335	-16.19%
Capital and non-current assets	86,320,887	87,782,547	-1.67%
Total assets	123,021,481	131,571,882	-6.50%
Deferred outflows	49,480,142	65,255,005	-24.17%
Total assets and deferred outflows of resources	$ 172,501,623	$ 196,826,887	-12.36%
Liabilities			
Current liabilities	$ 11,202,088	$ 16,455,401	-31.92%
Long-term liabilities	102,443,476	183,605,325	-44.20%
Total liabilities	113,645,564	200,060,726	-43.19%
Deferred inflows of resources	78,910,850	33,547,553	135.22%
Total liabilities and deferred inflows of resources	$ 192,556,414	$ 233,608,279	-17.57%
Net Position			
Net investment in capital assets	$ 27,558,684	$ 25,947,850	6.21%
Restricted	2,415,596	1,996,033	21.02%
Unrestricted	(50,029,071)	(64,725,275)	22.71%
Total net position	$ (20,054,791)	$ (36,781,392)	45.48%

Change in Net Position

The change in net position for 2018-2019 was a positive $16,726,601 based on total revenues of $79.7 million and total expenses of $63.0 million. Table A-2 on the following page shows the breakdown into the various revenue and expense categories.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Tables A-2
Change in Net Position

	Governmental Activities		Percentage
	2019	2018	Change
Revenues			
Program revenues			
Charges for services	$ 5,364,965	$ 5,318,379	0.88%
Operating grants and contributions	14,387,141	13,533,442	6.31%
Capital grants and contributions	2,541,446	1,715,944	48.11%
General revenues			
Property taxes	14,734,277	14,140,580	4.20%
Unrestricted state aid	41,372,677	42,935,103	-3.64%
Investment earnings	513,178	422,767	21.39%
Other	835,559	821,225	1.75%
Gain on sale of capital assets	-	-	0.00%
Total revenues	79,749,243	78,887,440	1.09%
Expenses			
Administration	1,196,644	2,416,676	-50.48%
District support services	1,625,386	1,766,067	-7.97%
Regular instruction	24,659,601	43,269,988	-43.01%
Vocational education instruction	1,529,575	2,273,180	-32.71%
Special education instruction	8,331,083	15,026,773	-44.56%
Instructional support services	3,545,487	5,729,433	-38.12%
Pupil support services	6,598,482	7,105,995	-7.14%
Sites and buildings	7,576,501	6,796,349	11.48%
Fiscal and other fixed cost programs	296,491	244,106	21.46%
Food service	2,902,859	3,140,747	-7.57%
Community service	2,987,472	4,130,150	-27.67%
Interest and fiscal charges on long-term liabilities	1,773,061	2,120,444	-16.38%
Total expenses	63,022,642	94,019,908	-32.97%
Change in net position	16,726,601	(15,132,468)	210.53%
Beginning net position	(36,781,392)	(21,648,924)	-69.90%
Ending net position	$ (20,054,791)	$ (36,781,392)	45.48%

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Revenues

The District's total revenues were approximately $79.7 million for the year ended June 30, 2019. Property taxes and state formula aid accounted for 70.4% of total revenue for the year (See Figure A-3). Another 1.7% came from other general revenues combined with investment earnings, and the remaining 27.9% came from program revenues.

Figure A-3
Sources of District's Revenues for Fiscal 2019

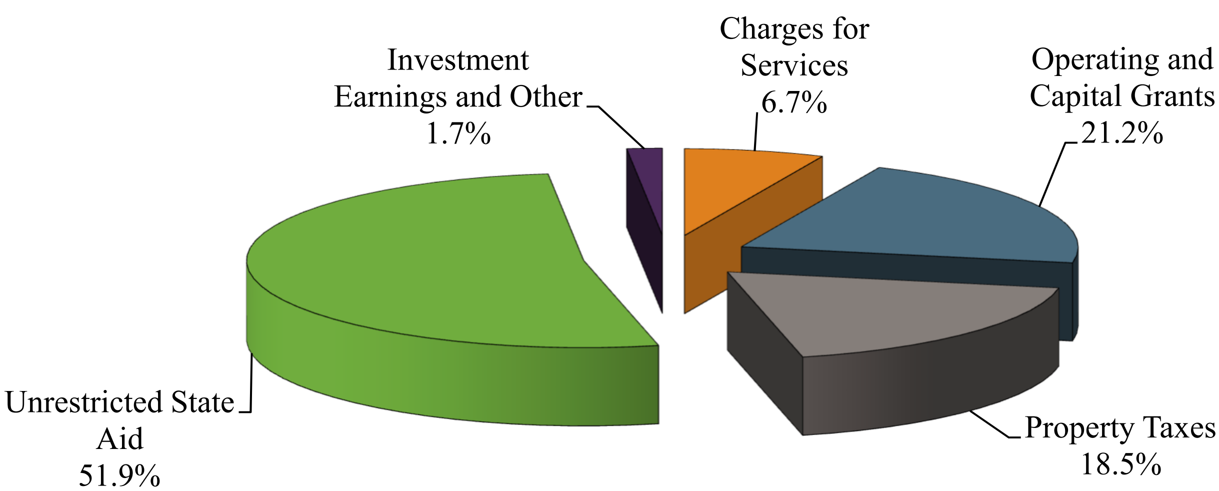
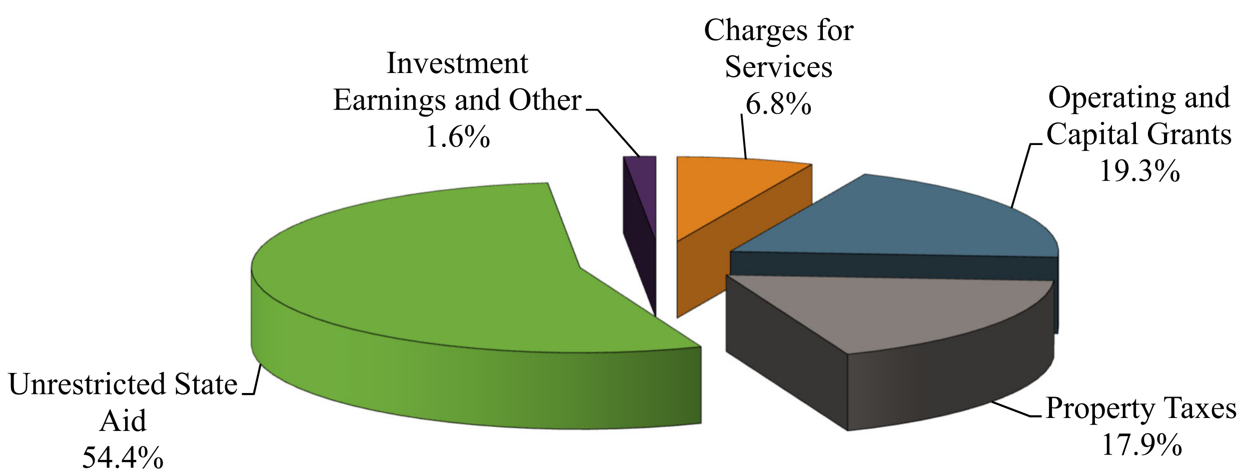


Figure A-3
Sources of District's Revenues for Fiscal 2018



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Expenses

The total cost of all programs and services decreased 33.0% to $63.0 million. The District's expenses are predominantly related to educating, caring for, and transporting students. The administrative expenses of the District accounted for 4.5% of total costs for 2018-19 and for 4.4% of total costs for 2017-18 (see Figure A-4).

Figure A-4
District Expenses for Fiscal 2019

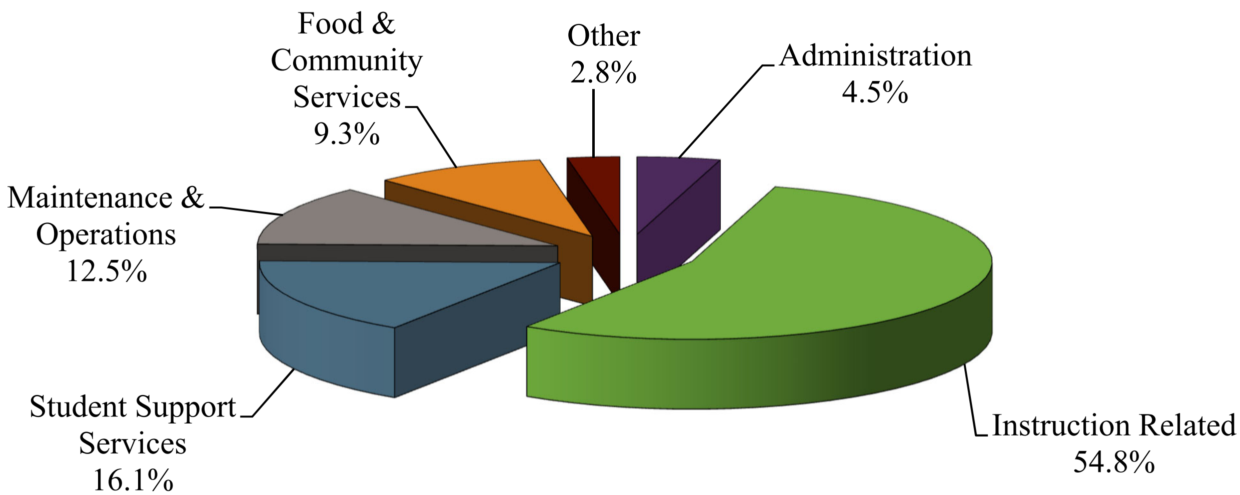
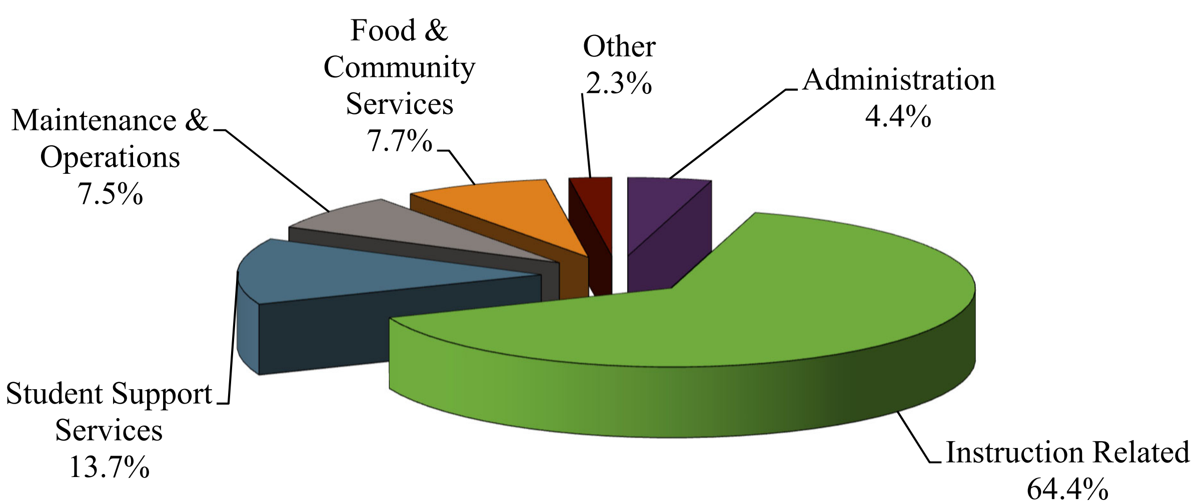


Figure A-4
District Expenses for Fiscal 2018



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Governmental Activities

Typically, the District does not incorporate funds allocated to direct instruction as part of an analysis of expenditures in all governmental funds. Funding for general operation of the District is controlled by the state and the District does not have latitude to allocate money received from entrepreneurial-type funds of food service and community education. Therefore, a more accurate analysis would be limited to the allocation of resources received for the general operation of the District and would show that 74% of those resources are spent on instruction and support services associated with instruction.
Table A-3 presents the cost of 12 major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the District's taxpayers by each of these functions.

The users of the District's program revenue of $5,364,965 paid the District's cost partially. The federal and state governments subsidized certain programs with grants and contributions ($14,387,141 for operating purposes and $2,541,446 for capital purposes). District taxpayers and the taxpayers of the State of Minnesota, however, paid for most of the District's costs with general revenue of $57,455,691. Of that remaining amount, a major portion of governmental activities came from $14,734,277 in property taxes, $41,372,677 of state aid based on the statewide education aid formula, and $1,348,737 with investment earnings and other general revenues.

Tables A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2019	2018	Change	2019	2018	Change
Administration	$ 1,196,644	$ 2,416,676	-50.48%	$ 1,196,644	$ 2,416,676	-50.48%
District support services	1,625,386	1,766,067	-7.97%	1,608,693	1,749,618	-8.05%
Regular instruction	24,659,601	43,269,988	-43.01%	20,239,371	38,988,181	-48.09%
Vocational education instruction	1,529,575	2,273,180	-32.71%	1,469,078	2,181,885	-32.67%
Special education instruction	8,331,083	15,026,773	-44.56%	(532,156)	6,474,326	-108.22%
Instructional support services	3,545,487	5,729,433	-38.12%	3,197,400	5,728,788	-44.19%
Pupil support services	6,598,482	7,105,995	-7.14%	6,363,591	6,873,281	-7.42%
Sites and buildings	7,576,501	6,796,349	11.48%	5,439,669	5,503,919	-1.17%
Fiscal and other fixed cost programs	296,491	244,106	21.46%	294,616	232,159	26.90%
Food service	2,902,859	3,140,747	-7.57%	(141,279)	155,214	-191.02%
Community service	2,987,472	4,130,150	-27.67%	(179,598)	1,027,652	-117.48%
Interest and fiscal charges on long-term liabilities	1,773,061	2,120,444	-16.38%	1,773,061	2,120,444	-16.38%
Total	$ 63,022,642	$ 94,019,908	-32.97%	$ 40,729,090	$ 73,452,143	-44.55%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $17,600,976. Of this amount, $4,084,637 is restricted to cover building project costs, future debt obligations, and other purposes.

Revenues for the District's governmental funds were $82,053,132 while total expenditures were $90,193,909. After factoring in Other Financing Sources and Uses, the District completed the year with a net change in fund balance of a negative $8,127,238. The most significant factors in leading to the decrease were the reduced constructions costs as the district nears the end of the construction projects of the passage of a bond issue for betterment of facilities and the retirement of the refunding bond principal and the retirement of a general obligation refunding bond.

GENERAL FUND

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

The following schedule presents a summary of General Fund revenues.

Tables A-4
General Fund Revenues

	Year Ended June 30,		Change	
	2019	2018	Increase (Decrease)	Percent
Property taxes	$ 7,016,659	$ 6,528,649	$ 488,010	7.47%
Other local and county revenues	2,197,898	1,865,294	332,604	17.83%
State sources	56,485,821	54,339,704	2,146,117	3.95%
Federal sources	1,809,492	1,599,380	210,112	13.14%
Sales and other conversion of assets	19,910	33,929	(14,019)	-41.32%
Total revenue	$ 67,529,780	$ 64,366,956	$ 3,162,824	4.91%

GENERAL FUND (CONTINUED)

Total General Fund revenue increased from the previous year by $3,162,824, or 4.91%. Property tax revenue increased $488,010 from the 2017-2018 year due to an increase in revenue from the Long-Term Facility Maintenance Program and a greater local share of equalized revenue sources. Revenue from state sources increased $2,146,117 in the State's General Education Revenue formula allowance, an increase in special education aid, and an increase in aid in the third year of the Long-Term Facility Maintenance Program. Federal sources went up from an increase in entitlements, use of carryover funds, and a new federal grant for Montrose Elementary for a new science, math, technology, and arts education program. The revenue from Other Local and County sources increased primarily due to increased interest earnings, revenue from third party billing collections, due from other districts, retiree insurance contributions.

The following schedule presents a summary of General Fund expenditures.

Tables A-5
General Fund Expenditures

	Year Ended June 30,		Change	
	2019	2018	Increase (Decrease)	Percent
Salaries	$ 37,638,672	$ 36,416,491	$ 1,222,181	3.36%
Employee benefits	14,326,980	13,652,226	674,754	4.94%
Purchased services	10,272,057	10,292,282	(20,225)	-0.20%
Supplies and materials	3,254,715	2,622,892	631,823	24.09%
Capital expenditures	2,780,454	2,086,908	693,546	33.23%
Other expenditures	668,087	602,084	66,003	10.96%
Total expenditures	$ 68,940,965	$ 65,672,883	$ 3,268,082	4.98%

Total General Fund expenditures increased $3,268,082 or 4.98%, from the previous year primarily due to the third year increase of the Long-term Facilities Maintenance program, additional teaching staff hired during the year, technology and curriculum purchases, an additional bus route, and contract settlements.

In the 2018-2019 school year, General Fund revenues and other sources were lower than expenditures by $1,403,221. As a result, the total fund balance at June 30, 2019 decreased to $14,666,516 of which $7,955,760 is restricted, committed, or assigned. The unassigned fund balance decreased from the prior year, ending at a balance of $6,710,756 at June 30, 2019, or 9.73% of expenditures with the non-spendable fund balance of $574,149 included. The District closely monitors its fund balance.

GENERAL BUDGETARY HIGHLIGHTS

The District revises its annual budget once each year. The budget amendment caused the changes shown between the original budget amount and the final budget amount which primarily fall into the following two categories:

- Change in salaries from projected amounts due to staffing for enrollment and special education needs and contract settlements.
- Changes in revenue entitlements from state aid proration and enrollment changes in weighted average daily membership (WADM).
- Changes in revenue from the Special Education program.
- Addition of the Montrose Elementary federal grant for a new science, math, technology, and arts education program

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues and other sources by about $2,603,240, the actual results for the year show a $1,403,221 deficit with expenditures exceeding revenue and other financing sources. Revenues were over the District's final budget by .0% whereas expenditures were under budget by 1.71%.

- Actual revenues were higher than expected by $2,804 and due primarily to increased special education aid, general education aid, and lower federal aid.
- Actual expenditures were under budget by $1,197,500. The district had lower than anticipated expenditures for teachers, custodians, and ESP staff. The district had lower than anticipated health insurance expenses. The district also saw its portion of TRA, FICA, and PERA come in under budget because those benefits are a percentage of salary that was also under budget. The district also had lower than anticipated expenditures in its federal programs.

CAPITAL PROJECTS AND DEBT SERVICE FUNDS

The Building Construction fund recorded the revenues and expenditures from the bond issue passed on November 4, 2014. The project started in 2014-2015 and is scheduled to be completed in 2019-2020. Revenues represent the proceeds from donations and interest earned during the year and totaled $190,174. Expenditures for work completed as of the end of the year totaled $1,281,799. The total Building Construction fund balance was $911,076 on June 30, 2019.

The Debt Service Fund balance for Fund 07 decreased $6,138,490. The ending balance is $1,095,774 in total as of June 30, 2019. All of this balance is restricted to meet future debt obligations of the district.

The Post Employment Debt Service Fund revenues exceeded expenditures by $113,224 and increased its fund balance to $339,251 at June 30, 2019. The balance in this fund will be used for future debt service obligations.

OTHER NONMAJOR FUNDS

The Food Service Fund revenues exceeded expenditures for the year by $150,155. The food service department had increased revenue in all categories and decreased costs from labor and supplies.

The Community Service Fund revenues and other financing sources exceeded expenditures by $242,719 and increased its fund balance to a negative $33,383 as of June 30, 2019.

FIDICUARY FUNDS

The District created a sunset clause in certain contracts for retiree insurance contributions. Individuals hired after the sunset date are no longer eligible for the grandfathered post-retirement insurance benefits. The new provisions require the district to make ongoing contributions to the new employee's HRA account held in an outside irrevocable trust. Each contract has a contribution limit for the individual employee. The value of the irrevocable trust was $1,851,004 as of June 30, 2019.

During the 2009-2010 school year, the District issued $10.845 million in OPEB Bonds and at the same time, created an irrevocable trust to fund the District's post-employment benefits. The District started to use the Trust in the 2012-2013 year to cover post-employment obligations. The amount held in trust for OPEB as of June 30, 2019 was $13,347,372 and increased in value by $49,468.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2019, the District had invested approximately $154 million in a broad range of capital assets, including school buildings, athletic facilities, computer, and audio-visual equipment and administrative offices, (see Table A-6). This amount represents a net increase of $2,898,938 or 1.92%, from last year. Total depreciation expense for the year was approximately $4.9 million. More detailed information about capital assets can be found in Note 3 to financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

Table A-6
The District's Capital Assets

	2019	2018	Percentage Change
Land	$ 4,222,035	$ 4,222,035	0.00%
Construction in progress	2,352,583	2,731,087	-13.86%
Land improvements	11,358,836	11,023,883	3.04%
Buildings and improvements	128,644,213	126,256,674	1.89%
Equipment and transportation vehicles	7,692,634	7,137,684	7.77%
Total historical cost	154,270,301	151,371,363	1.92%
Less accumulated depreciation	(69,651,145)	(64,996,724)	-7.16%
Total	$ 84,619,156	$ 86,374,639	-2.03%

Construction – Next Five Years
The District voted on a $33 million bond issue in the fall of 2014 which was successfully passed. Construction from the project occurred starting with the 2014-2015 fiscal year and is scheduled to be completed in 2019-2020.

Long-Term Debt
At year-end, the District had $65,736,439 in general obligation (G.O.) bonds and capital leases, a decrease of 15.6% from last year as shown in Table A-7. The District also had $1,628,666 in future post-employment severance benefits payable at June 30, 2019. The School Board has committed $3,340,760 for payment of future post-employment severance and health benefits. More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Debt (Continued)

Table A-7
The District's Long-Term Liabilities

	2019	2018	Percentage Change
G.O. bonds	$ 62,605,000	$ 73,965,000	-15.36%
Net bond premium and discount	2,344,462	2,930,988	-20.01%
Net G.O. bonds	64,949,462	76,895,988	-15.54%
Obligations under capital leases	786,977	957,899	-17.84%
Net G.O. bonds and capital leases	65,736,439	77,853,887	-15.56%
Severance payable	1,290,002	1,427,854	-9.65%
Compensated absences payable	338,664	322,104	5.14%
Total	$ 67,365,105	$ 79,603,845	-15.37%

Bond Ratings
The District's G.O. bonds carry an MSDE enhanced rating of Aa2 according to the most recent Moody's Investor Service Rating.

Limitations on Debt
The state limits the amount of G.O. debt the District can issue to 15% of the market value of all taxable property within the District's corporate limits. The District's outstanding debt is significantly below this limit.

FACTORS BEARING ON THE DISTRICT'S FUTURE

With the exception of the voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

During the 2017 State Legislative session, the basic general education formula increased by $121 for 2017-18 and $124 per pupil unit for 2018-19. Even though the additional funding will help, the District will need to continue its conservative budgeting practices and explore additional sources of revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 877, 214 1st Avenue NE, Buffalo, Minnesota 55313.

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	Governmental Activities	
	2019	0
Assets		
Cash and investments	$ 21,290,217	$ 29,306,323
Current property taxes receivable	7,430,545	7,061,458
Delinquent property taxes receivable	170,247	147,930
Accounts receivable	391,962	289,886
Interest receivable	182,595	118,053
Due from Department of Education	5,962,618	5,398,000
Due from Federal Government through Department of Education	455,974	709,931
Due from other Minnesota school districts	122,043	42,593
Due from other governmental units	47,986	129,732
Inventory	124,492	157,204
Prepaid items	521,915	428,225
Equity interest in joint venture	314,543	393,375
Net OPEB asset	1,387,188	1,014,533
Capital assets not being depreciated		
Land	4,222,035	4,222,035
Construction in progress	2,352,583	2,731,087
Capital assets, net of accumulated depreciation		
Land improvements	7,911,664	8,065,358
Buildings	68,157,669	69,594,399
Machinery and equipment	1,975,205	1,761,760
Total assets	123,021,481	131,571,882
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	48,667,066	64,770,395
Deferred outflows of resources related to OPEB	551,212	147,928
Deferred outflows related to charge on refunding	261,864	336,682
Total deferred inflows of resources	49,480,142	65,255,005
Total assets and deferred outflows of resources	$172,501,623	$196,826,887
Liabilities		
Accounts payable	$ 1,166,609	$ 1,302,303
Salaries and benefits payable	2,474,374	1,614,192
Interest payable	823,894	911,535
Due to other Minnesota school districts	140,746	286,024
Due to other governmental units	225,598	263,358
Unearned revenue	236,044	169,605
Bond payable, net		
Payable within one year	5,560,000	11,360,000
Payable after one year	59,389,462	65,535,988
Capital lease payable		
Payable within one year	177,183	170,922
Payable after one year	609,794	786,977
Compensated absences payable		
Payable within one year	338,664	322,104
Severance payable		
Payable within one year	58,976	55,358
Payable after one year	1,290,002	1,400,175
Net pension liability	41,154,218	115,882,185
Total liabilities	113,645,564	200,060,726
Deferred Inflows of Resources		
Property taxes levied for subsequent year's expenditures	14,627,024	14,250,030
Deferred inflows of resources related to pensions	63,229,039	19,173,504
Deferred inflows of resources related to OPEB	969,642	124,019
Deferred inflows related to charge on refunding	85,145	-
Total deferred inflows of resources	78,910,850	33,547,553
Net Position		
Net investment in capital assets	27,558,684	25,947,850
Restricted for		
Debt service	767,404	833,424
Other purposes	1,648,192	1,162,609
Unrestricted	(50,029,071)	(64,725,275)
Total net position	(20,054,791)	(36,781,392)
Total liabilities, deferred inflows of resources, and net position	$172,501,623	$196,826,887

Independent School District No. 877
Statement of Activities
For the Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

		Program Revenues			Net (Expense) Revenues and Changes in Net Position — Governmental Activities	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2019	2018
Governmental activities						
Administration	$ 1,196,644	$ -	$ -	$ -	$ (1,196,644)	$ (2,416,676)
District support services	1,625,386	16,693	-	-	(1,608,693)	(1,749,618)
Elementary and secondary regular instruction	24,659,601	778,581	3,172,970	468,679	(20,239,371)	(38,988,181)
Vocational education instruction	1,529,575	-	60,497	-	(1,469,078)	(2,181,885)
Special education instruction	8,331,083	146,700	8,716,539	-	532,156	(6,474,326)
Instructional support services	3,545,487	580	347,507	-	(3,197,400)	(5,728,788)
Pupil support services	6,598,482	98,400	136,491	-	(6,363,591)	(6,873,281)
Sites and buildings	7,576,501	63,464	601	2,072,767	(5,439,669)	(5,503,919)
Fiscal and other fixed cost programs	296,491	1,875	-	-	(294,616)	(232,159)
Food service	2,902,859	1,712,217	1,331,921	-	141,279	(155,214)
Community education and services	2,987,472	2,546,455	620,615	-	179,598	(1,027,652)
Interest and fiscal charges on long-term debt	1,773,061	-	-	-	(1,773,061)	(2,120,444)
Total governmental activities	$ 63,022,642	$ 5,364,965	$ 14,387,141	$ 2,541,446	(40,729,090)	(73,452,143)
General revenues						
Taxes						
Property taxes, levied for general purposes					7,029,312	6,528,293
Property taxes, levied for community service					489,451	484,166
Property taxes, levied for debt service					7,215,514	7,128,121
State aid-formula grants					41,372,677	42,935,103
Other general revenues					835,559	821,225
Investment income					513,178	422,767
Total general revenues					57,455,691	58,319,675
Change in net position					16,726,601	(15,132,468)
Net position - beginning					(36,781,392)	(21,648,924)
Net position - ending					$ (20,054,791)	$ (36,781,392)

See notes to financial statements.

Independent School District No. 877
Balance Sheet - Governmental Funds
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	General	Debt Service	Post Employment Benefits Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
Assets						
Cash and investments	$ 14,170,375	$ 3,790,680	$ 1,388,213	$ 1,940,949	$ 21,290,217	$ 29,306,323
Current property taxes receivable	3,548,344	2,676,567	985,198	220,436	7,430,545	7,061,458
Delinquent property taxes receivable	76,405	70,957	16,917	5,968	170,247	147,930
Accounts receivable	313,139	-	-	78,823	391,962	289,886
Interest receivable	182,595	-	-	-	182,595	118,053
Due from Department of Education	5,864,983	26,992	1,500	69,143	5,962,618	5,398,000
Due from Federal Government through Department of Education	410,022	-	-	45,952	455,974	709,931
Due from other Minnesota school districts	97,247	-	-	24,796	122,043	42,593
Due from other governmental units	47,236	-	-	750	47,986	129,732
Inventory	72,207	-	-	52,285	124,492	157,204
Prepaid items	501,942	-	-	19,973	521,915	428,225
Total assets	$ 25,284,495	$ 6,565,196	$ 2,391,828	$ 2,459,075	$ 36,700,594	$ 43,789,335
Liabilities						
Accounts payable	$ 1,010,938	$ -	$ -	$ 155,671	$ 1,166,609	$ 1,302,303
Salaries and benefits payable	2,291,808	-	-	182,566	2,474,374	1,614,192
Due to other Minnesota school districts	140,746	-	-	-	140,746	286,024
Due to other governmental units	225,416	-	-	182	225,598	263,358
Unearned revenue	76,264	-	-	159,780	236,044	169,605
Severance payable	58,976	-	-	-	58,976	27,679
Total liabilities	3,804,148	-	-	498,199	4,302,347	3,663,161
Deferred Inflows of Resources						
Unavailable revenue - property taxes levied for subsequent year's expenditures	6,737,426	5,398,465	2,035,660	455,473	14,627,024	14,250,030
Unavailable revenue - delinquent property taxes	76,405	70,957	16,917	5,968	170,247	147,930
Total deferred inflows of resources	6,813,831	5,469,422	2,052,577	461,441	14,797,271	14,397,960
Fund Balances						
Nonspendable	574,149	-	-	72,258	646,407	585,429
Restricted	1,053,865	1,095,774	339,251	1,595,747	4,084,637	10,920,505
Committed	3,340,760	-	-	-	3,340,760	3,420,225
Assigned	3,632,970	-	-	-	3,632,970	2,904,055
Unassigned	6,064,772	-	-	(168,570)	5,896,202	7,898,000
Total fund balances	14,666,516	1,095,774	339,251	1,499,435	17,600,976	25,728,214
Total liabilities, deferred inflows of resources, and fund balances	$ 25,284,495	$ 6,565,196	$ 2,391,828	$ 2,459,075	$ 36,700,594	$ 43,789,335

Independent School District No. 877
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	2019	2018
Total fund balances - governmental funds	$ 17,600,976	$ 25,728,214
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of capital assets	154,270,301	151,371,363
Less accumulated depreciation	(69,651,145)	(64,996,724)
Equity interests in underlying capital assets of joint ventures are not reported in the funds because they do not represent current financial assets.		
Equity interest in joint venture - Wright Technical Center	314,543	393,375
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond principal payable	(62,605,000)	(73,965,000)
Net premium on bonds payable	(2,344,462)	(2,930,988)
Capital lease payable	(786,977)	(957,899)
Compensated absences payable	(338,664)	(322,104)
Severance payable	(1,290,002)	(1,427,854)
Net pension liability	(41,154,218)	(115,882,185)
Net OPEB asset created through treatment of general obligation (G.O.) taxable OPEB bonds as employer contribution to defined benefit OPEB plan is not recognized in the governmental funds.	1,387,188	1,014,533
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions, OPEB and a bond refunding that are not recognized in the governmental funds.		
Deferred outflows of resources related to pensions	48,667,066	64,770,395
Deferred inflows of resources related to pensions	(63,229,039)	(19,173,504)
Deferred outflows of resources related to OPEB	551,212	147,928
Deferred inflows of resources related to OPEB	(969,642)	(124,019)
Deferred outflows of resources related to bond refunding	261,864	336,682
Deferred inflows of resources related to bond refunding	(85,145)	-
Delinquent property taxes receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	170,247	147,930
Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.	(823,894)	(911,535)
Total net position - governmental activities	$ (20,054,791)	$ (36,781,392)

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

	General	Debt Service	Post Employment Benefits Debt Service Fund	Other Nonmajor Funds	Total Governmental Funds 2019	Total Governmental Funds 2018
Revenues						
Local property taxes	$ 7,016,659	$ 5,159,500	$ 2,046,993	$ 488,808	$ 14,711,960	$ 14,144,355
Other local and county revenues	2,197,898	71,440	23,044	2,858,038	5,150,420	4,755,007
Revenue from state sources	56,485,821	274,841	15,022	719,650	57,495,334	55,543,782
Revenue from federal sources	1,809,492	-	-	1,153,799	2,963,291	2,742,004
Sales and other conversion of assets	19,910	-	-	1,712,217	1,732,127	1,717,730
Total revenues	67,529,780	5,505,781	2,085,059	6,932,512	82,053,132	78,902,878
Expenditures						
Current						
Administration	1,843,006	-	-	-	1,843,006	1,782,399
District support services	1,692,112	-	-	-	1,692,112	1,725,969
Elementary and secondary regular instruction	31,886,638	-	-	-	31,886,638	30,276,791
Vocational education instruction	1,890,966	-	-	-	1,890,966	1,842,650
Special education instruction	11,847,856	-	-	-	11,847,856	11,471,824
Instructional support services	4,622,051	-	-	-	4,622,051	4,446,423
Pupil support services	6,982,068	-	-	-	6,982,068	6,718,100
Sites and buildings	5,098,800	-	-	418,345	5,517,145	5,838,012
Fiscal and other fixed cost programs	296,491	-	-	-	296,491	244,106
Food service	-	-	-	2,898,568	2,898,568	3,074,132
Community education and services	-	-	-	3,440,017	3,440,017	3,666,061
Capital outlay						
Administration	129	-	-	-	129	512
District support services	657	-	-	-	657	1,614
Elementary and secondary regular instruction	18,885	-	-	-	18,885	62,755
Vocational education instruction	3,000	-	-	-	3,000	4,457
Special education instruction	820	-	-	-	820	5,772
Instructional support services	255,490	-	-	-	255,490	7,011
Pupil support services	5,354	-	-	-	5,354	660
Sites and buildings	2,294,561	-	-	863,454	3,158,015	5,171,709
Food service	-	-	-	11,891	11,891	4,773
Community education and services	-	-	-	4,563	4,563	13,297
Debt service						
Principal	170,922	9,580,000	1,780,000	-	11,530,922	5,690,641
Interest and fiscal charges	31,159	2,064,271	191,835	-	2,287,265	2,426,683
Total expenditures	68,940,965	11,644,271	1,971,835	7,636,838	90,193,909	84,476,351
Excess of revenues over (under) expenditures	(1,411,185)	(6,138,490)	113,224	(704,326)	(8,140,777)	(5,573,473)
Other Financing Sources						
Proceeds from sale of capital assets	7,964	-	-	5,575	13,539	4,701
Bond issuance	-	-	-	-	-	5,710,000
Bond premium	-	-	-	-	-	318,531
Total other financing sources	7,964	-	-	5,575	13,539	6,033,232
Net change in fund balances	(1,403,221)	(6,138,490)	113,224	(698,751)	(8,127,238)	459,759
Fund Balances						
Beginning of year	16,069,737	7,234,264	226,027	2,198,186	25,728,214	25,268,455
End of year	$ 14,666,516	$ 1,095,774	$ 339,251	$ 1,499,435	$ 17,600,976	$ 25,728,214

See notes to financial statements.

Independent School District No. 877
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

	2019	2018
Net change in fund balances - total governmental funds	$ (8,127,238)	$ 459,759
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays	3,123,613	6,088,411
Depreciation expense	(4,856,285)	(4,756,483)
Loss on disposal	(22,811)	(9,641)
Net income from the equity interest in joint venture does not provide current financial resources and is not reported as revenue in the funds.	(78,832)	-
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(16,560)	(24,717)
Severance benefits are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	137,852	(81,842)
Proceeds of G.O. Taxable OPEB bonds issued during 2010 were contributed to the OPEB plan to retire the unfunded obligation. Governmental funds report such outlay as expenditures. The impact on the Statement of Activities is the creation of a new net OPEB asset which is a combination of the contribution to the irrevocable trust from the proceeds of the OPEB bond issue and the amortization of the net OPEB obligation for the current year.	(69,684)	(133,053)
Principal payments on long-term debt and leases are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	11,530,922	5,690,641
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	87,641	(14,110)
Governmental funds report the effect of bond discounts and premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	586,526	76,636
Governmental funds report the effect of bond refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(159,963)	(74,818)
Proceeds from the sale of bonds and leases are recognized as other financing sources in the governmental funds increasing fund balance but have no effect on net position in the Statement of Activities.	-	(5,710,000)
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	14,569,103	(16,639,476)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	22,317	(3,775)
Change in net position - governmental activitie:	$ 16,726,601	$ (15,132,468)

See notes to financial statements.

Independent School District No. 877
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 7,060,240	$ 7,068,705	$ 7,016,659	$ (52,046)
Other local and county revenues	1,930,257	1,918,536	2,197,898	279,362
Revenue from state sources	55,530,760	56,020,570	56,485,821	465,251
Revenue from federal sources	1,774,980	2,482,865	1,809,492	(673,373)
Sales and other conversion of assets	41,130	36,300	19,910	(16,390)
Total revenues	66,337,367	67,526,976	67,529,780	2,804
Expenditures				
Current				
Administration	1,871,094	1,810,069	1,843,006	32,937
District support services	1,682,822	1,735,743	1,692,112	(43,631)
Elementary and secondary regular instruction	31,238,008	31,514,268	31,886,638	372,370
Vocational education instruction	1,921,997	1,929,836	1,890,966	(38,870)
Special education instruction	12,034,767	12,256,902	11,847,856	(409,046)
Instructional support services	5,268,907	5,796,085	4,622,051	(1,174,034)
Pupil support services	7,008,462	6,956,325	6,982,068	25,743
Sites and buildings	5,479,573	5,445,822	5,098,800	(347,022)
Fiscal and other fixed cost programs	245,831	247,696	296,491	48,795
Capital outlay				
Administration	2,450	2,450	129	(2,321)
District support services	12,900	12,900	657	(12,243)
Elementary and secondary regular instruction	141,109	161,127	18,885	(142,242)
Vocational education instruction	1,000	1,000	3,000	2,000
Special education instruction	18,337	7,630	820	(6,810)
Instructional support services	(158,434)	(4,738)	255,490	260,228
Pupil support services	3,323	3,323	5,354	2,031
Sites and buildings	2,334,166	2,059,947	2,294,561	234,614
Debt service				
Principal	127,833	170,921	170,922	1
Interest and fiscal charges	-	31,159	31,159	-
Total expenditures	69,234,145	70,138,465	68,940,965	(1,197,500)
Excess of revenues over (under) expenditures	(2,896,778)	(2,611,489)	(1,411,185)	1,200,304
Other Financing Sources				
Proceeds from sale of capital assets	500	8,249	7,964	(285)
Net change in fund balance	$ (2,896,278)	$ (2,603,240)	(1,403,221)	$ 1,200,019
Fund Balance				
Beginning of year			16,069,737	
End of year			$ 14,666,516	

See notes to financial statements.

Independent School District No. 877
Statement of Fiduciary Net Position
June 30, 2019

	Total Trust Funds
Assets	
Investments	
Brokered money market	$ 2,425,086
Fixed income	4,599,498
Equities	8,271,853
Total investments	15,296,437
Accounts and interest receivable	38,491
Total assets	$ 15,334,928
Liabilities	
Accounts payable	$ 136,552
Net Position	
Held in trust for OPEB	$ 13,347,372
Held in trust for HRA	1,851,004
Total net position	$ 15,198,376

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

	Total Trust Funds
Additions	
Contributions	$ 531,074
Investment income	
Interest, dividends, change in fair value	948,887
Less investment expenses	(71,094)
Net investment income	877,793
Total additions	1,408,867
Deductions	
Employee benefit deductions	1,119,313
Change in net position	289,554
Net Position	
Beginning of year	14,908,822
End of year	$ 15,198,376

See notes to financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. 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 following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

Some student activity accounts of the District are under School Board control; therefore, these student activities are included in the General Fund. There are other student activity accounts which are not under School Board control and separate financial statements have been issued for these activities. As of July 1, 2019, these accounts have been taken under board control and will not be reported separately.

A copy of the financial statements of the student activity accounts may be obtained by writing in care of Independent School District No. 877, Buffalo-Hanover-Montrose Schools, 214 First Avenue Northeast, Buffalo, Minnesota 55313.

1. Joint Ventures

A joint venture is a legal entity or other organization that results from a contracted agreement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The District participates in one joint venture. A description of this organization is included in Note 10.

B. Basic Financial Statement Information

The government-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 funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

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

The District applies restricted resources first when an expense is incurred for a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Trust Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is incurred. Other revenue is considered available if collected within 60 days.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds

Major Funds

General Fund – This fund includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, health and safety, and disabled accessibility projects.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, G.O. bond principal, interest, and related costs.

Post Employment Debt Service Fund – This fund is used to account for the accumulation of resources for payments of OPEB bonds, principal, and related costs.

Nonmajor Funds

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

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Building Construction Capital Project Funds – This fund is used to account for the financial resources used for the construction of or improvements to facilities authorized by bond issue.

Fiduciary Fund

OPEB Irrevocable Trust Fund – This fund is used for reporting resources set aside and held in an irrevocable trust arrangement for OPEB.

HRA Trust Fund – This fund is used for reporting resources set aside and held in a trust arrangement for HRA contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments

The District's total deposits and investments are comprised of two major components, each with its own set of legal and contractual provisions as described below and on the following page.

1. District Funds Other than OPEB and HRA Trust Funds

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

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

Cash and investments at June 30, 2019, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and shares in the Minnesota Trust (MNTrust) securities. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value.

Minnesota Statutes requires all deposits be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase, and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

2. OPEB and HRA Trust Funds

These funds represent investments administered by the District's OPEB and HRA Trust investment managers. As of June 30, 2019, they were comprised of brokered money markets, government agencies, corporate securities and equities.

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

Minnesota Statutes authorize the OPEB and HRA Trust to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota, or its municipalities, bankers' acceptances, future contracts, corporate bonds, common stock and foreign stock of the highest quality, mutual funds, repurchase and reverse agreements, commercial paper of the highest quality with a maturity no longer than 270 days and in the State Board of Investments. Investments are stated at fair value.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2018, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2019. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Wright County and Hennepin County are the collecting agencies for the levy and remit the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000 with an estimated useful life in excess of five years, including all computer equipment regardless of the value. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 20 years for equipment.

Capital assets not being depreciated include land and construction in progress. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element 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 three items that qualify for reporting in this category. A deferred charge on refunding, and deferred outflows of resources related to pensions and OPEB are reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pensions and OPEB are recorded for various estimate differences that will be amortized and recognized over future years.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. A deferred charge on refunding is reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEBs is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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 or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Compensated Absences

Vacation pay is earned at various rates by employees and accrued as compensated absences in the Statement of Net Position.

Substantially all employees are entitled to sick leave at various rates. Classified employees are not compensated for unused sick leave upon a qualified termination of employment.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences (Continued)
Non-classified employees receive payment for a set number of sick days after reaching age 55 and completing 15 years of service. The amount of compensated absences for sick leave anticipated to be paid upon employees' retirements is recorded as severance payable in the Statement of Net Position.

N. Post Employment Severance and Health Benefits
Severance and health benefits consist of lump sum retirement payments and post employment health care benefits.

The District maintains various early retirement incentive payment plans for its employee groups. Teacher and administrator employee group plans contain benefit formulas based on years of service and/or minimum age requirements. No employee can receive early retirement incentive payments exceeding one year's salary.

Under the terms of certain collectively bargained employment contracts, the District is required to pay the medical and dental insurance premiums for retired teachers and administrators until they reach specific age requirements such as Medicare eligibility. The amount to be paid is equal to the full monthly premium cost for insurance coverage available under the appropriate current employment contract.

O. 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2019.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that compromise a hierarchy based primarily on the extent to which the District is bound to honor the constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, nonfinancial assets held for resale, or the permanent principal of endowment funds.

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

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the School Board by formal action. Constraints are only removed by formal board action.

- Assigned Fund Balance – These are amounts that are constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the Director of Finance and Operations or the School Board.

- Unassigned Fund Balance – These are amounts that are the residual amounts in the General Fund not reported in any other classification. Unassigned amounts in the General Fund are technically available for expenditure for any purpose. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – The School Board shall strive to maintain a fund balance of between 8% and 12% of fund balance to total operating expenditures in the General Fund. The fund balance shall be defined as the sum of the unassigned fund balance, the restricted next year's approved budget deficit fund balance, and the nonspendable fund balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

- The Business Office shall monitor the fund balance. If the fund balance falls below 8%, the School Board shall implement a procedure to stabilize the District's financial position. This shall involve:

    1. No new programs will be added at the District level unless matched by a like revenue source;
    2. Allocations such as textbooks, supplies, etc., shall be frozen; and
    3. The District will review other measures which will not immediately affect delivery of programs but could have a cost savings. An example might be areas where expenses have historically been lower than budgeted levels.

- If the fund balance is projected to fall below 6%, the District shall take measures to either generate additional revenues or to reduce expenditures through budget cuts or a combination of both.

S. Net Position

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

T. Use of Estimates

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

U. Comparative Data

Comparative total data for the prior year has been presented only for certain sections of the accompanying financial statements in order to provide an understanding of the changes in the District's financial position and operations. This data has been restated where necessary for comparable classifications.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

V. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

District Funds Other than OPEB and HRA Trust Funds

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: This is the risk that in the event of the failure of a depository financial institution, the District will not be able to recover deposits or collateral securities that are in possession of an outside party. *Minnesota Statutes* 118A requires all deposits be protected by federal deposit insurance, corporate security bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The District has a deposit policy that requires the District's deposits to be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding FDIC or FSLIC coverage. *Minnesota Statutes* require all deposits be protected by federal depository insurance. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

District Funds Other than OPEB and HRA Trust Funds (Continued)

A. Deposits (Continued)

As of June 30, 2019, the District had the following deposits:

Pooled Deposits	
Checking	$ 1,614,755
Certificates of deposit	10,972,000
Savings	4,130
Total pooled deposits	$ 12,590,885

B. Investments

As of June 30, 2019, the District had the following pooled investments:

Investment Type	Fair Value	Investment Maturities Less than 1 Year	Credit Rating
MNTrust Investment Shares	$ 22	$ 22	N/A
MSDLAF-LAF	5,691,063	5,691,063	AAAm
MSDLAF-Term	1,500,000	1,500,000	AAAm
MSDLAF-Max	652,907	652,907	AAAm
Total Pooled Investments	$ 7,843,992	$ 7,843,992	

As of June 30, 2019, the District had the following non-pooled investments:

Investment Type	Fair Value	Maturities Less than 1 Year	Credit Rating
MNTrust Investment Shares	$ 849,340	$ 849,340	N/A

Interest Rate Risk: This is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The District's investment policy states the portfolio shall be managed in a manner to attain a market rate of return through budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Investment maturities shall be scheduled to coincide with projected cash flow needs.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

District Funds Other than OPEB and HRA Trust Funds (Continued)

B. Investments (Continued)

Credit Risk: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District's investment policy refers to *Minnesota Statutes* 118A.01 through 118A.06. Statutes limit investments in the top two ratings issued by nationally recognized statistical rating organizations. The District will minimize credit risk by limiting investments to those allowed by statutory constraints. The District's investments are rated in the table above. Also as indicated in the table, there are certain investments that are not subject to credit risk and therefore, not rated.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy places no limit on the amount the District may invest in any one issuer, though it does state the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities and that no more than 50% of the total portfolio will be with any one instrument.

Custodial Credit Risk – Investments: This is the risk that in the event of the failure of the counterparty, the 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 District's investment policy states investments shall be held by institutions designated by the School Board.

OPEB and HRA Trust Funds

C. Trust Fund Investments

As of June 30, 2019, the District's OPEB and HRA Trust Fund had the following investments:

		Investment Maturities				
Investment Type	Fair Value	Less than 1 Year	1-2 Years	2-5 Years	5-10 Years	Greater than 10 years
Brokered Money Markets	$ 2,425,086	$ 2,425,086	$ -	$ -	$ -	$ -
Fixed Income						
Government Agencies	2,607,127	8	249,446	233,465	1,616,198	508,010
Corporate Securities	1,992,371	200,477	81,434	904,299	595,387	210,774
Equities	8,271,853	8,271,853	-	-	-	-
Total Investments	$ 15,296,437	$ 10,897,424	$ 330,880	$ 1,137,764	$ 2,211,585	$ 718,784

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

OPEB and HRA Trust Funds

C. Trust Fund Investments

Interest Rate Risk: The District's OPEB Trust Investment Policy states the investment emphasis is on the current income requirements and capital preservation, with a secondary emphasis on capital appreciation. The District has a moderate risk tolerance. The asset allocation strategy for the trust is as follows:

Asset Class	Percent	Range
Cash equivalents	2%	0-100%
Bonds	48%	+/- 15%
Equities	50%	+/- 15%

Credit Risk: The District will minimize credit risk by limiting investments to those allowed in the Trust portfolio. The Trust's investments in government agencies and corporate securities were rated Baa2 or greater by Moody's. The remaining investments are not subject to credit risk and, therefore, not rated. The District's OPEB Investment Policy states investments must have a rating of Baa3 or greater.

Concentration of Credit Risk: The District's OPEB Trust Investment Policy states no single security, with the exception of a security issued by the U.S. Government, its agencies and/or instrumentalities, shall at the time of purchase, constitute more than 5% of the value of the portfolio. The Policy also indicates the District has an investment horizon which is considered to be long-term, in excess of ten years. The District's OPEB investments in Vanguard 500 Index Fund (19.0%), Federal Farm Credit Bank (6.53%), Vangaurd Small-cap Index Fund (5.2%), Fidelity Overseas Fund (8.6%), TRowe price dividend Growth Fund (9.5%) were above 5% of total OPEB investments.

Custodial Credit Risk: The District's OPEB Trust Investment Policy does not address custodial credit risk.

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

- $8,271,853 of investments are valued using a quoted market prices (Level 1 inputs)
- $4,599,499 of investments are valued using a matrix pricing model (Level 2 inputs)

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

OPEB and HRA Trust Funds (Continued)

D. Deposits and Investments

The following is a summary of total deposits and investments:

District governmental funds	
Deposits - pooled (Note 2.A.)	$ 12,590,885
Investments pooled (Note 2.B.)	7,843,992
Investments non-pooled (Note 2.B.)	849,340
Petty cash	6,000
OPEB and HRA irrevocable trust funds	
Investments (Note 2.C.)	15,296,437
Total deposits and investments	$ 36,586,654

Deposits and investments are presented in the June 30, 2019, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 21,290,217
Statement of Fiduciary Net Position	
Trust funds	15,296,437
Total deposits and investments	$ 36,586,654

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 4,222,035	$ -	$ -	$ 4,222,035
Construction in progress	2,731,087	1,786,222	2,164,726	2,352,583
Total capital assets not being depreciated	6,953,122	1,786,222	2,164,726	6,574,618
Capital assets being depreciated				
Land improvements	11,023,883	334,953	-	11,358,836
Buildings	126,256,674	2,511,744	124,205	128,644,213
Equipment and vehicles	7,137,684	655,420	100,470	7,692,634
Total capital assets being depreciated	144,418,241	3,502,117	224,675	147,695,683
Less accumulated depreciation for				
Land improvements	2,958,525	488,647	-	3,447,172
Buildings	56,662,275	3,928,832	104,563	60,486,544
Equipment and vehicles	5,375,924	438,806	97,301	5,717,429
Total accumulated depreciation	64,996,724	4,856,285	201,864	69,651,145
Total capital assets being depreciated, net	79,421,517	(1,354,168)	22,811	78,044,538
Governmental activities, capital assets, net	$ 86,374,639	$ 432,054	$ 2,187,537	$ 84,619,156

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $4,856,285 for the year ended June 30, 2019, was charged to the following governmental functions:

District support services	$ 333
Elementary and secondary regular instruction	632
Vocational education instruction	2,845,967
Special education instruction	2,631
Instructional support services	84,576
Pupil support	525
Sites and buildings	1,880,177
Food service	39,609
Community service	1,835
Total depreciation expense	$ 4,856,285

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One year
Long-term liabilities						
G.O. bonds, including						
2012A G.O. refunding bonds	03/16/12	2.00%-4.00%	$ 31,215,000	02/01/24	$ 15,605,000	$ 1,825,000
2013A alternative facilities bonds	05/01/13	1.00%-2.00%	3,855,000	02/01/24	2,790,000	180,000
2015A school building bonds	02/04/15	2.75%-3.00%	32,620,000	02/01/30	32,620,000	-
2017A OPEB refunding bonds	06/08/17	2.00%-2.20%	9,635,000	02/01/23	7,550,000	1,830,000
2018A refunding bonds	05/17/18	5.00%	5,710,000	02/01/22	4,040,000	1,725,000
Total G.O. bonds					62,605,000	5,560,000
Unamortized bond premium					2,344,462	-
Net bonds payable					64,949,462	5,560,000
Capital leases payable					786,977	177,183
Severance payable					1,290,002	58,976
Compensated absences payable					338,664	338,664
Total all long-term liabilities					$ 67,365,105	$ 6,134,823

Long-term bond and loan liabilities listed above were issued to finance acquisition and construction of capital facilities, to refinance (refund) previous bond issues and cover annual OPEB costs and net OPEB obligations. Other long-term liabilities, such as severance and compensated absences, are typically liquidated through the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

A. Components of Long-Term Liabilities (Continued)

On June 8, 2017, the District issued $9,635,000 G.O. Taxable OPEB Refunding Bonds, Series 2017A for the refunding of the G.O. Taxable OPEB Bond, Series 2009A. The refunding was done to take advantage of lower interest rates. Proceeds of the refunding bond were placed in irrevocable escrow to be used to refund the 2019 through 2024 principal payments of the 2009A issue on the call date of February 1, 2018. As a result, the 2019 through 2024 maturity amounts are considered defeased. The refunding resulted in a decrease in debt service payments of $632,523. The net present value cash flow savings was $634,327.

On May 17, 2018, the District issued $5,710,000 G.O. School Building Refunding Bonds, Series 2018A for the refunding of the G.O. School Building Refunding Bond, Series 2008A. The refunding was done to take advantage of lower interest rates. On August 1, 2018, the District will use a portion of the net proceeds of the Bonds to redeem the 2019 through 2022 maturities of the 2008A Bonds. The refunding resulted in a decrease in debt service payments of $236,161. The net present value cash flow savings was $236,161.

B. Minimum Debt Payments for Bonds

Minimum annual principal and interest payments required to retire bond liabilities:

Year Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
2020	$ 5,560,000	$ 1,990,308	$ 7,550,308
2021	5,750,000	1,792,207	7,542,207
2022	5,960,000	1,585,958	7,545,958
2023	6,245,000	1,385,332	7,630,332
2024	6,470,000	1,173,422	7,643,422
2025-2029	26,780,000	3,259,853	30,039,853
2030-2034	5,840,000	175,200	6,015,200
Total	$ 62,605,000	$ 11,362,280	$ 73,967,280

C. Capital Lease Obligations

In October 2006, the District entered into a lease purchase agreement for the construction of an addition to the Phoenix Learning Center. The total financed was $750,000 with an interest rate of 4.79% and is to be repaid through the General Fund. The lease agreement requires the District to make annual payments through October 15, 2021.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

C. Capital Lease Obligations (Continued)

In April 2010, the District entered into a lease purchase agreement for the remodel of the Montrose Early Childhood Building. The total financed was $1,324,474 with an interest rate of 5.55% and is to be paid through the General Fund. In April 2017, the District refinanced the lease purchase agreement. The total financed was $839,792 with an interest rate of 2.99% and is to be paid through the General Fund. The lease agreement requires the District to make annual payments through May 1, 2024.

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,	
2020	$ 202,082
2021	202,081
2022	166,752
2023	131,424
2024	150,193
Total minimum lease payments	852,532
Less amount representing interest	(65,555)
Present value of minimum lease payments	$ 786,977

The carrying value and related accumulated depreciation at June 30, 2019, for the assets purchased was as follows:

Carrying value	$ 2,514,728
Less accumulated depreciation	(909,256)
Assets, net of depreciation	$ 1,605,472

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 73,965,000	$ -	$ 11,360,000	$ 62,605,000
Net premium	2,930,988	-	586,526	2,344,462
Capital leases payable	957,899	-	170,922	786,977
Severance payable	1,427,854	100,234	238,086	1,290,002
Compensated absences payable	322,104	550,556	533,996	338,664
Total long-term liabilities	$ 79,603,845	$ 650,790	$ 12,889,530	$ 67,365,105

NOTE 5 – FUND BALANCES

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

Fund Equity
Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

NOTE 5 – FUND BALANCES (CONTINUED)

A. Restricted/Reserved Fund Balance

	General Fund	Debt Service	Post Employment Benefits Debt Service Fund	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	$ 72,207	$ -	$ -	$ 52,285	$ 124,492
Prepaid items	501,942	-	-	19,973	521,915
Total nonspendable	574,149	-	-	72,258	646,407
Restricted/reserved for					
Operating Capital	733,445	-	-	-	733,445
Teacher Development and Evaluation	103,096	-	-	-	103,096
Medical Assistance	217,324	-	-	-	217,324
Adult Basic Education	-	-	-	12,345	12,345
Early Childhood and Family Education	-	-	-	122,452	122,452
Food Service	-	-	-	555,716	555,716
Debt Service	-	1,095,774	339,251	-	1,435,025
Building Construction	-	-	-	905,234	905,234
Total restricted/reserved	1,053,865	1,095,774	339,251	1,595,747	4,084,637
Committed for					
Separation Benefits	3,340,760	-	-	-	3,340,760
Assigned for					
Carryover	587,621	-	-	-	587,621
Dental Insurance	194,973	-	-	-	194,973
Capital	1,833,715	-	-	-	1,833,715
Third Party Special Education	560,353	-	-	-	560,353
Qcomp	66,719	-	-	-	66,719
Student Activities	389,589	-	-	-	389,589
Total assigned	3,632,970	-	-	-	3,632,970
Unassigned for					
Long-Term Facilities and Maintenance*	(71,833)	-	-	-	(71,833)
Community Education*	-	-	-	(115,528)	(115,528)
School Readiness*	-	-	-	(8,566)	(8,566)
Community Service*	-	-	-	(44,476)	(44,476)
Unassigned	6,136,605	-	-	-	6,136,605
Total unassigned	6,064,772	-	-	(168,570)	5,896,202
Total fund balance	$ 14,666,516	$ 1,095,774	$ 339,251	$ 1,499,435	$ 17,600,976

*Negative restricted/reserved fund balances have been reclassified to unassigned for the financial statements in accordance with GASB Statement No. 54.

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

NOTE 5 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)
Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Restricted/Reserved for Building Construction – This balance represents the resources available for the construction of or improvements to facilities authorized by bond issue.

Committed for Separation Benefits – This balance represents the resources set aside for the payment of retirement benefits including compensated absences, pensions, OPEB, and termination benefits.

Assigned for Carryover – This balance represents unspent budget appropriations carried over for the subsequent year.

Assigned for Dental Insurance – This balance represents the resources set aside for payment of dental insurance costs.

Assigned for Capital – This balance represents the resources set aside for capital costs.

NOTE 5 – FUND BALANCES (CONTINUED)

Fund Equity (Continued)

A. Restricted/Reserved Fund Balance (Continued)
Assigned for Third Party Special Education – This balance represents the resources set aside for third party billing purchases.

Assigned for QComp – This balance represents resources set aside for QComp.

Assigned for Student Activities – This balance represents the accumulation of the student activity accounts that are under School Board control.

Unassigned for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Unassigned for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education, and extended day programs.

Unassigned for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Unassigned for Community Service – This balance represents the negative fund balance of the Community Service Fund

B. Net Position
Net position restricted for other purposes on the Statement of Net Position are comprised of the total positive restricted fund balances of the General and total fund balance of the Food Service and Community Service Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2019, was $13,640,319. The components of pension expense are noted in the following plan summaries.

The General Fund, Food Service Fund and Community Service Fund typically liquidate the liability related to pensions.

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

Teachers' Retirement Association

A. Plan Description

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

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

A. Benefits Provided

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

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

Tier 1 Benefits

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

With these provisions:

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

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

Teachers' Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits

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

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

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

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

B. Contribution Rate

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

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.0%	11.5%	11.0%	11.5%	11.0%	11.71%
Coordinated	7.5%	7.5%	7.5%	7.5%	7.5%	7.71%

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

Teachers' Retirement Association (Continued)

C. Contribution Rate (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. Amounts are reported in thousands.

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

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

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for ten years and 3.25% thereafter
Projected salary increase	2.85% to 8.85% for ten years and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Allocations as of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	33 %	36 %	5.10 %
International stocks	16	17	5.30
Private markets	25	25	5.90
Fixed income	16	20	0.75
Treasuries	8	0	0.50
Unallocated cash	2	2	0.00
Total	100 %	100 %	

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

Changes in actuarial assumptions since the 2017 valuation:

- The cost of living adjustment (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% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

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

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. This is an increase from the discount rate at the prior measurement date of 5.12%. 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).

F. Net Pension Liability

On June 30, 2019, the District reported a liability of $33,121,308 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 0.5273% at the end of the measurement period and 0.5329% for the beginning of the year.

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (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	$ 33,121,308
State's proportionate share of the net pension liability associated with the District	3,111,973

For the year ended June 30, 2019, the District recognized pension expense of $(13,840,314). It recognized ($2,1717,956) as an increase to this pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 365,967	$ 674,145
Net difference between projected and actual earnings on plan investments	-	2,656,796
Changes of assumptions	42,440,618	56,600,526
Changes in proportion	1,796,081	1,050,274
Contributions to TRA subsequent to the measurement date	2,317,595	-
Total	$ 46,920,261	$ 60,981,741

$2,317,595 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 of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

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

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

Year Ended June 30,	Pension Expense Amount
2020	$ 3,264,361
2021	2,051,947
2022	(27,215)
2023	(12,530,675)
2024	(9,137,493)
Total	$ (16,379,075)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease (6.5%)	Current (7.5%)	1% increase (8.5%)
$ 52,563,382	$ 33,121,308	$ 17,081,725

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

H. Pension Plan Fiduciary Net Position

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

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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.

B. Benefits Provided

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

General Employees Plan Benefits

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 annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each additional year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

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

Public Employees' Retirement Association (Continued)

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5%, of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $721,720. The District's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of $8,032,910 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 $263,406 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 proportionate share was 0.1448% at the end of the measurement period and 0.1489% for the beginning of the period.

District's proportionate share of net pension liability	$	8,032,910
State of Minnesota's proportionate share of the net pension liability associated with the District		263,406
Total	$	8,296,316

For the year ended June 30, 2019, the District recognized pension expense of $199,996 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized $61,426 pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

Public Employees' Retirement Association (Continued)

General Employees Fund Pension Costs (Continued)

D. Pension Costs (Continued)
At June 30, 2019, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 218,367	$ 240,110
Changes in actuarial assumptions	786,420	920,077
Difference between projected and actual investments earnings	-	822,138
Change in proportion	20,298	264,973
Contributions paid to PERA subsequent to the measurement date	721,720	-
Total	$ 1,746,805	$ 2,247,298

$721,720 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 pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2020	$ 169,978
2021	(496,182)
2022	(728,349)
2023	(167,660)
Total	$ (1,222,213)

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

Public Employees' Retirement Association (Continued)

General Employees Fund Pension Costs (Continued)

E. Actuarial Assumptions

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

Inflation	2.50 %	Per year
Active member payroll growth	3.25 %	Per year
Investment rate of return	7.50 %	

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% per year.

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

The following changes in actuarial assumptions occurred in 2018:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% 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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

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

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

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

Asset Class	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36 %	5.10 %
International stocks	17	5.30
Bonds	20	0.75
Alternative assets	25	5.90
Cash	2	0.00
Total	100 %	

F. Discount Rates

The discount rate used to measure the total pension liability in 2018 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proprionate share of the PERA net pension liability	$ 13,054,508	$ 8,032,910	$ 3,887,725

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – RETIREMENT PLANS

A. Post Retirement Health Care Savings Plan

The District's Post Retirement Health Care Savings Plan (the "Plan") allows employees to use individual accounts to save for medical expenses. The accounts are funded entirely with employer contributions. Employee participation is a voluntary process negotiated through the collective bargaining process. Employees cannot voluntarily contribute to this Plan. Amounts and how it will be funded must be mandated through collective bargaining or through a personnel policy. Any employee covered under the Plan may draw down the balance of the account for reimbursement of eligible medical expenses including health care premiums. Contributions to the Plan by the District totaled $37,618 for the year.

B. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's Defined Contribution 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. The District makes matching contribution for some administrative employees of $72,363. Contributions are invested to tax deferred annuities selected and owned by Plan participants. Employee contributions for the fiscal year totaled $341,836.

NOTE 8 – 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 employee groups of the District are eligible if and when the collective bargaining agreement or contract with their groups allows eligibility. Eligible employees can elect to participate by contributing pretax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

Before the beginning of the plan year, which runs December 31 to December 31, each participant designates a total amount of pretax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

Amounts withheld for medical reimbursement and dependent care are held for the benefit of the flexible benefit plan. All assets of the plan are administered by an employee of the District. Payments are made by the District to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. The medical reimbursement and dependent care activity is included in the financial statements in the General Fund.

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

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. In addition, the plan provides severance benefits based on years of service that are placed directly in a medical savings account upon retirement. Medical coverage is administered by BlueCross BlueShield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees.

B. Benefits Provided

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members

As of June 30, 2019, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Active employees	621
Total	671

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. For the year 2019, the District contributed $375,317 to the plan.

E. 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:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Investment rate of return	6.00%, net of investment expense
Salary increases	3.50%, including inflation
Inflation	2.50%
Healthcare cost trend increases	6.9% initially, gradually decreasing to an ultimate rate of 4.0%
Mortality Assumption	RP-2014 mortality tables, with projected mortality improvements based on scale MP-2015 and other adjustments

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2018 – June 30, 2019.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic equity	36 %	4.95 %	7.45 %
International equity	14	5.24	7.74
Fixed income	48	1.99	4.49
Real estate and alternatives	1	4.19	6.69
Cash and equivalents	2	0.58	3.08
Total	100 %		

The details of the investments and the investment policy are described in Note 3 of the District's financial statements. For the year ended June 30, 2019, the annual money-weighed rate of return on investments, net of investment expense, was 6.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

F. Discount Rate

The discount rate used to measure the total OPEB liability was 5.57%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	$ 12,283,371	$ 13,297,904	$ (1,014,533)
Changes for the year			
Service cost	647,543	-	647,543
Interest	705,963	-	705,963
Differences between expected and actual experience	474,926	-	474,926
Change in assumptions	(972,096)	-	(972,096)
Changes of benefit terms	(1,703)	-	(1,703)
Employer contributions	-	375,317	(375,317)
Net investment income	-	851,971	(851,971)
Benefit payments	(1,177,820)	(1,177,820)	-
Administrative expense	-	-	-
Other charges	-	-	-
Net changes	(323,187)	49,468	(372,655)
Balances at June 30, 2019	$ 11,960,184	$ 13,347,372	$ (1,387,188)

H. OPEB Liability Sensitivity

The following presents the District's net OPEB liability calculated using the discount rate of 5.57% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

	1% decrease (4.57%)	Current (5.57%)	1% increase (6.57%)
Net OPEB liability (asset)	$ (589,803)	$ (1,387,188)	$ (2,149,075)

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

H. OPEB Liability Sensitivity (Continued)

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

	1% decrease (5.9% decreasing to 3.0%)	Current (6.9% decreasing to 4.0%)	1% increase (7.9% decreasing to 5.0%)
Net OPEB liability (asset)	$ (2,278,882)	$ (1,387,188)	$ (347,271)

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

For the year ended June 30, 2019, the District recognized OPEB expense of $445,001. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	$ 423,135	$ -
Differences between expected and actual economic experience	12,080	-
Changes of assumptions	115,997	969,642
Total	$ 551,212	$ 969,642

NOTE 9 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

Year Ending June 30,	Total
2020	$ (62,247)
2021	(62,249)
2022	(28,560)
2023	(57,024)
2024	(55,540)
Thereafter	(152,810)
Total	$ (418,430)

J. Payable to the OPEB Plan

At June 30, 2019, the District reported a payable of $0 to the OPEB plan. The amount is reported as a receivable on the OPEB Trust Fund Statement of Fiduciary Net Position.

NOTE 10 – COMMITMENTS

A. Joint Powers Agreement

The District entered in to a joint powers agreement in February 1998 with Wright Technical Center No. 966 (WTC), a cooperative center for vocational education, between and among eight other independent school districts to finance the acquisition and betterment of the addition to the existing WTC facilities.

The addition was financed through capital lease agreements. Each participating district annually authorizes a leading levy to cover their allocated portion of the lease payment based on the formula set out in the joint powers agreement. Participating districts will also be apportioned operating costs and continuing costs for the addition based on the current cost.

Separately issued financial statements can be obtained from Wright Technical Center, 1400 Highway 25 North Buffalo, Minnesota 55313-1936.

B. Rental Agreement

The District entered into a rental agreement with the City of Buffalo, Minnesota (the "City") in 2001 for use of the Civic Center by the District.

The original agreement was for a period of 15 years commencing September 1, 2000. The District has approved an amended agreement extending the agreement for an additional three years. The agreement calls for a minimum rental of 335 hours of ice time per year at the rate of $194 per hour and an annual payment of $40,000 for use of classrooms, team and locker rooms, and additional ice time during the day when school is in session.

NOTE 10 – COMMITMENTS (CONTINUED)

B. Rental Agreement (Continued)

Any increase in the hourly rate of rental will be negotiated between the City and the District annually. Minimum annual payments to the City under this agreement are $104,990. The District is entitled to a percentage of gate receipts from tickets sold for attendance at District functions as part of the terms of this agreement.

C. Construction Commitments

As of June 30, 2019, the District had outstanding construction commitments as follows:

Project	Project Authorization	Expended through June 30, 2019	Commitment
BCMS Exterior Wall	$ 289,500	$ 6,821	$ 282,679
HES Exterior Wall	176,525	35,420	141,105
BCMS Fields	173,887	212,060	8,694
Bus Garage Parking Lot	260,412	342,227	178,773
BHS Controls (HVAC)	532,575	-	26,629
	$ 1,432,899	$ 596,528	$ 637,880

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, Fiduciary Activities establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending June 30, 2020.

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. This statement will be effective for the year ending June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Changes in Net OPEB Liability
and Related Ratios

	June 30, 2017	June 30, 2018	June 30, 2019
Total OPEB Liability			
Service cost	$ 571,820	$ 580,052	$ 647,543
Interest	708,616	741,570	705,963
Differenced between expected and actual experience	-	-	474,926
Changes of assumptions	(164,949)	154,281	(972,096)
Changes of benefit terms	-	-	(1,703)
Benefit payments	(883,563)	(1,223,984)	(1,177,820)
Net change in total OPEB liability	231,924	251,919	(323,187)
Beginning of year	11,799,528	12,031,452	12,283,371
End of year	$ 12,031,452	$ 12,283,371	$ 11,960,184
Plan Fiduciary Net Pension (FNP)			
Employer contributions	$ 142,146	$ 324,890	$ 375,317
Projected investment income	1,013,962	714,809	851,971
Benefit payments	(883,563)	(1,223,984)	(1,177,820)
Other changes	(54,610)	-	-
Net change in plan fiduciary net position	217,935	(184,285)	49,468
Beginning of year	13,264,254	13,482,189	13,297,904
End of year	$ 13,482,189	$ 13,297,904	$ 13,347,372
Net OPEB liability	$ (1,450,737)	$ (1,014,533)	$ (1,387,188)
Plan FNP as a percentage of the total OPEB liability	112.06%	108.26%	111.60%
Covered-employee payroll	$ 36,004,117	$ 36,409,652	$ 36,946,495
Net OPEB liability as a percentage of covered-employee payroll	-4.03%	-2.79%	-3.75%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 877
Schedule of Investment Returns

	June 30, 2017	June 30, 2018	June 30, 2019
Annual money-weighted rate of return, net of investment expense	7.79%	5.42%	6.56%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 877
Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1626%	$ 7,638,133	$ -	$ 7,638,133	$ 8,537,407	89.5%	78.8%
2015	0.1537%	7,965,532	-	7,965,532	8,884,053	89.7%	78.2%
2016	0.1484%	12,049,344	157,434	12,206,778	9,210,493	130.8%	68.9%
2017	0.1489%	9,505,678	119,554	9,625,232	9,594,720	99.1%	75.9%
2018	0.1448%	8,032,910	263,406	8,296,316	9,732,547	82.5%	79.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available

Schedule of District's and Non-Employer Proportionate Share (if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.5473%	$ 25,219,190	$ 1,774,131	$ 26,993,321	$ 24,984,186	100.9%	81.5%
2015	0.5152%	31,870,215	3,909,225	35,779,440	26,147,587	121.9%	76.8%
2016	0.5235%	124,867,241	12,532,418	137,399,659	27,230,707	458.6%	44.9%
2017	0.5329%	106,376,507	10,282,834	116,659,341	28,687,733	370.8%	51.6%
2018	0.5273%	33,121,308	3,111,973	36,233,281	29,134,480	113.7%	78.1%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available

Independent School District No. 877
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 618,962	$ 618,962	$ -	$ 8,537,407	7.25%
2015	666,304	666,304	-	8,884,053	7.50%
2016	690,787	690,787	-	9,210,493	7.50%
2017	719,604	719,604	-	9,594,720	7.50%
2018	729,941	729,941	-	9,732,547	7.50%
2019	721,720	721,720	-	9,622,933	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 1,748,893	$ 1,748,893	$ -	$ 24,984,186	7.00%
2015	1,961,069	1,961,069	-	26,147,587	7.50%
2016	2,042,303	2,042,303	-	27,230,707	7.50%
2017	2,151,580	2,151,580	-	28,687,733	7.50%
2018	2,185,086	2,185,086	-	29,134,480	7.50%
2019	2,317,595	2,317,595	-	30,059,598	7.71%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

TRA Retirement Fund

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (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% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% 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 July 1, 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 was 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.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

TRA Retirement Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

General Employees Fund

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

General Employees Fund (Continued)

2018 Changes (Continued)
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% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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.

2017 Changes
Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

2016 Changes
Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes
Changes in Plan Provisions

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

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

SUPPLEMENTARY INFORMATION

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 7,060,240	$ 7,068,705	$ 7,016,659	$ (52,046)
Other local and county revenues	1,930,257	1,918,536	2,197,898	279,362
Revenue from state sources	55,530,760	56,020,570	56,485,821	465,251
Revenue from federal sources	1,774,980	2,482,865	1,809,492	(673,373)
Sales and other conversion of assets	41,130	36,300	19,910	(16,390)
Total revenues	66,337,367	67,526,976	67,529,780	2,804
Expenditures				
Administration				
Salaries	1,254,940	1,263,630	1,260,479	(3,151)
Employee benefits	503,122	470,636	466,933	(3,703)
Purchased services	45,647	45,647	43,190	(2,457)
Supplies and materials	14,300	14,300	19,838	5,538
Capital expenditures	2,450	2,450	129	(2,321)
Other expenditures	53,085	15,856	52,566	36,710
Total administration	1,873,544	1,812,519	1,843,135	30,616
District support services				
Salaries	879,657	870,555	877,704	7,149
Employee benefits	418,320	399,315	409,301	9,986
Purchased services	351,327	429,421	367,511	(61,910)
Supplies and materials	11,300	11,300	8,610	(2,690)
Capital expenditures	12,900	12,900	657	(12,243)
Other expenditures	22,218	25,152	28,986	3,834
Total district support services	1,695,722	1,748,643	1,692,769	(55,874)
Elementary and secondary regular instruction				
Salaries	20,153,214	20,242,956	20,265,409	22,453
Employee benefits	7,878,164	8,148,532	7,965,136	(183,396)
Purchased services	1,360,859	1,220,420	1,307,372	86,952
Supplies and materials	1,565,660	1,649,190	2,090,780	441,590
Capital expenditures	141,109	161,127	18,885	(142,242)
Other expenditures	280,111	253,170	257,941	4,771
Total elementary and secondary regular instruction	31,379,117	31,675,395	31,905,523	230,128

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Vocational education instruction				
Salaries	$ 943,717	$ 974,179	$ 962,734	$ (11,445)
Employee benefits	369,472	370,575	361,735	(8,840)
Purchased services	572,382	541,810	529,891	(11,919)
Supplies and materials	28,837	34,837	28,565	(6,272)
Capital expenditures	1,000	1,000	3,000	2,000
Other expenditures	7,589	8,435	8,041	(394)
Total vocational education instruction	1,922,997	1,930,836	1,893,966	(36,870)
Special education instruction				
Salaries	8,185,705	8,222,529	8,125,942	(96,587)
Employee benefits	3,048,342	3,048,297	3,082,763	34,466
Purchased services	490,311	608,010	326,746	(281,264)
Supplies and materials	179,823	231,076	157,234	(73,842)
Capital expenditures	18,337	7,630	820	(6,810)
Other expenditures	130,586	146,990	155,171	8,181
Total special education instruction	12,053,104	12,264,532	11,848,676	(415,856)
Instructional support services				
Salaries	3,077,060	3,253,626	2,964,260	(289,366)
Employee benefits	1,019,475	1,022,810	955,452	(67,358)
Purchased services	277,478	420,855	178,785	(242,070)
Supplies and materials	769,248	935,034	414,705	(520,329)
Capital expenditures	(158,434)	(4,738)	255,490	260,228
Other expenditures	125,646	163,760	108,849	(54,911)
Total instructional support services	5,110,473	5,791,347	4,877,541	(913,806)
Pupil support services				
Salaries	1,183,759	1,131,330	1,177,098	45,768
Employee benefits	519,096	482,685	473,633	(9,052)
Purchased services	5,319,443	5,335,322	5,324,787	(10,535)
Supplies and materials	(19,366)	1,142	(373)	(1,515)
Capital expenditures	3,323	3,323	5,354	2,031
Other expenditures	5,530	5,846	6,923	1,077
Total pupil support services	7,011,785	6,959,648	6,987,422	27,774

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual Detail - General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Expenditures				
Sites and buildings				
Salaries	$ 2,102,322	$ 2,022,615	$ 2,005,080	$ (17,535)
Employee benefits	689,201	642,188	612,079	(30,109)
Purchased services	2,070,982	2,148,075	1,897,183	(250,892)
Supplies and materials	567,034	582,971	531,269	(51,702)
Capital expenditures	2,334,166	2,059,947	2,294,561	234,614
Other expenditures	50,034	49,973	53,189	3,216
Total sites and buildings	7,813,739	7,505,769	7,393,361	(112,408)
Fiscal and other fixed cost programs				
Purchased services	245,831	247,696	296,491	48,795
Debt service				
Principal	127,833	170,921	170,922	1
Interest and fiscal charges	-	31,159	31,159	-
Total debt service	127,833	202,080	202,081	1
Total expenditures	69,234,145	70,138,465	68,940,965	(1,197,500)
Excess of revenues over (under) expenditures	(2,896,778)	(2,611,489)	(1,411,185)	1,200,304
Other Financing Sources				
Proceeds from sale of capital assets	500	8,249	7,964	(285)
Net change in fund balance	$ (2,896,278)	$ (2,603,240)	(1,403,221)	$ 1,200,019
Fund Balance				
Beginning of year			16,069,737	
End of year			$ 14,666,516	

Independent School District No. 877
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2019
(with Comparative Totals as of June 30, 2018)

	Special Revenue			Capital Project Fund	Total Nonmajor Funds	
	Food Service	Community Service	Total	Building Construction	2019	2018
Assets						
Cash and investments	$ 633,001	$ 354,357	$ 987,358	$ 953,591	$ 1,940,949	$ 2,863,075
Current property taxes receivable	-	220,436	220,436	-	220,436	232,650
Delinquent property taxes receivable	-	5,968	5,968	-	5,968	5,325
Accounts receivable	7,074	4,722	11,796	67,027	78,823	41,108
Due from Department of Education	4,166	64,977	69,143	-	69,143	78,913
Due from other Minnesota school districts	-	24,796	24,796	-	24,796	28,040
Due from Federal Government through Department of Education	45,952	-	45,952	-	45,952	35,999
Due from other governmental units	750	-	750	-	750	10,266
Inventory	52,285	-	52,285	-	52,285	75,111
Prepaid items	13,741	390	14,131	5,842	19,973	5,969
Total assets	$ 756,969	$ 675,646	$ 1,432,615	$ 1,026,460	$ 2,459,075	$ 3,376,456
Liabilities						
Accounts payable	$ 22,350	$ 17,937	$ 40,287	$ 115,384	$ 155,671	$ 362,644
Salaries and benefits payable	31,309	151,257	182,566	-	182,566	148,820
Due to other governmental units	-	182	182	-	182	28,060
Unearned revenue	81,568	78,212	159,780	-	159,780	139,954
Total liabilities	135,227	247,588	382,815	115,384	498,199	679,478
Deferred Inflows of Resources						
Unavailable revenue - property taxes levied for subsequent year's expenditures	-	455,473	455,473	-	455,473	493,467
Unavailable revenue - delinquent property taxes	-	5,968	5,968	-	5,968	5,325
Total deferred inflows of resources	-	461,441	461,441	-	461,441	498,792
Fund Balances						
Nonspendable	66,026	390	66,416	5,842	72,258	81,080
Restricted	555,716	134,797	690,513	905,234	1,595,747	2,498,415
Unassigned	-	(168,570)	(168,570)	-	(168,570)	(381,309)
Total fund balances	621,742	(33,383)	588,359	911,076	1,499,435	2,198,186
Total liabilities, deferred inflows of resources, and fund balances	$ 756,969	$ 675,646	$ 1,432,615	$ 1,026,460	$ 2,459,075	$ 3,376,456

Independent School District No. 877
Combining Statement of Revenues,
Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended June 30, 2019
(with Comparative Totals for the Year Ended June 30, 2018)

	Special Revenue			Capital Project	Total Nonmajor Funds	
	Food Service	Community Service	Total	Building Construction	2019	2018
Revenues						
Local property taxes	$ -	$ 488,808	$ 488,808	$ -	$ 488,808	$ 484,481
Other local and county revenues	15,323	2,652,541	2,667,864	190,174	2,858,038	2,814,089
Revenue from state sources	173,700	545,950	719,650	-	719,650	663,585
Revenue from federal sources	1,153,799	-	1,153,799	-	1,153,799	1,142,624
Sales and other conversion of assets	1,712,217	-	1,712,217	-	1,712,217	1,683,801
Total revenues	3,055,039	3,687,299	6,742,338	190,174	6,932,512	6,788,580
Expenditures						
Current						
Sites and buildings	-	-	-	418,345	418,345	760,303
Food service	2,898,568	-	2,898,568	-	2,898,568	3,074,132
Community education and services	-	3,440,017	3,440,017	-	3,440,017	3,666,061
Capital outlay						
Sites and buildings	-	-	-	863,454	863,454	3,453,337
Food service	11,891	-	11,891	-	11,891	4,773
Community education and services	-	4,563	4,563	-	4,563	13,297
Total expenditures	2,910,459	3,444,580	6,355,039	1,281,799	7,636,838	10,971,903
Excess of revenues over (under) expenditures	144,580	242,719	387,299	(1,091,625)	(704,326)	(4,183,323)
Other Financing Sources						
Proceeds from Sale of Capital Assets	5,575	-	5,575	-	5,575	-
Net change in fund balances	150,155	242,719	392,874	(1,091,625)	(698,751)	(4,183,323)
Fund Balances						
Beginning of year	471,587	(276,102)	195,485	2,002,701	2,198,186	6,381,509
End of year	$ 621,742	$ (33,383)	$ 588,359	$ 911,076	$ 1,499,435	$ 2,198,186

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Food Service Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Other local and county revenues	$ 5,545	$ 8,569	$ 15,323	$ 6,754
Revenue from state sources	166,017	171,020	173,700	2,680
Revenue from federal sources	1,316,781	1,080,095	1,153,799	73,704
Sales and other conversion of assets	1,777,434	1,702,580	1,712,217	9,637
Total revenues	3,265,777	2,962,264	3,055,039	92,775
Expenditures				
Food service				
Salaries	1,139,031	1,054,317	1,036,628	(17,689)
Employee benefits	585,343	539,787	527,245	(12,542)
Purchased services	186,945	170,800	142,836	(27,964)
Supplies and materials	1,266,271	1,217,963	1,184,110	(33,853)
Capital expenditures	30,000	30,000	11,891	(18,109)
Other expenditures	8,916	8,961	7,749	(1,212)
Total expenditures	3,216,506	3,021,828	2,910,459	(111,369)
Excess of revenues over (under) expenditures	49,271	(59,564)	144,580	204,144
Other Financing Sources				
Proceeds from Sale of Capital Asset	-	3,000	5,575	2,575
Net change in fund balance	$ 49,271	$ (56,564)	150,155	$ 206,719
Fund Balance				
Beginning of year			471,587	
End of year			$ 621,742	

Independent School District No. 877
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - Community Service Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 497,783	$ 498,369	$ 488,808	$ (9,561)
Other local and county revenues	2,599,010	2,635,625	2,652,541	16,916
Revenue from state sources	534,593	534,593	545,950	11,357
Total revenues	3,631,386	3,668,587	3,687,299	18,712
Expenditures				
Community education and services				
Salaries	2,317,091	2,307,875	2,254,068	(53,807)
Employee benefits	669,699	761,359	741,146	(20,213)
Purchased services	352,725	315,768	280,538	(35,230)
Supplies and materials	213,300	184,550	158,489	(26,061)
Capital expenditures	10,500	4,250	4,563	313
Other expenditures	6,650	3,900	5,776	1,876
Total expenditures	3,569,965	3,577,702	3,444,580	(133,122)
Net change in fund balance	$ 61,421	$ 90,885	242,719	$ 151,834
Fund Balance				
Beginning of year			(276,102)	
End of year			$ (33,383)	

Independent School District No. 877
Combining Statement of Fiduciary Net Position
June 30, 2019

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Assets			
Investments			
Brokered money market	$ 574,082	$ 1,851,004	$ 2,425,086
Fixed income	4,599,498	-	4,599,498
Equities	8,271,853	-	8,271,853
Total investments	13,445,433	1,851,004	15,296,437
Accounts and interest receivable	38,491	-	38,491
Total assets	$ 13,483,924	$ 1,851,004	$ 15,334,928
Liabilities			
Accounts payable	$ 136,552	$ -	$ 136,552
Net Position			
Held in trust for OPEB	$ 13,347,372	$ -	$ 13,347,372
Held in trust for HRA	-	1,851,004	1,851,004
Total net position	$ 13,347,372	$ 1,851,004	$ 15,198,376

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

	OPEB Irrevocable Trust Fund	HRA Trust Fund	Total Trust Funds
Additions			
Contributions	$ 316,810	$ 214,264	$ 531,074
Investment income			
Interest, dividends, change in fair value	923,065	25,822	948,887
Less investment expenses	(71,094)	-	(71,094)
Net investment income	851,971	25,822	877,793
Total additions	1,168,781	240,086	1,408,867
Deductions			
Employee benefit deductions	1,119,313	-	1,119,313
Change in net position	49,468	240,086	289,554
Net Position			
Beginning of year	13,297,904	1,610,918	14,908,822
End of year	$ 13,347,372	$ 1,851,004	$ 15,198,376

Independent School District No. 877
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Agency/Pass Through Agency/Program Title	CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	$ 211,604
Commodities Program - cash	10.555	2,667
School Breakfast	10.553	160,200
Type A Lunch	10.555	700,045
Summer Food Service	10.559	79,283
Total Child Nutrition Cluster and U.S. Department of Agriculture		1,153,799
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A Cluster		
Title I, Part A	84.010	441,661
Title II, Part A - Improving Teacher Quality	84.367	94,005
Title III, Part A - Language Enhancement	84.365	3,772
Special Education Cluster		
Special Education	84.027	755,084
Special Education Discretionary	84.027	958
Coordinated Early Intervening Services	84.027	59,042
Handicapped Early Education	84.173	19,169
Total Special Education Cluster		834,253
Through Wright County Interagency Early Intervention Committee		
Special Education - Infants and Toddlers	84.181	27,300
Through Northwest Suburban Integration District		
Magnet Schools Assistance	84.165A	342,435
Total Department of Education		1,743,426
Total Federal Expenditures		$ 2,897,225

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 877
Notes to the Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

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

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

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

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OTHER DISTRICT INFORMATION

Independent School District No. 877
Deferred Tax Levies
(Unaudited)

				School Refunding Bonds of 2012	School Refunding Bond 2017		
Calendar Year Levied	Collected	School Building Refunding Bonds of 2018A	School Building Bonds of 2015	School Building Bonds of 2003	Taxable OPEB Bonds of 2009	Alternative Facilities Bonds of 2013	Total
2018	2019	$ 2,023,350	$ 1,004,769	$ 2,571,660	$ 2,084,051	$ 243,994	$ 7,927,824
2019	2020	2,022,038	1,004,769	2,563,260	2,098,121	231,131	7,919,319
2020	2021	556,763	1,004,769	4,022,130	2,116,391	223,204	7,923,257
2021	2022	-	1,004,769	4,747,470	2,044,256	215,355	8,011,850
2022	2023	-	1,004,769	4,755,660	-	2,265,165	8,025,594
2023	2024	-	6,291,519	-	-	-	6,291,519
2024	2025	-	6,311,416	-	-	-	6,311,416
2025	2026	-	6,315,459	-	-	-	6,315,459
2026	2027	-	6,312,794	-	-	-	6,312,794
2027	2028	-	6,310,658	-	-	-	6,310,658
2028	2029	-	6,315,960	-	-	-	6,315,960
		$ 4,602,151	$ 42,881,651	$ 18,660,180	$ 8,342,819	$ 3,178,849	$ 77,665,650

Independent School District No. 877
Property Tax Levies, Rates, and Valuations
Last Ten Fiscal Years
(Unaudited)

Year Collectible	Net Tax Capacity Valuations	Tax Capacity Rates	General Fund	Community Service Fund	Debt Service Fund	OPEB Debt Service Fund	Total All Funds
2010	$ 32,763,398	0.28085	$ 5,673,327	$ 564,269	$ 6,035,737	838,712	$ 13,112,045
2011	30,210,896	0.31952	5,580,632	590,417	6,664,340	518,688	13,354,077
2012	27,627,448	0.35165	5,407,118	560,963	6,650,801	518,688	13,137,570
2013	25,795,102	0.36930	5,353,503	549,781	6,362,376	520,630	12,786,290
2014	26,369,245	0.33882	5,040,652	479,555	6,259,996	492,256	12,272,459
2015	28,598,205	0.35375	5,102,489	444,304	7,363,703	496,186	13,406,682
2016	30,076,092	0.34489	6,299,838	464,451	5,807,758	1,290,641	13,862,688
2017	31,467,344	0.32887	6,260,288	488,197	5,914,677	1,272,597	13,935,759
2018	33,452,365	0.32471	6,963,233	493,467	5,334,875	2,069,902	14,861,477
2019	35,575,211	0.30953	7,360,503	455,473	5,398,465	2,035,660	15,250,101

Source: School Tax Report

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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*

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota, as of and for the year ending 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 14, 2019.

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

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

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

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

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

BerganKDV Ltd.

Minneapolis, Minnesota
October 14, 2019

Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

Report on Compliance for Each Major Federal Program
We have audited Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota with the types of compliance requirements described in the U.S. *Office of Management and Budget (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, in Accordance with the Uniform Guidance.

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 of 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 No. 877 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 were not identified.

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

BerganKDV Ltd.

Minneapolis, Minnesota
October 14, 2019

Independent School District No. 877
Schedule of Findings and Questioned Costs in
Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No.:	84.027 and 84.173
Name of Federal Program or Cluster:	Special Education Cluster
Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low risk auditee?	Yes

Independent School District No. 877
Schedule of Findings and Questioned Costs in
Accordance with the Uniform Guidance

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 877
Buffalo-Hanover-Montrose, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 877, Buffalo-Hanover-Montrose, Minnesota as of and for the year ended June 30, 2019, and the related notes to financial statements, and have issued our report thereon dated October 14, 2019.

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

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

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

BerganKDV Ltd.

Minneapolis, Minnesota
October 14, 2019

Independent School District No. 877
Uniform Financial Accounting and Reporting Standards
Compliance Table
For the Year Ended June 30, 2019

		Audit	UFARS	Audit-UFARS
01 General Fund				
Total Revenue		$67,529,780	$ 67,529,780	$ -
Total Expenditures		68,940,965	68,940,964	1
Nonspendable:				
460	Nonspendable fund balance	574,149	574,149	-
Restricted/reserved:				
403	Staff Development	-	-	-
406	Health and Safety	-	-	-
407	Capital Projects Levy	-	-	-
408	Cooperative Program	-	-	-
413	Building Projects Funded by COP/LP	-	-	-
414	Operating Debt	-	-	-
416	Levy Reduction	-	-	-
417	Taconite Building Maintenance	-	-	-
423	Certain Teacher Programs	-	-	-
424	Operating Capital	733,445	733,445	-
426	$25 Taconite	-	-	-
427	Disabled Accessibility	-	-	-
428	Learning and Development	-	-	-
434	Area Learning Center	-	-	-
435	Contracted Alternative Programs	-	-	-
436	State Approved Alternative Program	-	-	-
438	Gifted and Talented	-	-	-
440	Teacher Development and Evaluations	103,096	103,096	-
441	Basic Skills Programs	-	-	-
445	Career Technical Programs	-	-	-
448	Achievement and Integration Revenue	-	-	-
449	Safe School Crime	-	-	-
450	Transaction for Pre-Kindergarten	-	-	-
451	QZAB Payments	-	-	-
452	OPEB Liabilities not Held in Trust	-	-	-
453	Unfunded Severance and Retirement Levy	-	-	-
459	Basic Skills Extended Time	-	-	-
467	Long-Term Facilities Maintenance	(71,833)	(71,833)	-
472	Medical Assistance	217,324	217,324	-
475	Title VII - Impact Aid	-	-	-
476	Payments in Lieu of Taxes	-	-	-
Restricted:				
464	Restricted fund balance	-	-	-
Committed:				
418	Committed for separation	3,340,760	3,340,760	-
461	Committed	-	-	-
Assigned:				
462	Assigned fund balance	3,632,970	3,632,968	2
Unassigned:				
422	Unassigned fund balance (net position)	6,136,605	6,136,607	(2)
02 Food Services Fund				
Total revenue		$ 3,055,039	$ 3,055,039	$ -
Total expenditures		2,910,459	2,910,458	1
Nonspendable:				
460	Nonspendable fund balance	66,026	66,026	-
Restricted/reserved:				
452	OPEB liabilities not held in trust	-	-	-
Restricted:				
464	Restricted fund balance	555,716	555,717	(1)
Unassigned:				
463	Unassigned fund balance	-	-	-
04 Community Service Fund				
Total revenue		$ 3,687,299	$ 3,687,297	$ 2
Total expenditures		3,444,580	3,444,578	2
Nonspendable:				
460	Nonspendable fund balance	390	390	-
Restricted/reserved:				
426	$25 Taconite	-	-	-
431	Community Education	(115,528)	(115,528)	-
432	ECFE	122,452	122,452	-
440	Teacher Development and Evaluation	-	-	-
444	School Readiness	(8,566)	(8,566)	-
447	Adult Basic Education	12,345	12,345	-
452	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
464	Restricted fund balance	-	-	-
Unassigned:				
463	Unassigned fund balance	(44,476)	(44,477)	1

		Audit	UFARS	Audit-UFARS
06 Building Construction Fund				
Total revenue		$ 190,174	$ 190,174	$ -
Total expenditures		1,281,799	1,281,799	-
Nonspendable:				
460	Nonspendable fund balance	5,842	5,842	-
Restricted/Reserved:				
407	Capital Projects Levy	-	-	-
409	Alternative Facility Program	-	-	-
413	Building Projects Funded by COP	-	-	-
Restricted:				
464	Restricted fund balance	905,234	905,233	1
Unassigned:				
463	Unassigned fund balance	-	-	-
07 Debt Service Fund				
Total revenue		$ 5,505,781	$ 5,505,781	$ -
Total expenditures		11,644,271	11,644,271	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted/reserved:				
425	Bond refunding	-	-	-
433	Maximum effort load aid	-	-	-
451	QZAB Payments	-	-	-
Restricted:				
464	Restricted fund balance	1,095,774	1,095,774	-
Unassigned:				
463	Unassigned fund balance	-	-	-
08 Trust Fund				
Total revenue		$ 240,086	$ 240,087	$ (1)
Total expenditures		-	-	-
Unassigned:				
422	Net position	1,851,004	1,851,004	-
20 Internal Service Fund				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Net position	-	-	-
25 OPEB Revocable Trust				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
422	Net position	-	-	-
45 OPEB Irrevocable Trust				
Total revenue		$ 1,168,781	$ 1,168,781	$ -
Total expenditures		1,119,313	1,119,312	1
Unassigned:				
422	Net position	13,347,372	13,347,372	-
47 OPEB Debt Service				
Total revenue		$ 2,085,059	$ 2,085,059	$ -
Total expenditures		1,971,835	1,971,835	-
Nonspendable:				
460	Nonspendable fund balance	-	-	-
Restricted:				
464	Restricted fund balance	339,251	339,251	-
Unassigned:				
463	Unassigned fund balance	-	-	-