

# **SPECIAL SCHOOL BOARD MEETING AGENDA**

International Falls Public Schools, ISD #361  
Monday, December 2, 2019 at 5:00 PM  
FHS Library, 1515 11<sup>th</sup> Street, International Falls, MN  
District Website: [www.isd361.k12.mn.us](http://www.isd361.k12.mn.us)

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**Mission Statement:** *In partnership with parents and the community, the International Falls School District will prepare every student to become a productive citizen by developing their maximum potential within a safe climate of mutual respect and trust.*

## **Call to Order**

### 1. Roll Call:

Mike Holden___	Michelle Hebner___
Toni Korpi___	Jennifer Windels___
Terry Murray___	Ted Saxton___
Roxanne Skogstad-Ditsch___	Kevin Grover___

### 2. Pledge of Allegiance

## **Approval of Agenda**

1. Approve agenda as presented. Motion by \_\_, second by \_\_. Motion carried / failed.

## **Presentation and Acceptance of Fiscal Year 2019 Audit:**

1. Presentation of the fiscal year 2019 Audit by Mary Reedy, CPA, CGFM of Clifton Larson Allen. Motion by \_\_, second by \_\_. Motion carried / failed. 2
2. Approve the fiscal year 2019 ISD 361 Financial Statement Report and ISD 361 Student Activity Financial Statement Report. Motion by \_\_, second by \_\_. Motion carried / failed. 19

## **Work Session Agenda**

Begin work session and discussion. Motion by \_\_, second by \_\_. Motion carried / failed.

1. District Strategic Plan 133

## **Adjournment**

Motion by \_\_, second by \_\_ to adjourn meeting at \_\_ pm. Motion carried / failed.

# International Falls Public Schools Independent School District No. 361

Executive Audit Summary (EAS)

June 30, 2019

November 18, 2019

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WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



*Create Opportunities*

We promise to know you and help you.

# REQUIRED COMMUNICATIONS

- **Our Responsibility Under Generally Accepted Auditing Standards, *Government Auditing Standards*, and Uniform Guidance**
  - Primary responsibility is to provide our opinion on the fairness of presentation of financial statements
  - Reviewed internal accounting controls
  - Risk based audit approach
  - Based on internal controls, determined scopes and tests of transactions
  - Expressed opinion based on tests
  - Review internal controls and compliance – federal awards
  
- **Planned Scope and Timing of the Audit**
  - Communicated during the audit preliminary work and field work
  
- **Significant Accounting Policies**
  - Outlined in Note 1 to the financial statements
  - Unusual transactions – None noted
  - New standards – None noted

3



## REQUIRED COMMUNICATIONS (Continued)

- **Management Judgments and Accounting Estimates – Reasonable/Supported**
  - Special Education Aid from State of Minnesota
  - Allowance for doubtful accounts
  - Useful lives of capital assets
  - Other Postemployment Benefits payable
  - Net Pension Liability & Related Deferred Inflows and Deferred Outflows of Resources
- **Disclosures are Adequate, Clear and Complete**
- **Other Information in Documents Containing Audited Financial Statements**
  - Required Supplementary Information - We made inquiries and evaluated the comparability – No opinion.
  - Supplementary Information – We made inquiries and evaluated the content - Opinion.
- **Disagreements with Management**
  - There have been no disagreements with management about matters that could be significant to the financial statements.
- **Consultations with Other Accountants**
  - There were no consultations with other independent accountants.



# REQUIRED COMMUNICATIONS (Continued)

- **Management Representations**
  - We have requested certain representations from management included in the management representation letter.
- **Major Issues Discussed With Management Prior to Retention**
  - No issues, other than normal planning issues, were discussed prior to our retention as auditors.
- **Difficulties Encountered in Performing the Audit (None)**
  - Management was most cooperative and helpful.
  - Personnel and records were available.
- **Corrected and Uncorrected Misstatements of Financial Statements**
  - Uncorrected – None noted.
  - Corrected – None noted.

5



# SUMMARY OF AUDIT RESULTS

- **Financial Statements**
  - Unmodified (“clean”) opinion
- **Internal Control Over Financial Reporting - *Government Auditing Standards***
  - Three material weaknesses in internal control were identified
    - ◇ Preparation of financial statements
    - ◇ Lack of segregation of duties
    - ◇ Material audit adjustments
- **Compliance Reporting under *Government Auditing Standards***
  - None noted
- **Uniform Grant Guidance (Single Audit)**
  - Unmodified Opinion
  - Major programs - Child Nutrition and Title I
  - Procurement Finding
- **Minnesota Legal Compliance**
  - Contracts over \$175,000 require a performance and payment bond
  - Contracts over \$50,000 require a verification of compliance
  - Request for bid must be made two weeks in advance in official newspaper
  - Broker certification required
- **Student Activities – Minnesota Legal Compliance**
  - None noted



Independent School District No. 361					
Fund Trends					
General Fund					
For the Year Ended June 30,	2019	2018	2017	2016	2015
Total Revenues	\$ 13,587,418	\$ 13,598,564	\$ 13,010,617	\$ 12,877,010	\$ 12,542,429
Total Expenditures	13,408,086	13,388,690	12,708,154	12,942,947	12,388,702
Excess (Deficit) of Revenues Over (Under) Expenditures	179,332	209,874	302,463	(65,937)	153,727
Other Financing Sources (Uses)	1,204	34,878	11,088	3,100	-
Net Change in Fund Balance	180,536	244,752	313,551	(62,837)	153,727
Fund Balance - Beginning	4,092,858	3,848,106	3,534,555	3,597,392	3,443,665
Unassigned Fund Balance	3,621,368	3,169,566	3,053,425	2,820,544	2,700,991
Nonspendable Fund Balance	12,548	79,822	65,819	15,655	26,629
Restricted Fund Balance	466,208	741,529	632,592	638,392	802,018
Committed Fund Balance	10,858	8,424	6,190	4,124	2,764
Assigned Fund Balance	162,412	93,517	90,080	55,840	64,990
Fund Balance - Ending	\$ 4,273,394	\$ 4,092,858	\$ 3,848,106	\$ 3,534,555	\$ 3,597,392



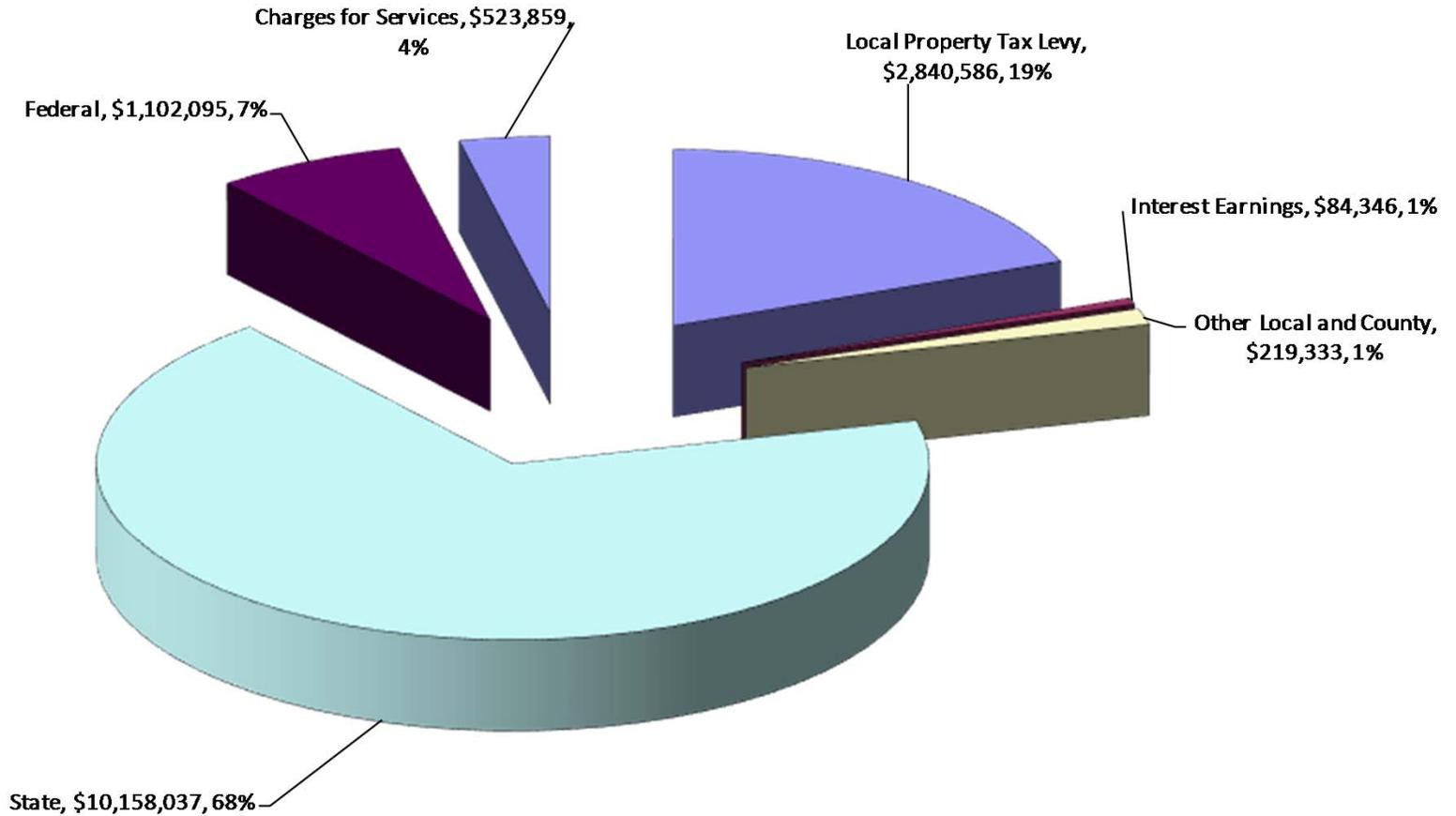
<b>Food Service Fund</b>					
For the Year Ended June 30,	2019	2018	2017	2016	2015
Total Revenues	\$ 558,777	\$ 579,224	\$ 603,756	\$ 598,688	\$ 557,276
Total Expenditures	572,368	578,930	575,306	541,674	541,674
Excess (Deficit) of Revenues Over (Under) Expenditures	(13,591)	294	28,450	57,014	15,602
Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	(13,591)	294	28,450	57,014	15,602
Fund Balance - Beginning	77,924	77,630	49,180	20,539	4,937
Nonspendable Fund Balance	8,451	13,722	15,084	10,110	8,299
Restricted Fund Balance	55,882	64,202	62,546	39,070	12,240
Fund Balance - Ending	\$ 64,333	\$ 77,924	\$ 77,630	\$ 49,180	\$ 20,539
<b>Community Service Fund</b>					
For the Year Ended June 30,	2019	2018	2017	2016	2015
Total Revenues	\$ 418,366	\$ 383,545	\$ 333,501	\$ 332,358	\$ 295,452
Total Expenditures	390,160	391,529	315,501	342,596	305,349
Excess (Deficit) of Revenues Over (Under) Expenditures	28,206	(7,984)	18,000	(10,238)	(9,897)
Other Financing Sources (Uses)	-	-	-	-	-
Net Change in Fund Balance	28,206	(7,984)	18,000	(10,238)	(9,897)
Restricted Fund Balance - Beginning	24,730	32,714	14,714	24,952	34,849
Restricted Fund Balance - Ending	\$ 52,936	\$ 24,730	\$ 32,714	\$ 14,714	\$ 24,952



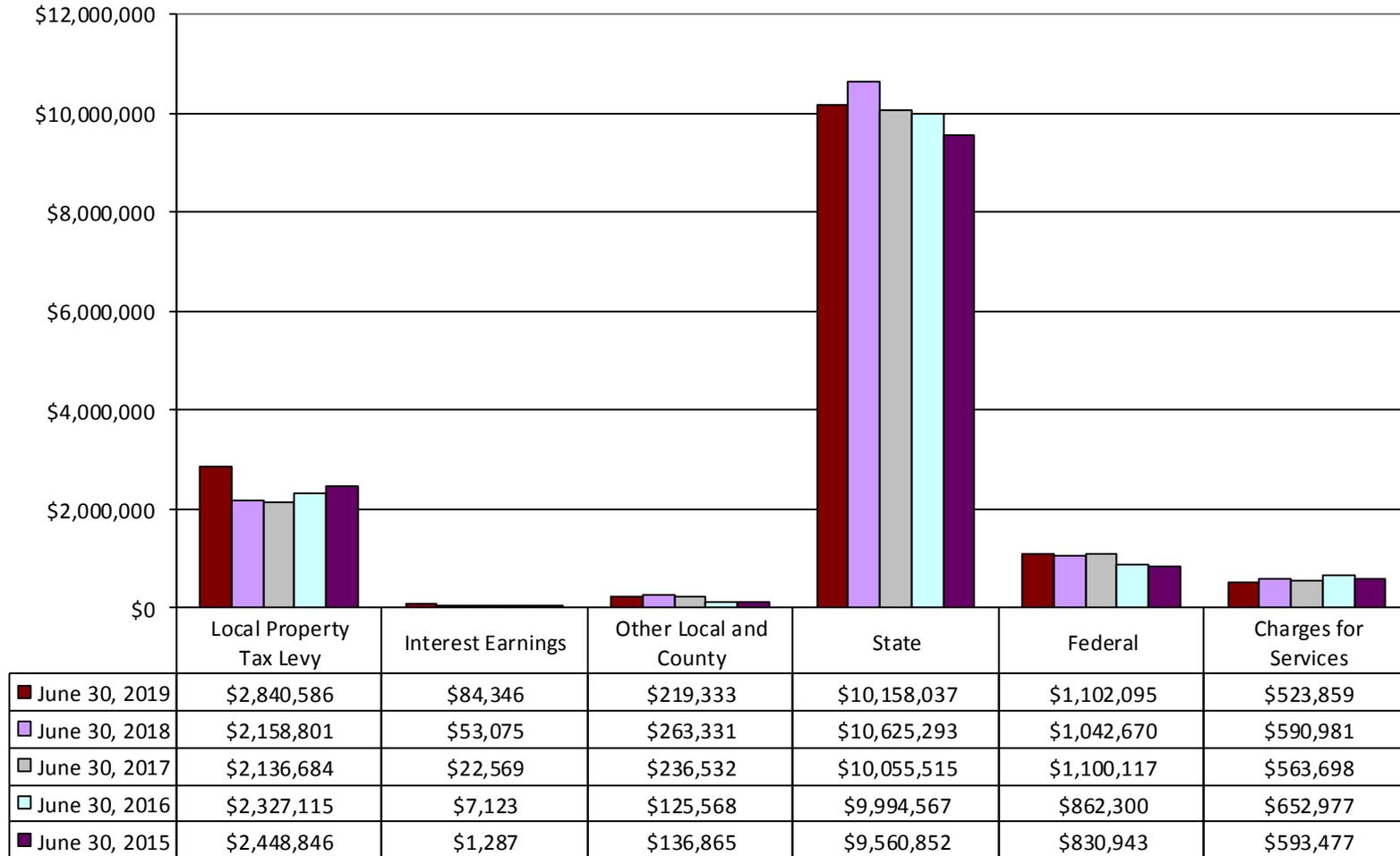
<b>Debt Service Fund</b>					
For the Year Ended June 30,	2019	2018	2017	2016	2015
Total Revenues	\$ 337,893	\$ 160,852	\$ 167,241	\$ 161,594	\$ 177,113
Total Expenditures	324,213	166,463	163,963	161,363	163,763
Excess (Deficit) of Revenues Over (Under)					
Expenditures	13,680	(5,611)	3,278	231	13,350
Other Financing Sources (Uses)	-	1,845	-	-	-
Net Change in Fund Balance	13,680	(3,766)	3,278	231	13,350
Restricted Fund Balance - Beginning	34,247	38,013	34,735	34,504	21,154
Restricted Fund Balance - Ending	\$ 47,927	\$ 34,247	\$ 38,013	\$ 34,735	\$ 34,504
<b>Capital Projects Fund</b>					
For the Year Ended June 30,	2019	2018	2016	2015	2014
Total Revenues	\$ 25,802	\$ 11,966	\$ -	\$ -	\$ -
Total Expenditures	1,116,532	386,916	-	-	-
Excess (Deficit) of Revenues Over (Under)					
Expenditures	(1,090,730)	(374,950)	-	-	-
Other Financing Sources (Uses)	-	1,758,611	-	-	-
Net Change in Fund Balance	(1,090,730)	1,383,661	-	-	-
Restricted Fund Balance					
Restricted Fund Balance - Beginning	1,383,661	-	-	-	-
Restricted Fund Balance - Ending	\$ 292,931	\$ 1,383,661	\$ -	\$ -	\$ -



**SOURCES OF REVENUES FOR INDEPENDENT SCHOOL DISTRICT NO. 361  
FOR THE YEAR ENDED JUNE 30, 2019**



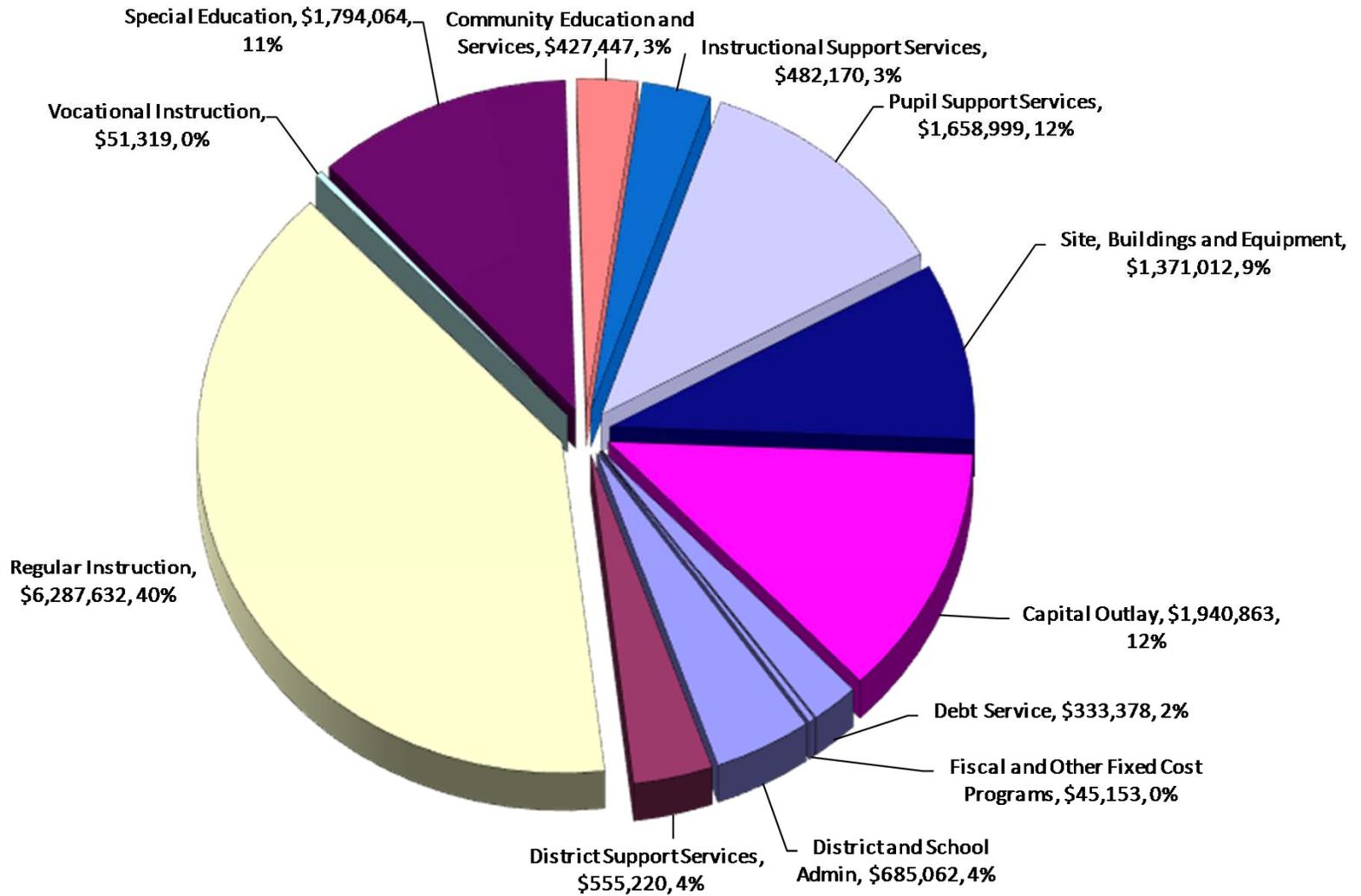
### COMPARATIVE GOVERNMENTAL REVENUES OF INDEPENDENT SCHOOL DISTRICT NO. 361



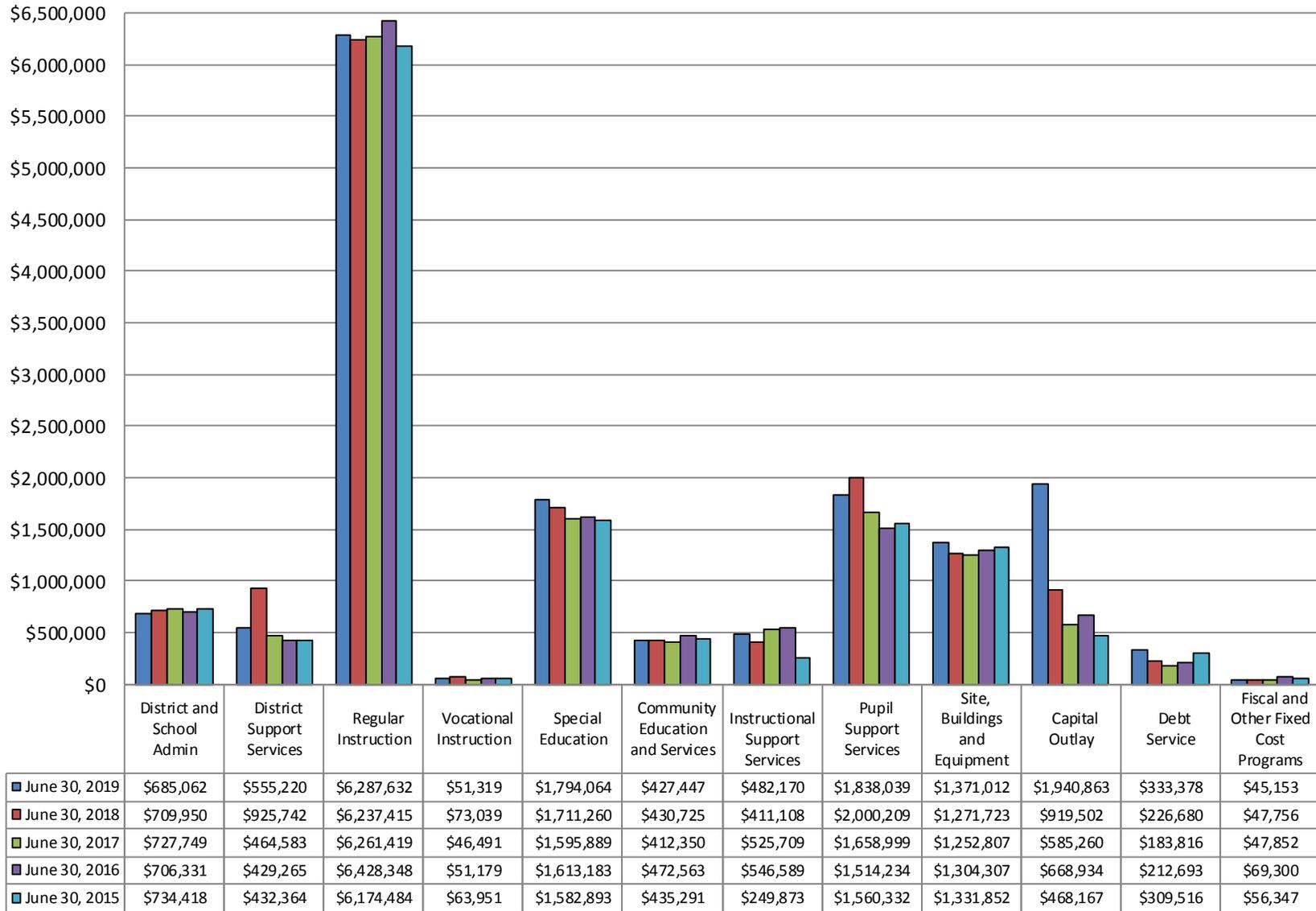
SOURCE OF REVENUES



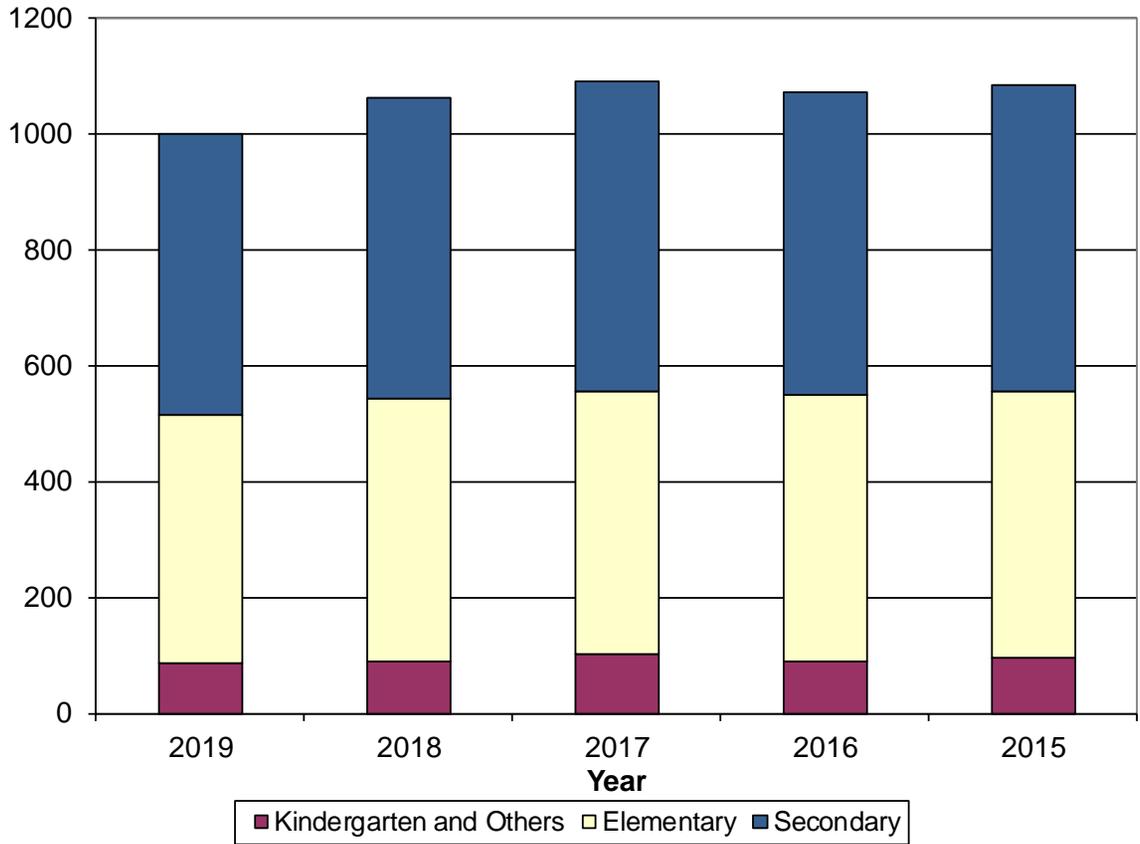
**BREAKDOWN OF EXPENDITURES FOR INDEPENDENT SCHOOL DISTRICT NO. 361  
FOR THE YEAR ENDED JUNE 30, 2019**



### COMPARATIVE EXPENDITURES FOR GOVERNMENTAL FUNDS OF INDEPENDENT SCHOOL DISTRICT NO. 361



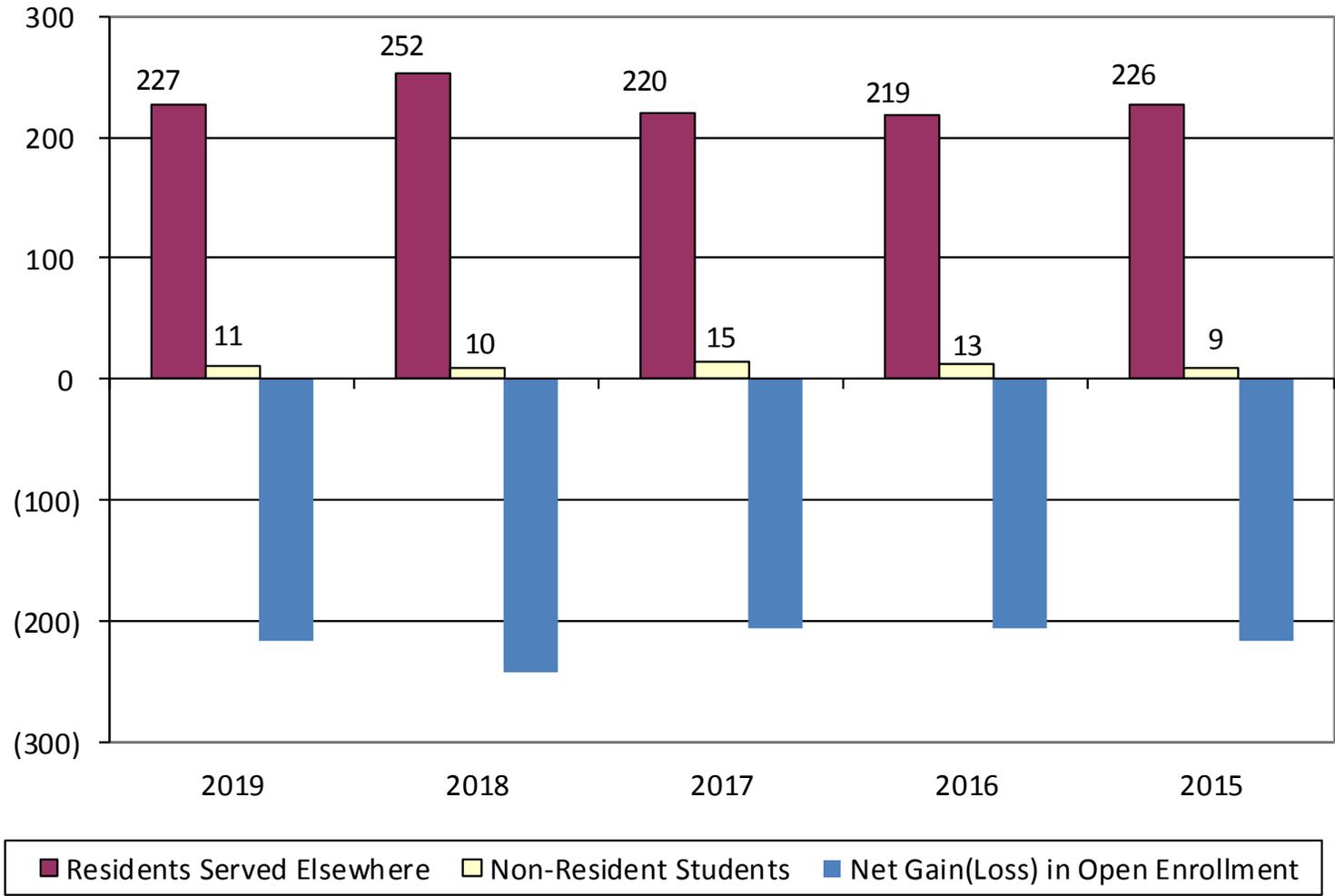
### Average Daily Memberships



Resident Average Daily Membership (ADM)	2019	2018	2017	2016	2015
Kindergarten and Others	85.06	88.81	102.01	88.17	95.38
Elementary	431.35	454.98	455.14	460.79	459.87
Secondary	483.04	520.16	534.98	523.52	528.65
<b>Total Resident ADM</b>	<b>999.45</b>	<b>1,063.95</b>	<b>1,092.13</b>	<b>1,072.48</b>	<b>1,083.90</b>
<b>Total Adjusted Weighted ADM (WADM)</b>	<b>1,096.06</b>	<b>1,167.98</b>	<b>1,268.91</b>	<b>1,247.51</b>	<b>1,255.76</b>



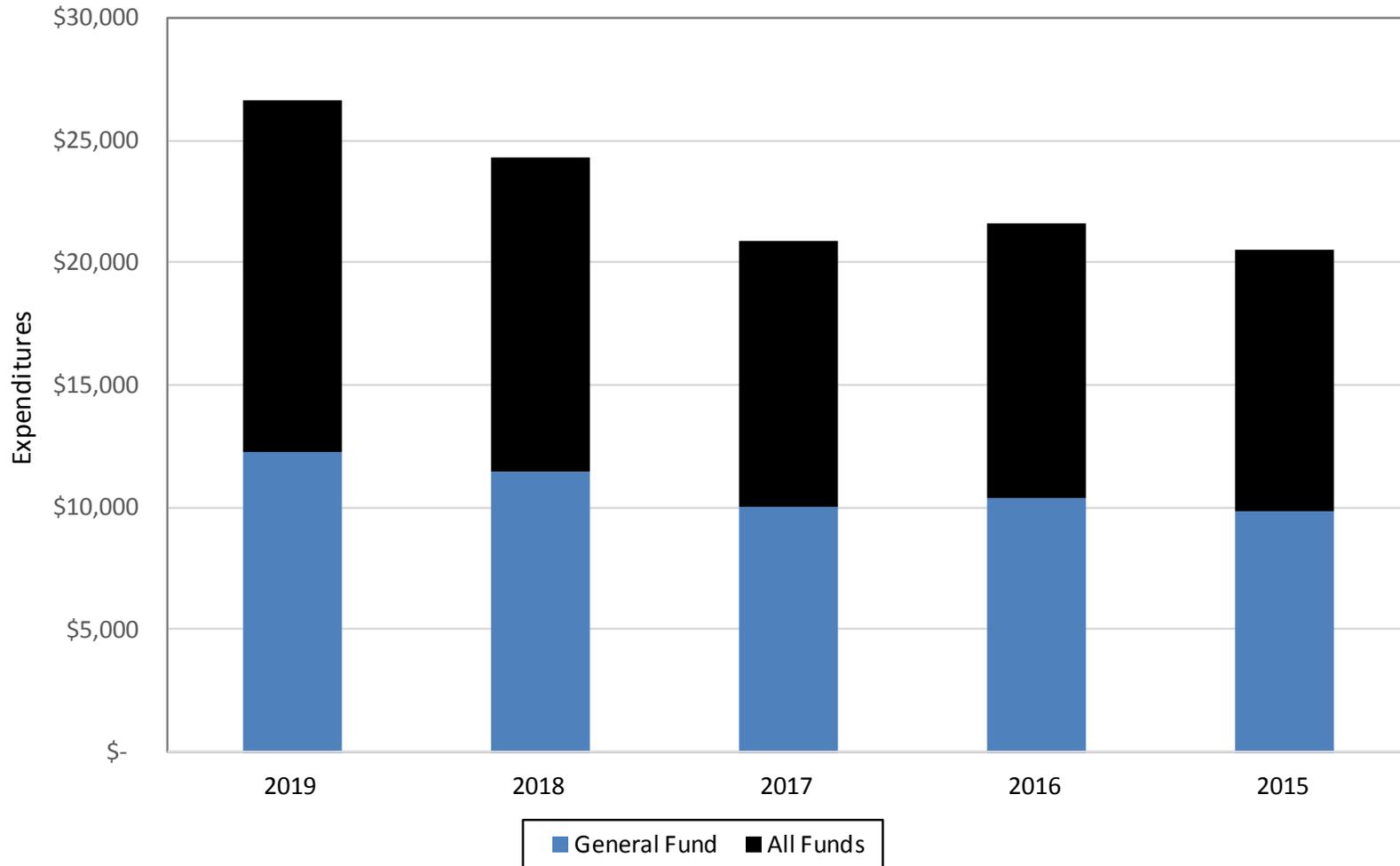
### Enrollment Gain (Loss)



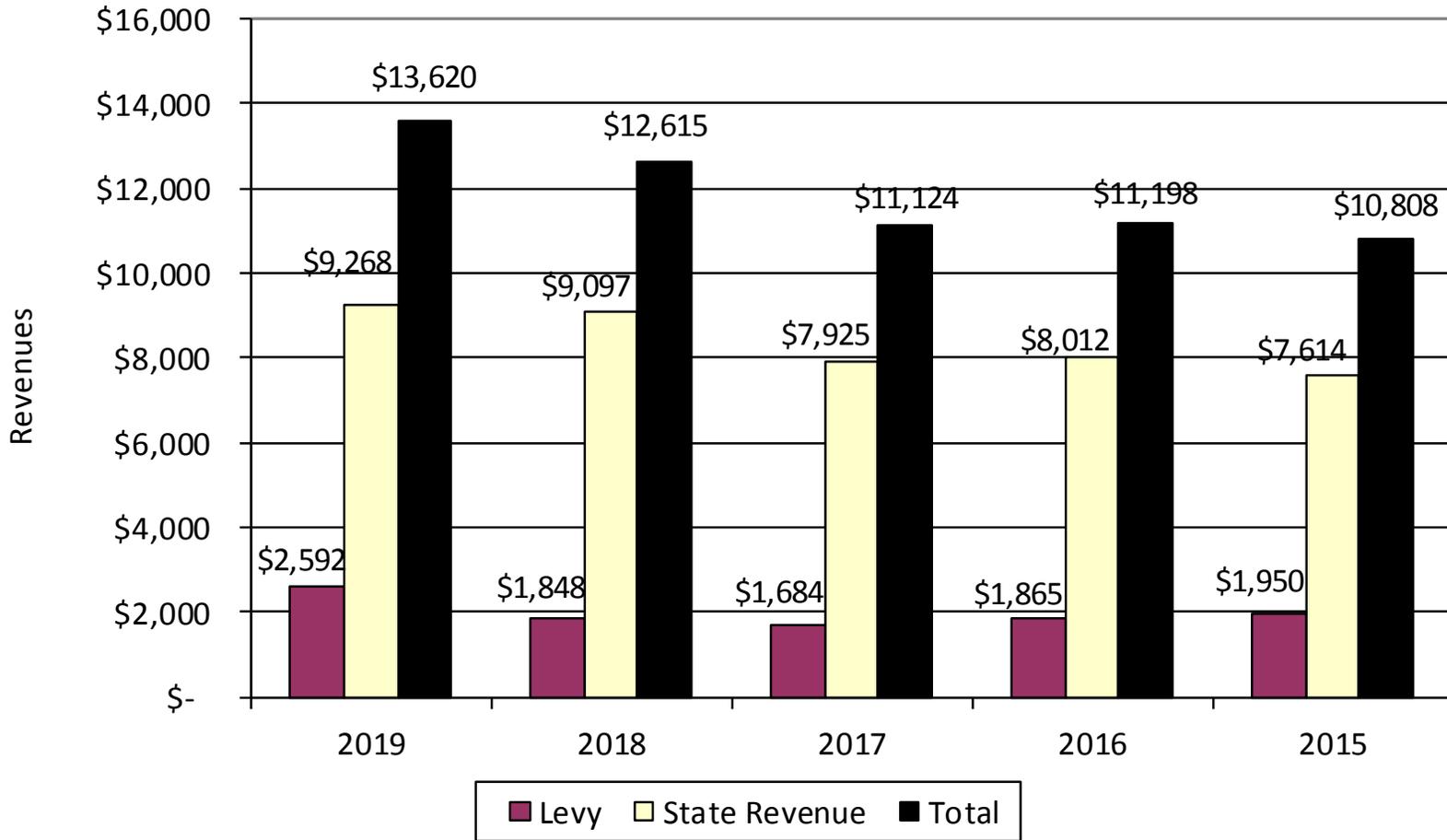
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### Expenditures per WADM



### Revenues per WADM



17





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*Thank you for the opportunity to serve  
the International Falls Public Schools.*

CliftonLarsonAllen LLP

Mary Reedy

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Board of Education and Management of  
Independent School District No. 361  
International Falls Public Schools  
International Falls, Minnesota

In planning and performing our audit of the financial statements of the student activity funds of Independent School District No. 361 (the District) as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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.

### **Material weakness**

The following material weakness was identified and communicated in a prior period; remedial action has not yet been taken:

- **Student Activity Receipts:** The District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity revenues and receipts have been properly recorded. The potential exists that a material misstatement could occur in the financial statements and not be prevented or detected by the District's internal controls. The accounting system and internal controls could be improved by (a) reconciliation of merchandise purchased to items sold and items remaining at the end of the fundraiser and (b) calculation of expected sales compared to cash receipts or various other procedures determined by management.

**Material weakness (continued)**

Student Activity Receipts (Continued):

CORRECTIVE ACTION PLAN:

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

Actions Planned in Response to Finding: The District records student activity revenues on the cash basis and does not have an accounting system and internal controls in place to ensure student activity revenues and receipts have been properly recorded. The District has determined the costs of implementing controls over fund raising activities, in light of the multiple locations and times of these activities, outweigh the benefits; therefore, the District will continue to rely on activity fund advisors for appropriate oversight and supervision, but will not, at this time, implement procedures and policies to provide for detail internal control processes at each fund raising location and activity.

Official Responsible for Ensuring CAP: The District's Business Manager is the school official responsible for carrying out the corrective action plan.

Planned Completion Date for CAP: The corrective action plan will be implemented beginning with the audit for the year ended June 30, 2020.

Plan to Monitor Completion of CAP: The corrective action plan will be monitored each year by the District financial staff and Board of Education as a part of the process of developing the annual audit report.

**Management's response**

The District's written response to the material weakness identified in our audit was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

\* \* \*

This communication is intended solely for the information and use of management, Board of Education, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2019**

**INTRODUCTORY SECTION**

<b>BOARD OF EDUCATION AND ADMINISTRATION</b>	<b>1</b>
--	----------

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
-------------------------------------	----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
---	----------

**BASIC FINANCIAL STATEMENTS**

<b>STATEMENT OF NET POSITION</b>	<b>17</b>
----------------------------------	-----------

<b>STATEMENT OF ACTIVITIES</b>	<b>18</b>
--------------------------------	-----------

<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>19</b>
---	-----------

<b>RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES</b>	<b>21</b>
--	-----------

<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS</b>	<b>22</b>
---	-----------

<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES</b>	<b>24</b>
--	-----------

<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>25</b>
--	-----------

<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND</b>	<b>26</b>
--	-----------

<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND</b>	<b>27</b>
---	-----------

<b>STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY TRUST FUND</b>	<b>28</b>
---	-----------

<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY TRUST FUND</b>	<b>29</b>
--	-----------

<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>30</b>
--------------------------------------	-----------

**REQUIRED SUPPLEMENTARY INFORMATION**

<b>SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS</b>	<b>64</b>
--	-----------

<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>	<b>65</b>
--	-----------

<b>SCHEDULE OF DISTRICT CONTRIBUTIONS</b>	<b>66</b>
---	-----------

<b>NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>67</b>
---	-----------

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL SECTION (CONTINUED)**

**SUPPLEMENTARY INFORMATION**

**GENERAL FUND**

<b>BALANCE SHEET</b>	<b>70</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>71</b>

**FOOD SERVICE FUND**

<b>BALANCE SHEET</b>	<b>74</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>75</b>

**COMMUNITY SERVICE FUND**

<b>BALANCE SHEET</b>	<b>76</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>77</b>

**BUILDING FUND**

<b>BALANCE SHEET</b>	<b>78</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>79</b>

**DEBT SERVICE FUNDS**

<b>BALANCE SHEET</b>	<b>80</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL</b>	<b>81</b>

**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE**

**82**

**SINGLE AUDIT AND OTHER REQUIRED REPORTS**

<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>83</b>
--	-----------

<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE</b>	<b>85</b>
--	-----------

<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>	<b>88</b>
---	-----------

<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>89</b>
---	-----------

<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>	<b>90</b>
--	-----------

## **INTRODUCTORY SECTION**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2019**

**BOARD OF EDUCATION**

<b>NAME</b>	<b>TERM ON BOARD EXPIRES</b>	<b>BOARD POSITION</b>
Mike Holden	December 31, 2020	Treasurer
Michelle Hebner	December 31, 2020	Vice-Chair
Jennifer Windels	December 31, 2022	Director
Toni Korpi	December 31, 2022	Director
Ted Saxton	December 31, 2022	Chairperson
Terry Murray	December 31, 2020	Clerk
Roxanne Skogstad-Ditsch	December 31, 2020	Director

**ADMINISTRATION**

Kevin Grover	Superintendent
Stacy Grover	Business Manager
District Offices	Independent School District No. 361 International Falls Public Schools 1515 11 <sup>th</sup> Street International Falls, MN 56649 (218) 283-2571 <a href="http://www.isd361.k12.mn.us">www.isd361.k12.mn.us</a>

## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 361  
International Falls Public Schools  
International Falls, 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. 361 (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 auditors' 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

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

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited the District's 2018 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 14, 2018. 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.

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Changes in the District's OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability, and the Schedule of District Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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 Matters (Continued)**

*Supplementary 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 individual fund financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table, as listed 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, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The individual fund financial statements, the Uniform Financial Accounting and Reporting Standards Compliance Table and the Schedule of Expenditures of Federal Awards are the responsibility of management and 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019

## **REQUIRED SUPPLEMENTARY INFORMATION**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

This section of International Falls Public Schools – Independent School District No. 361's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019.

**FINANCIAL HIGHLIGHTS**

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

- District-wide, accrual basis net position increased by approximately \$3,500,000 on revenues of \$14,600,000 compared to expenses of \$11,000,000.
- Total General Fund revenues were approximately \$13,600,000 as compared to \$13,400,000 of expenditures.
- The fund balance of the General Fund increased by a net of approximately \$181,000 from the prior year representing a 4.4% increase in fund balance.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**District-Wide Statements**

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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall financial health of the District, you need to consider additional non-financial factors such as enrollment trends, 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, state aids, and federal aids finance most of these activities.

**Fund Financial Statements**

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

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

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Fund Financial Statements (Continued)**

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional reconciling information within the governmental funds statements to explain the relationship (or differences) between the funds.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position was \$(546,527) on June 30, 2019.

**Table A-1  
The District's Net Position**

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2019</b>	<b>2018</b>	
Current and Other Assets	\$ 7,962,928	\$ 9,122,042	(12.7)%
Capital Assets	8,749,827	7,315,696	19.6
<b>Total Assets</b>	<b>16,712,755</b>	<b>16,437,738</b>	<b>1.7</b>
Deferred Outflows of Resources	8,250,171	11,089,212	(25.6)
Current Liabilities	1,016,750	1,344,213	(24.4)
Long-Term Liabilities	10,649,439	23,746,539	(55.2)
<b>Total Liabilities</b>	<b>11,666,189</b>	<b>25,090,752</b>	<b>(53.5)</b>
Deferred Inflows of Resources	13,787,689	6,453,883	113.6
Net Position			
Net Investment in Capital Assets	6,257,645	5,693,026	9.9
Restricted	744,735	914,268	(18.5)
Unrestricted	(7,493,332)	(10,624,979)	(29.5)
<b>Total Net Position</b>	<b>\$ (490,952)</b>	<b>\$ (4,017,685)</b>	<b>(87.8)</b>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The District's total revenues were \$14,567,299 for the year ended June 30, 2019. Property taxes and state aid formula accounted for 69% of total revenue for the year. Another 25% came from other program-specific federal and state aid.

**Table A-2  
Change in Net Position**

	<b>Governmental Activities for the Fiscal Year Ended June 30,</b>		<b>Total % Change</b>
	<b>2019</b>	<b>2018</b>	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 631,308	\$ 693,276	(8.9)%
Operating Grants and Contributions	3,505,908	3,826,730	(8.4)
Capital Grants and Contributions	186,912	196,017	(4.6)
<u>General Revenues</u>			
Property Taxes	2,874,890	2,153,392	33.5
Unrestricted State Aid	7,186,591	7,697,247	(6.6)
Investment Earnings	84,346	53,075	58.9
Other	97,344	101,668	(4.3)
Total Revenues	<u>14,567,299</u>	<u>14,721,405</u>	(1.0)
<b>Expenses</b>			
Administration	491,202	870,279	(43.6)
District Support Services	560,501	1,037,800	(46.0)
Regular Instruction	4,627,657	8,390,352	(44.8)
Vocational Education Instruction	35,907	111,205	(67.7)
Special Education Instruction	1,398,597	2,000,188	(30.1)
Instructional Support Services	367,088	555,528	(33.9)
Pupil Support Services	1,115,193	1,391,209	(19.8)
Sites and Buildings	1,392,066	1,467,859	(5.2)
Fiscal and Other Fixed Cost Programs	46,903	47,756	(1.8)
Food Service	572,368	579,385	(1.2)
Community Service	277,565	492,246	(43.6)
Unallocated - Depreciation	76,402	92,212	(17.1)
Interest and Fiscal Charges on Long-Term Liabilities	79,117	67,010	18.1
Total Expenses	<u>11,040,566</u>	<u>17,103,029</u>	(35.4)
<b>Increase (Decrease) in Net Position</b>	3,526,733	(2,381,624)	
Net Position - Beginning of Year	<u>(4,017,685)</u>	<u>(1,636,061)</u>	
Net Position - End of Year	<u>\$ (490,952)</u>	<u>\$ (4,017,685)</u>	

Revenues remained fairly consistent from prior year. Expenses decreased primarily due the change in the Teachers Retirement Fund liability and related deferred inflows and outflows of resources.

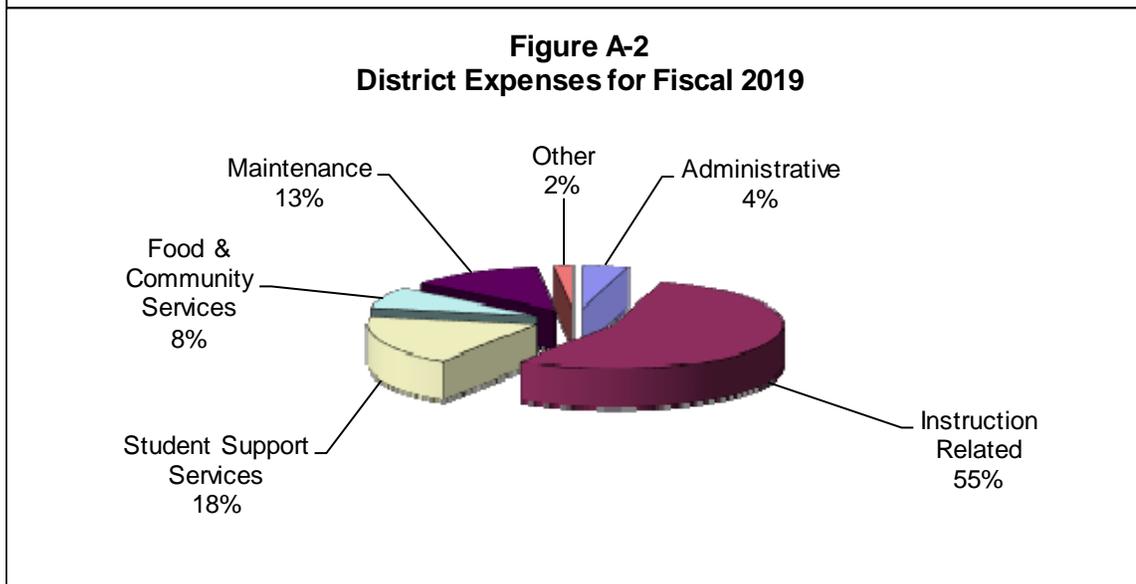
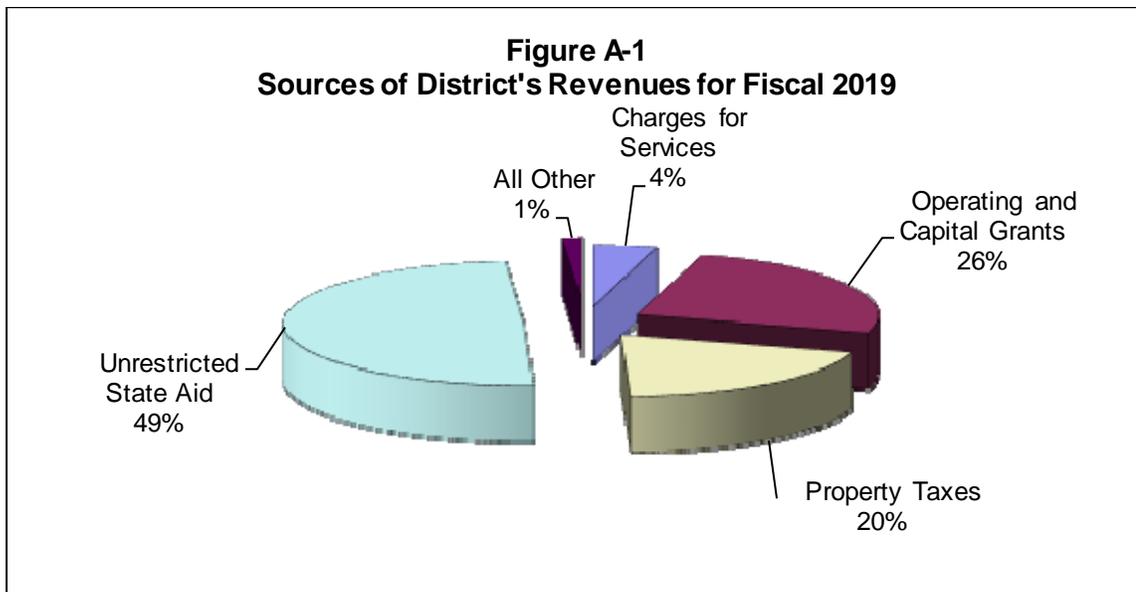
**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

The cost of all governmental activities this year was \$11,0040,566.

- Some of the cost was paid by the users of the District's programs (\$631,308).
- The federal and state governments subsidized certain programs with grants and contributions (\$3,693,820).
- All of the remaining District's costs were paid by District taxpayers and the taxpayers of our state through \$10,061,481 in property taxes and state aid based on the statewide education aid formula.



**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

**Table A-3  
Cost and Net Cost of Services**

	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	<b>2019</b>	<b>2018</b>	<b>Change</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Administration	\$ 491,202	\$ 870,279	(43.6)%	\$ 491,202	\$ 870,279	(43.6)%
District Support Services	560,501	1,037,800	(46.0)	560,501	1,037,800	(46.0)
Regular Instruction	4,627,657	8,390,352	(44.8)	3,562,174	7,102,097	(49.8)
Vocational Education Instruction	35,907	111,205	(67.7)	32,343	104,974	(69.2)
Special Education Instruction	1,398,597	2,000,188	(30.1)	137,100	684,908	(80.0)
Instructional Support Services	367,088	555,528	(33.9)	142,480	313,732	(54.6)
Pupil Support Services	1,115,193	1,391,209	(19.8)	414,280	629,332	(34.2)
Sites and Buildings	1,392,066	1,467,859	(5.2)	1,205,154	1,271,842	(5.2)
Fiscal and Other Fixed Cost Programs	46,903	47,756	(1.8)	46,903	47,756	(1.8)
Food Service	572,368	579,385	(1.2)	13,591	161	(8341.6)
Community Service	277,565	492,246	(43.6)	(44,809)	164,903	(127.2)
Unallocated - Depreciation	76,402	92,212	(17.1)	76,402	92,212	(17.1)
Interest and Fiscal Charges on Long-Term Liabilities	79,117	67,010	18.1	79,117	67,010	18.1
<b>Total</b>	<b>\$ 11,040,566</b>	<b>\$ 17,103,029</b>	<b>(35.4)</b>	<b>\$ 6,716,438</b>	<b>\$ 12,387,006</b>	<b>(45.8)</b>

**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 \$4,731,548.

Revenues for the District's governmental funds were \$14,928,256, while total expenditures were \$15,811,359.

**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 graph shows the trend in student counts over the past ten years:

**Table A-4  
Student Enrollment (Average Daily Membership)**

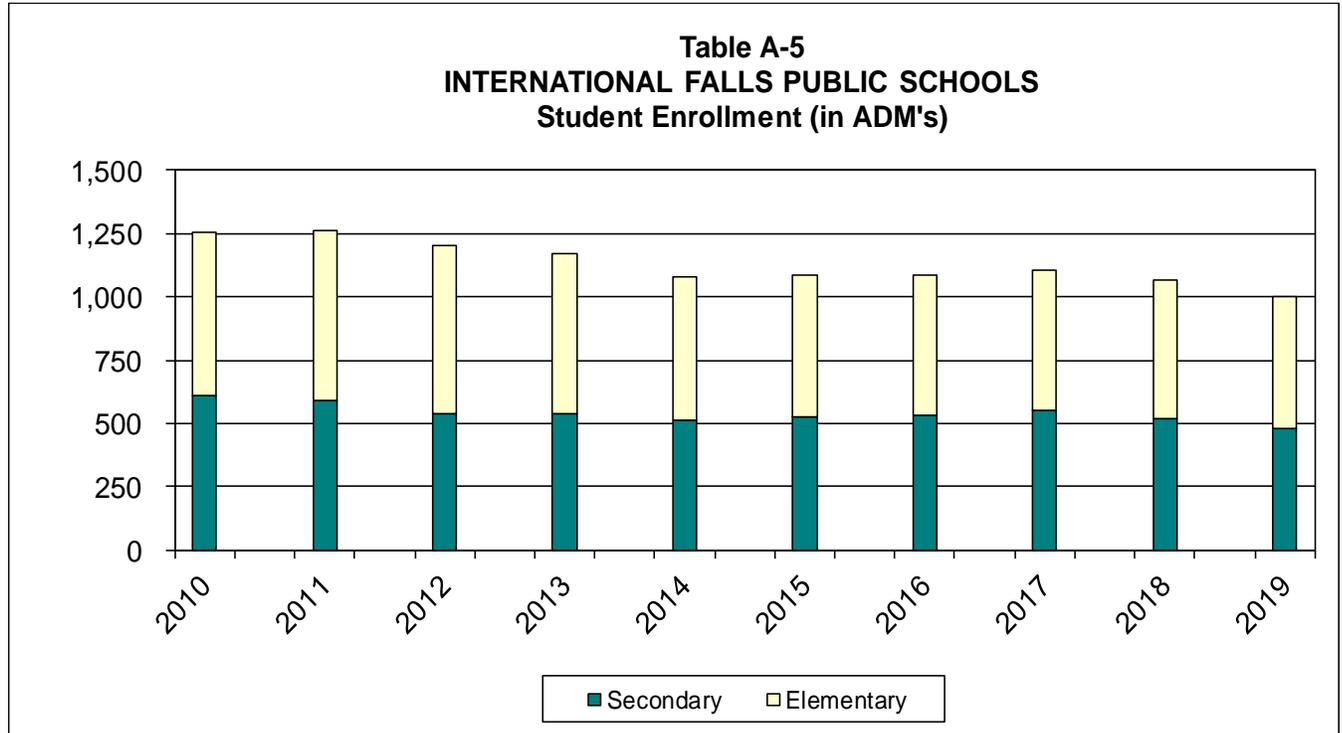
**Table A-4**

	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
EC	7	8	5	5	8	11	13	14	16	18
VPK	-	-	-	-	-	-	-	26	-	-
HCP K	12	10	13	10	10	10	11	17	12	14
Reg K	81	75	70	68	60	74	64	71	60	53
Elementary	546	577	573	543	488	460	463	456	456	431
Secondary	608	591	540	542	515	529	534	550	520	483
<b>Total Students for Aid</b>	<b>1,254</b>	<b>1,261</b>	<b>1,201</b>	<b>1,168</b>	<b>1,081</b>	<b>1,084</b>	<b>1,085</b>	<b>1,134</b>	<b>1,064</b>	<b>999</b>
<b>Percent Change</b>	<b>2.37%</b>	<b>0.56%</b>	<b>-4.76%</b>	<b>-2.75%</b>	<b>-7.45%</b>	<b>0.26%</b>	<b>0.11%</b>	<b>4.52%</b>	<b>-6.17%</b>	<b>-6.11%</b>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND (CONTINUED)**

**Student Enrollment (Average Daily Membership)**



The following schedule presents a summary of General Fund Revenues:

**Table A-6  
General Fund Revenues**

Fund	Year Ended		Change	
	June 30, 2019	June 30, 2018	Amount Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 2,485,089	\$ 1,962,979	\$ 522,110	26.6 %
Earnings on Investments	58,544	41,109	17,435	42.4
Charges for Services	184,417	254,200	(69,783)	(27.5)
Other	210,586	254,831	(44,245)	(17.4)
State Sources	9,841,766	10,351,918	(510,152)	(4.9)
Federal Sources	807,016	733,527	73,489	10.0
Total General Fund Revenue	<u>\$ 13,587,418</u>	<u>\$ 13,598,564</u>	<u>\$ (11,146)</u>	(0.1)

There was decrease of \$11,146 or 0.1% in General Fund revenue from the prior year, which was relatively consistent with the prior year.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Expenditures:

**Table A-7  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2019	June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 7,207,478	\$ 7,035,446	\$ 172,032	2.4 %
Employee Benefits	2,303,385	2,301,933	1,452	0.1
Purchased Services	2,031,969	2,033,998	(2,029)	(0.1)
Supplies and Materials	879,847	1,332,642	(452,795)	(34.0)
Capital Expenditures	824,331	532,586	291,745	54.8
Debt Service	9,165	7,636	1,529	20.0
Other Expenditures	151,911	144,449	7,462	5.2
Total Expenditures	<u>\$ 13,408,086</u>	<u>\$ 13,388,690</u>	<u>\$ 19,396</u>	0.1

There was an increase of \$19,396 or 0.1% in General Fund expenditures from the prior year, which was relatively consistent with the prior year.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget two times. These budget amendments fall into two categories:

- Generally speaking, the first budget amendment concentrates on students and staff. Actual student counts from the beginning of the school year are tracked and matched against the student enrollment estimates used to project many of the revenue components in the preliminary budget revenue categories. Actual staffing and respective assignments are verified for accuracy against the projected staffing costs used to establish the preliminary budget expenditures for salaries and benefits.
- Because it occurs further into the fiscal year, the second amendment of the budget has a heavier concentration on the review and tracking of both actual revenue and expenditure categories toward the annual budgeted amounts.

In the case of either budget amendments, depending on how actual revenue and expense items are tracking against the preliminary budget amounts, adjustments are proposed to specific categories for review and approval by the Board of Education.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**GENERAL FUND (CONTINUED)**

**General Fund Budgetary Highlights (Continued)**

Actual results differed from budget as follows:

- While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$226,504, actual revenues exceeded actual expenditures by \$180,536.
- Overall, actual revenues were about \$269,000 more than budgeted, representing approximately 2% variation from budget to actual.
- The actual expenditures for current year were about \$137,000 less than budgeted, which represents about 1% of budgeted expenditures.
- The General Fund's unassigned fund balance increased by \$501,872, while restricted fund balance decreased by \$325,391.

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

An annual levy is made to fund the bond payments of approximately \$220,000 in principal and \$104,213 of interest.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**CAPITAL ASSETS**

As shown in the table below, the District has invested about \$21,800,000 in a broad range of capital assets, including school buildings, athletic facilities, computer and audio-visual equipment, and administrative offices. More detailed information about capital assets can be found in Note 3 to the financial statements. Total depreciation expense for the year was approximately \$687,000.

**Table A-8  
The District's Capital Assets**

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Land	\$ 139,985	\$ 139,985	-
Construction-in-Progress	320,924	330,957	(3.0)
Land Improvements	2,030,485	1,741,469	16.6
Buildings and Improvements	15,902,415	14,313,037	11.1
Equipment	3,451,395	3,722,493	(7.3)
Less: Accumulated Depreciation	<u>(13,095,377)</u>	<u>(12,932,245)</u>	1.3
<b>Total</b>	<b><u>\$ 8,749,827</u></b>	<b><u>\$ 7,315,696</u></b>	<b>19.6</b>

**Long-Term Liabilities**

At year-end, the District had \$2,490,000 in general obligation bonds outstanding as shown in Note 4 to the financial statements.

**Table A-9  
The District's Long-Term Liabilities**

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
General Obligation Bonds	\$ 2,490,000	\$ 2,710,000	(8.1)%
Net Bond Premium and Discount	189,414	210,456	(10.0)
Obligations Under Capital Leases	<u>24,122</u>	<u>30,100</u>	(19.9)
<b>Total</b>	<b><u>\$ 2,703,536</u></b>	<b><u>\$ 2,950,556</u></b>	<b>(8.4)</b>
Long-Term Liabilities			
Due Within One Year	\$ 241,689	\$ 225,978	
Due in More Than One Year	<u>2,461,847</u>	<u>2,724,578</u>	
<b>Total</b>	<b><u>\$ 2,703,536</u></b>	<b><u>\$ 2,950,556</u></b>	

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

With the exception of voter-approved excess operating referendums, the District is dependent on the State of Minnesota for its revenue authority.

The general education program is the method by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources.

As the state economy followed national trends during the downturn from 2009 – 2012, increases in funding from the state were very limited and at a level that were insufficient in meeting the instructional program needs and increased costs due to inflation. The District responded to these financial challenges by taking appropriate steps to bring relative stability to its budget, preserving unassigned fund balance for any future uncertainty in funding or unexpected changes in its operating environment.

In the most recent two fiscal years, the state allocation for general education aid increased at a rate of 2% in both fiscal year 2018 and 2019. General education aid is a student enrollment based revenue formula, therefore, more students mean more funding and fewer students mean less funding. The District's historical enrollment trend has been a decline in student enrollment with future enrollment projections predict this trend to continue. Therefore, any increase gained on general education aid formula is negatively offset by lower student enrollment. Thus, the resulting impact is a slower decline in total revenue generated from general education aid vs an increase in general education aid funding for the District. The District will continue to be diligent in its efforts of maintaining a stable budget and maintaining a solid unassigned fund balance.

**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 Stacy Grover, the Business Manager, at the District offices located at, 1515 Eleventh Street, International Falls, Minnesota, 56649.

## **BASIC FINANCIAL STATEMENTS**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
STATEMENT OF NET POSITION  
JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 5,007,235	\$ 6,129,756
Receivables		
Property Taxes	1,469,731	1,376,957
Other Governments	1,427,480	1,493,731
Other	37,483	28,054
Prepaid Items	-	63,686
Inventories	20,999	29,858
Capital Assets		
Land	139,985	139,985
Construction in Progress	320,924	330,957
Other Capital Assets, Net of Depreciation	8,288,918	6,844,754
Total Assets	16,712,755	16,437,738
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension Related	8,191,519	11,005,867
OPEB Related	58,652	83,345
	8,250,171	11,089,212
<b>LIABILITIES</b>		
Salaries and Payroll Deductions	200,186	153,421
Accounts and Contracts Payable	164,838	515,491
Accrued Interest	41,830	45,884
Due to Other Governmental Units	178,449	186,295
Unearned Revenue - Charges for Services	4,977	3,751
Long-Term Liabilities		
Net Pension Liability	7,514,491	20,341,362
Other Postemployment Benefit Liability Due Within One Year	58,652	83,345
Other Postemployment Benefit Liability Due Within More Than One Year	576,927	573,237
Portion Due Within One Year	367,818	356,026
Portion Due in More Than One Year	2,558,021	2,831,940
Total Liabilities	11,666,189	25,090,752
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension Related	11,128,016	3,840,476
OPEB Related	70,011	22,734
Property Taxes Levied for Subsequent Year	2,589,662	2,590,673
Total Deferred Inflows of Resources	13,787,689	6,453,883
<b>NET POSITION</b>		
Net Investment in Capital Assets	6,257,645	5,693,026
Restricted for:		
General Fund Operating Capital Purposes	418,824	429,765
General Fund State-Mandated Reserves	107,629	311,764
Food Service	64,333	77,924
Community Service	57,929	29,485
Debt Service	14,443	9,555
Capital Projects - Building Construction	81,577	55,775
Unrestricted	(7,493,332)	(10,624,979)
Total Net Position	\$ (490,952)	\$ (4,017,685)

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

Functions	2019				2018	
	Expenses	Program Revenues			Net (Expense)	Net (Expense)
		Charges for Services	Operating	Capital	Revenue and	Revenue and
			Grants and Contributions	Grants and Contributions	Changes in	Changes in
				Net Position	Net Position	
				Total	Total	
				Governmental	Governmental	
				Activities	Activities	
<b>Governmental Activities</b>						
Administration	\$ 491,202	\$ -	\$ -	\$ -	\$ (491,202)	\$ (870,279)
District Support Services	560,501	-	-	-	(560,501)	(1,037,800)
Regular Instruction	4,627,657	203,780	861,703	-	(3,562,174)	(7,102,097)
Vocational Education Instruction	35,907	-	3,564	-	(32,343)	(104,974)
Special Education Instruction	1,398,597	80,903	1,180,594	-	(137,100)	(684,908)
Instructional Support Services	367,088	-	224,608	-	(142,480)	(313,732)
Pupil Support Services	1,115,193	-	700,913	-	(414,280)	(629,332)
Sites and Buildings	1,392,066	-	-	186,912	(1,205,154)	(1,271,842)
Fiscal and Other Fixed Cost Programs	46,903	-	-	-	(46,903)	(47,756)
Food Service	572,368	229,738	329,039	-	(13,591)	(161)
Community Service	277,565	116,887	205,487	-	44,809	(164,903)
Interest and Fiscal Charges on						
Long-Term Liabilities	79,117	-	-	-	(79,117)	(67,010)
Unallocated Depreciation	76,402	-	-	-	(76,402)	(92,212)
Total School District	<u>\$ 11,040,566</u>	<u>\$ 631,308</u>	<u>\$ 3,505,908</u>	<u>\$ 186,912</u>	<u>(6,716,438)</u>	<u>(12,387,006)</u>
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					2,519,393	1,957,570
Community Service					112,319	100,319
Debt Service					243,178	95,503
State Aid Not Restricted to Specific Purposes					7,186,591	7,697,247
Earnings on Investments					84,346	53,075
Loss on Sale of Assets					(4,801)	-
Miscellaneous					102,145	101,668
Total General Revenues					<u>10,243,171</u>	<u>10,005,382</u>
<b>CHANGE IN NET POSITION</b>						
Net Position - Beginning of Year					3,526,733	(2,381,624)
Net Position - End of Year					<u>(4,017,685)</u>	<u>(1,636,061)</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ (490,952)</u>	<u>\$ (4,017,685)</u>

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	Major Funds			
	General	Food Service	Community Service	Capital Projects
<b>ASSETS</b>				
Cash and Investments	\$ 4,350,673	\$ 61,036	\$ 94,693	\$ 337,235
Receivables				
Current Property Taxes	1,149,803	-	67,423	-
Delinquent Property Taxes	85,344	-	4,966	-
Due from Other Minnesota School Districts	200,079	-	-	-
Due from Minnesota Department of Education	762,681	-	9,665	-
Due from Federal through Minnesota Department of Education	445,635	-	-	-
Due from Other Governmental Units	-	-	-	-
Other Receivables	11,469	-	26,014	-
Prepaid Items	-	-	-	-
Inventory	12,548	8,451	-	-
Total Assets	<u>\$ 7,018,232</u>	<u>\$ 69,487</u>	<u>\$ 202,761</u>	<u>\$ 337,235</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities</b>				
Salaries and Payroll Deductions	\$ 187,159	\$ 162	\$ 12,865	\$ -
Accounts and Contracts Payable	115,238	15	5,281	44,304
Due to Other Minnesota School Districts	176,299	-	-	-
Due to Other Governmental Units	2,054	-	96	-
Unearned Revenue - Charges for Services	-	4,977	-	-
Total Liabilities	<u>480,750</u>	<u>5,154</u>	<u>18,242</u>	<u>44,304</u>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for Subsequent Year	2,184,132	-	126,590	-
Unavailable Revenue - Delinquent Taxes	79,956	-	4,966	-
Total Deferred Inflows of Resources	<u>2,264,088</u>	<u>-</u>	<u>131,556</u>	<u>-</u>
<b>Fund Balance</b>				
<b>Nonspendable:</b>				
Prepaid Items	-	-	-	-
Inventory	12,548	8,451	-	-
<b>Restricted:</b>				
Health and Safety	-	-	-	-
Operating Capital	418,824	-	-	-
Basic Skills Ext Time	680	-	-	-
Staff Development	55,967	-	-	-
Medical Assistance	50,982	-	-	-
Long-Term Facilities Maintenance (LTFM)	(60,245)	-	-	-
Community Education Programs	-	-	45,988	-
Early Childhood and Family Educations Programs	-	-	4,160	-
School Readiness	-	-	247	-
Adult Basic Education	-	-	1,308	-
Other Restricted	-	55,882	1,260	292,931
<b>Committed:</b>				
Other Committed	10,858	-	-	-
<b>Assigned:</b>				
Other Assigned	162,412	-	-	-
Unassigned	3,621,368	-	-	-
Total Fund Balances	<u>4,273,394</u>	<u>64,333</u>	<u>52,963</u>	<u>292,931</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,018,232</u>	<u>\$ 69,487</u>	<u>\$ 202,761</u>	<u>\$ 337,235</u>

See accompanying Notes to Financial Statements.

Debt Service	Total Governmental Funds	
	2019	2018
\$ 163,598	\$ 5,007,235	\$ 6,129,756
153,849	1,371,075	1,293,200
8,346	98,656	83,757
-	200,079	205,485
9,420	781,766	854,425
-	445,635	432,388
-	-	1,433
-	37,483	28,054
-	-	63,686
-	20,999	29,858
<u>\$ 335,213</u>	<u>\$ 7,962,928</u>	<u>\$ 9,122,042</u>
\$ -	\$ 200,186	\$ 153,421
-	164,838	515,491
-	176,299	185,759
-	2,150	536
-	4,977	3,751
-	548,450	858,958
278,940	2,589,662	2,590,673
8,346	93,268	58,964
<u>287,286</u>	<u>2,682,930</u>	<u>2,649,637</u>
-	-	63,686
-	20,999	29,858
-	-	5,617
-	418,824	429,765
-	680	-
-	55,967	123,989
-	50,982	140,856
-	(60,245)	41,302
-	45,988	22,185
-	4,160	-
-	247	2
-	1,308	1,308
47,927	398,000	1,483,372
-	10,858	8,424
-	162,412	93,517
-	3,621,368	3,169,566
<u>47,927</u>	<u>4,731,548</u>	<u>5,613,447</u>
<u>\$ 335,213</u>	<u>\$ 7,962,928</u>	<u>\$ 9,122,042</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 4,731,548</b>	<b>\$ 5,613,447</b>
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	139,985	139,985
Construction-in-Progress	320,924	330,957
Land Improvements, Net of Accumulated Depreciation	737,235	499,804
Buildings and Improvements, Net of Accumulated Depreciation	6,642,126	5,466,155
Equipment, Net of Accumulated Depreciation	909,557	878,795
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current-period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.		
	93,268	58,964
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(41,830)	(45,884)
The District's Net Pension Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(7,514,491)	(20,341,362)
Deferred Inflows of Resources - Pension Related	(11,128,016)	(3,840,476)
Deferred Outflows of Resources - Pension Related	8,191,519	11,005,867
The District's OPEB Liability and related deferred inflows and outflows are recorded only on the Statement of Net Position. Balances at year-end are:		
OPEB Liability	(635,579)	(656,582)
Deferred Inflows of Resources - OPEB Related	(70,011)	(22,734)
Deferred Outflows of Resources - OPEB Related	58,652	83,345
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Bonds Payable	(2,490,000)	(2,710,000)
Unamortized Premiums	(189,414)	(210,456)
Obligations Under Capital Leases	(24,122)	(30,100)
Severance Benefits Payable	(222,303)	(237,410)
<b>Total Net Position of Governmental Activities</b>	<b>\$ (490,952)</b>	<b>\$ (4,017,685)</b>

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	Major Funds			
	General	Food Service	Community Service	Capital Projects - Building Construction
<b>REVENUES</b>				
Local				
Property Taxes	\$ 2,485,089	\$ -	\$ 112,319	\$ -
Earnings on Investments	58,544	-	-	25,802
Charges for Services	184,417	229,738	109,704	-
Other	210,586	-	8,747	-
State Sources	9,841,766	33,960	187,596	-
Federal Sources	807,016	295,079	-	-
Total Revenues	<u>13,587,418</u>	<u>558,777</u>	<u>418,366</u>	<u>25,802</u>
<b>EXPENDITURES</b>				
Current				
Administration	685,062	-	-	-
District Support Services	555,220	-	-	-
Regular Instruction	6,287,632	-	-	-
Vocational Education Instruction	51,319	-	-	-
Special Education Instruction	1,794,064	-	-	-
Instructional Support Services	482,170	-	-	-
Pupil Support Services	1,265,671	-	-	-
Sites and Buildings	1,371,012	-	-	-
Fiscal and Other Fixed Cost Programs	45,153	-	-	-
Food Service	-	572,368	-	-
Community Service	37,287	-	390,160	-
Capital Outlay	824,331	-	-	1,116,532
Debt Service				
Principal	5,978	-	-	-
Interest and Fiscal Charges	3,187	-	-	-
Total Expenditures	<u>13,408,086</u>	<u>572,368</u>	<u>390,160</u>	<u>1,116,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	179,332	(13,591)	28,206	(1,090,730)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Proceeds from Bonds	-	-	-	-
Premium on Sale of Bonds	-	-	-	-
Capital Lease Proceeds	-	-	-	-
Sale of Capital Assets	1,204	-	-	-
Total Other Financing Sources (Uses)	<u>1,204</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	180,536	(13,591)	28,206	(1,090,730)
Fund Balance - Beginning of Year	<u>4,092,858</u>	<u>77,924</u>	<u>24,757</u>	<u>1,383,661</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 4,273,394</u>	<u>\$ 64,333</u>	<u>\$ 52,963</u>	<u>\$ 292,931</u>

See accompanying Notes to Financial Statements.

Debt Service	Total Governmental Funds	
	2019	2018
\$ 243,178	\$ 2,840,586	\$ 2,158,801
-	84,346	53,075
-	523,859	590,981
-	219,333	263,331
94,715	10,158,037	10,625,293
-	1,102,095	1,042,670
<u>337,893</u>	<u>14,928,256</u>	<u>14,734,151</u>
-	685,062	709,950
-	555,220	925,742
-	6,287,632	6,237,415
-	51,319	73,039
-	1,794,064	1,711,260
-	482,170	411,108
-	1,265,671	1,421,279
-	1,371,012	1,271,723
-	45,153	47,756
-	572,368	578,930
-	427,447	430,725
-	1,940,863	919,502
220,000	225,978	134,778
104,213	107,400	39,321
<u>324,213</u>	<u>15,811,359</u>	<u>14,912,528</u>
13,680	(883,103)	(178,377)
-	-	1,845
-	-	(1,845)
-	-	1,550,000
-	-	210,456
-	-	34,878
-	1,204	-
<u>-</u>	<u>1,204</u>	<u>1,795,334</u>
13,680	(881,899)	1,616,957
<u>34,247</u>	<u>5,613,447</u>	<u>3,996,490</u>
<u>\$ 47,927</u>	<u>\$ 4,731,548</u>	<u>\$ 5,613,447</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019	2018
<b>Net Change in Fund Balance-Total Governmental Funds</b>	<b>\$ (881,899)</b>	<b>\$ 1,616,957</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlays	2,126,708	992,240
Net Depreciated Value of Assets Sold	(6,005)	-
Depreciation Expense	(686,572)	(645,115)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the Statement of Net Position.		
Capital Lease Proceeds	-	(34,878)
Change in Accrued Interest Expense - Capital Leases	2,836	(2,255)
Principal Payments - Capital Leases	5,978	4,778
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net prepaid OPEB obligation is recognized in the Statement of Net Position.	(50,967)	27,163
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in Net Pension Liability and the related deferred inflows and outflows of resources.	2,724,983	(2,679,651)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
General Obligation Bond Proceeds	-	(1,550,000)
Net Bond (Premium) Discount	-	(210,456)
Repayment of Bond Principal	220,000	130,000
Change in Accrued Interest Expense	1,218	(28,624)
Amortization of Bond Premium/(Discount)	21,042	-
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unavailable in the funds.	34,304	(5,409)
In the Statement of Activities, severance benefits and compensated absences are measured on the accrual basis. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	15,107	3,626
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 3,526,733</u></b>	<b><u>\$ (2,381,624)</u></b>

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 2,521,773	\$ 2,412,067	\$ 2,485,089	\$ 73,022
Earnings on Investments	10,000	15,000	58,544	43,544
Charges For Services	204,000	218,850	184,417	(34,433)
Other	241,000	204,298	210,586	6,288
State Sources	9,745,535	9,663,614	9,841,766	178,152
Federal Sources	712,796	804,863	807,016	2,153
Total Revenues	<u>13,435,104</u>	<u>13,318,692</u>	<u>13,587,418</u>	<u>268,726</u>
<b>EXPENDITURES</b>				
Current				
Administration	683,234	701,460	685,062	(16,398)
District Support Services	549,900	588,012	555,220	(32,792)
Elementary and Secondary Regular Instruction	6,368,514	6,356,393	6,287,632	(68,761)
Vocational Education Instruction	16,340	39,644	51,319	11,675
Special Education Instruction	1,691,588	1,812,394	1,794,064	(18,330)
Community Education	56,921	12,724	37,287	24,563
Instructional Support Services	386,801	484,220	482,170	(2,050)
Pupil Support Services	1,290,573	1,403,006	1,265,671	(137,335)
Sites and Buildings	1,479,030	1,349,092	1,371,012	21,920
Fiscal and Other Fixed Cost Programs	48,000	48,000	45,153	(2,847)
Capital Outlay	829,072	750,251	824,331	74,080
Debt Service				
Principal	-	-	5,978	5,978
Interest and Fiscal Charges	-	-	3,187	3,187
Total Expenditures	<u>13,399,973</u>	<u>13,545,196</u>	<u>13,408,086</u>	<u>(137,110)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	35,131	(226,504)	179,332	405,836
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Capital Assets	-	-	1,204	1,204
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 35,131</u>	<u>\$ (226,504)</u>	180,536	<u>\$ 407,040</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>4,092,858</u>	
<b>END OF YEAR</b>			<u>\$ 4,273,394</u>	

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources				
Other - Primarily Meal Sales	\$ 250,000	\$ 228,315	\$ 229,738	\$ 1,423
State Sources	37,000	33,807	33,960	153
Federal Sources	300,000	299,000	295,079	(3,921)
Total Revenues	<u>587,000</u>	<u>561,122</u>	<u>558,777</u>	<u>(2,345)</u>
<b>EXPENDITURES</b>				
Current				
Food Service	<u>566,423</u>	<u>579,983</u>	<u>572,368</u>	<u>(7,615)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 20,577</u>	<u>\$ (18,861)</u>	(13,591)	<u>\$ 5,270</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>77,924</u>	
<b>END OF YEAR</b>			<u>\$ 64,333</u>	

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2019**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 126,453	\$ 113,151	\$ 112,319	\$ (832)
Charges for Services	92,800	102,530	109,704	7,174
Other	-	2,585	8,747	6,162
State Sources	149,592	186,048	187,596	1,548
Total Revenues	<u>368,845</u>	<u>404,314</u>	<u>418,366</u>	<u>14,052</u>
<b>EXPENDITURES</b>				
Current				
Community Service	<u>371,027</u>	<u>397,970</u>	<u>390,160</u>	<u>(7,810)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (2,182)</u>	<u>\$ 6,344</u>	28,206	<u>\$ 21,862</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>24,757</u>	
<b>END OF YEAR</b>			<u>\$ 52,963</u>	

See accompanying Notes to Financial Statements.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 361  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY TRUST FUND  
 JUNE 30, 2019  
 (WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 61,426	\$ 64,778
<b>NET POSITION</b>		
Held in Trust	\$ 61,426	\$ 64,778

*See accompanying Notes to Financial Statements.*

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY TRUST FUND  
YEAR ENDED JUNE 30, 2019**

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
<b>ADDITIONS</b>		
Investment Earnings	\$ 148	\$ 76
<b>DEDUCTIONS</b>		
Scholarships	3,500	6,078
<b>CHANGE IN NET POSITION</b>	(3,352)	(6,002)
Net Position - Beginning of Year	64,778	70,780
<b>NET POSITION - END OF YEAR</b>	\$ 61,426	\$ 64,778

See accompanying Notes to Financial Statements.

## **NOTES TO FINANCIAL STATEMENTS**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of Independent School District No. 361 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

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

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District's financial statements are to include all component units - entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

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

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Basic Financial Statement Presentation

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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

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

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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 U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is used for revenues other than property taxes.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Measurement Focus and Basis of Accounting (Continued)

**Description of Funds**

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

*Major Governmental Funds*

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements and state aids.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state credits.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term obligation bond principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources restricted, committed, or assigned to be used for the acquisition or construction of major capital facilities. The fund was established for building construction activity authorized by specific voter-approved bond issues.

*Fiduciary Fund*

Trust Fund

The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets that are reported in this fund are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The District uses this fund as a scholarship fund.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

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

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

Budgeted amounts include interim budget amendments that increased and decreased revenue and expenditure budgets as follows:

<u>Revenues and Other Financing Sources</u>	Original Budget	Amendments	Amended Budget
General Fund	\$ 13,435,104	\$ (116,412)	\$ 13,318,692
Special Revenue Funds			
Food Service Fund	587,000	(25,878)	561,122
Community Service Fund	368,845	35,469	404,314
 <u>Expenditures and Other Financing Uses</u>			
General Fund	13,399,973	145,223	13,545,196
Special Revenue Funds			
Food Service Fund	566,423	13,560	579,983
Community Service Fund	371,027	26,943	397,970

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Budgeting (Continued)

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

At the end of each fiscal year, if the General Fund has a net unreserved deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota Statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through accumulation of subsequent operating surpluses in accordance with a "special operating plan" approved by the commissioner of the Department of Education.

F. Cash and Investments

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Accounts Receivable

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are property taxes receivable.

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are expended during the periods benefitted.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

J. Property Taxes

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflow of resources (property taxes levied for subsequent year).

The majority of District revenue in the General and Special Revenue Funds is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." In the Debt Service Fund, all property taxes collected in a calendar year are recorded as revenue in the fiscal year which begins July 1 of that calendar year.

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 pay 2001 operating referendum levy (frozen at \$75,328) advance recognized as revenue each year with no corresponding state aid adjustment. Certain other portions of the District's 2018 Pay 2019 levy, normally revenue for the 2018-19 fiscal year, are also advance recognized as June 30, 2019, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is unavailable because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2019, are included in the Property Taxes Levied for Subsequent Year account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**K. Capital Assets**

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

Capital assets are recorded in the District-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are generally sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. 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. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

**L. Deferred Outflows of Resources**

In addition to assets, the statement of financial position reports 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. The District will not recognize the related outflow until a future event occurs.

**M. Long-Term Obligations**

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

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

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

N. Accrued Employee Benefits

Sick Pay

Employees are allowed to accrue and accumulate sick leave days in varying amounts in accordance with contractual agreements. Sick leave days do not vest, and accordingly, employees can be paid sick leave only when sick. Employees are not compensated for unused sick leave upon termination of employment, except in the calculation of severance as discussed below.

Vacation Pay

Certified staff do not receive paid vacations but rather have paid personal days in accordance with their contract. Noncertified and administrative employees are allowed vacation in varying amounts. In the event of termination, an employee is reimbursed for any unused accumulated leave. Vacation pay is charged to operations when taken by the employees of the District. Outstanding vacation pay is recorded as a liability in the district-wide financial statements.

Severance Pay

The District pays severance pay to retiring employees based upon years of service and accumulated sick leave. Upon notice of retirement, the amount of severance pay is determined in accordance with the contractual agreement and paid to the employee's Health Care Savings Plan as administered by the Minnesota Retirement System. This is a pay as you go system and there is no further District severance liability for the retired employee. Severance is not granted to an employee who is discharged by the District. A severance payable is included in the district-wide financial statements as a long-term liability. The payable is estimated using present values for those retired employees with amounts outstanding at June 30, 2019. The total cost of severance paid in fiscal year ending June 30, 2019 for all retirement groups was \$15,107.

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's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

O. Deferred Inflows of Resources

In addition to liabilities, the financial statements report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

P. 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.

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the unearned grant revenue, charges for services, and school lunch deposits.

R. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance are related to prepaid items and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Director of Business Services to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned fund balance.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

R. Fund Balance (Continued)

When the combined total of the General Fund committed, assigned and unassigned fund balance falls below two to three months of operating expenditures, the District shall initiate measures to either generate additional revenues or reduce expenditures through budget reduction, or a combination of both.

S. Net Position

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

T. Comparative Data

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS**

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as "Cash and Investments." In accordance with Minnesota Statutes the District maintains deposits at financial institutions which are authorized by the School District's Board.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments

The District may invest idle funds as authorized by Minnesota Statutes Chapter 118A as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies;
- Shares of investment companies registered under the Investment Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less;
- General obligations rated “A” or better; revenue obligations rated “AA” or better;
- General obligations of the Minnesota Housing Finance Agency rate “A” or better;
- Bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System;
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less;
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories and repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2019, the District had the following investments.

	Amount
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	\$ 43,372
MN Trust Investment Share	509,070
MN Trust Term Series	961,000
Total Investments	\$ 1,513,442

The MN Trust Investment Share is a money market accounts that is valued at amortized cost with maturities of investments of one year or less. The MSDLAF+ is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

**B. Investments (Continued)**

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's policy is that the obligations at the time of purchase must be rated at the highest classification by at least two of the four standard rating services. The following chart summarizes year-end ratings for the District's investments as rated by Moody's Investors Service:

Type	Total	12 Months or Less	12 to 24 Months	25 to 60 Months
MSDLAF+	\$ 43,372	\$ 43,372	\$ -	\$ -
MN Trust Investment Shares	509,070	509,070	-	-
MN Trust Term Series	961,000	961,000	-	-
Total	<u>\$ 1,513,442</u>	<u>\$ 1,513,442</u>	<u>\$ -</u>	<u>\$ -</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The District's deposits (\$3,555,219) and investments (\$1,513,442) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	\$ 5,007,235
Cash and Investments - Agency Fund (Deposits)	61,426
Total Cash and Investments	<u>\$ 5,068,661</u>

**C. Fair Value Measurements**

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

C. Fair Value Measurements (Continued)

- Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
None Noted	\$ -	\$ -	\$ -	\$ -
Investments measured at Amortized Cost				1,513,442
Total Investments				\$ 1,513,442

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 3 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 139,985	\$ -	\$ -	\$ 139,985
Construction-in-Progress	330,957	320,924	(330,957)	320,924
Total Capital Assets, Not Being Depreciated	470,942	320,924	(330,957)	460,909
Capital Assets, Being Depreciated				
Land Improvements	1,741,469	289,016	-	2,030,485
Buildings and Improvements	14,313,037	1,605,464	(16,086)	15,902,415
Equipment	3,722,493	242,261	(513,359)	3,451,395
Total Capital Assets, Being Depreciated	19,776,999	2,136,741	(529,445)	21,384,295
Accumulated Depreciation for				
Land Improvements	(1,241,665)	(51,585)	-	(1,293,250)
Buildings and Improvements	(8,846,882)	(423,488)	10,081	(9,260,289)
Equipment	(2,843,698)	(211,499)	513,359	(2,541,838)
Total Accumulated Depreciation	(12,932,245)	(686,572)	523,440	(13,095,377)
Total Capital Assets, Being Depreciated, Net	6,844,754	1,450,169	(6,005)	8,288,918
Governmental Activities Capital Assets, Net	<u>\$ 7,315,696</u>	<u>\$ 1,771,093</u>	<u>\$ (336,962)</u>	<u>\$ 8,749,827</u>

Depreciation expense was charged to functions of the District as follows:

<b>Governmental Activities:</b>	
Administration	\$ 8,677
District Support Services	27,377
Regular Instruction	312,583
Vocational Education Instruction	2,275
Special Education Instruction	585
Pupil Support Services	123,339
Sites and Buildings	135,334
Unallocated	76,402
Total Depreciation Expense, Governmental Activities	<u>\$ 686,572</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 LONG-TERM LIABILITIES**

**A. Components of General Long-Term Debt**

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue</u>	<u>Final Maturity</u>	<u>Outstanding</u>
Alternative Facilities Bonds					
Series 2010A	9/8/2010	2.00 - 3.40%	\$ 2,000,000	2/1/2026	\$ 1,030,000
School Building Bond					
Series 2018A	2/1/2018	2.00 - 4.00%	\$ 1,550,000	2/1/2028	<u>1,460,000</u>
Total General Obligation Bonds					2,490,000
Capital Lease Payable					
Copier	08/22/17	11.52%	\$ 34,932	7/22/2022	<u>24,122</u>
Total Capital Leases					24,122
Severance Benefits Payable					<u>222,303</u>
Total Long-Term Liabilities					<u>\$ 2,736,425</u>

**B. Minimum Debt Payments**

Minimum annual principal and interest payments required to retire long-term debt, not including compensated absences payable are as follows:

Year Ending <u>June 30</u>	<u>General Obligation Bonds Payable</u>		<u>Capital Leases Payable</u>	
	Principal	Interest	Principal	Interest
2020	\$ 235,000	\$ 95,838	\$ 6,689	\$ 2,476
2021	240,000	87,598	7,500	1,664
2022	255,000	78,888	8,430	734
2023	270,000	69,328	1,503	23
2024	275,000	58,728	-	-
2025-2029	<u>1,215,000</u>	<u>121,668</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,490,000</u>	<u>\$ 512,048</u>	<u>\$ 24,122</u>	<u>\$ 4,897</u>

**C. Description of Long-Term Debt**

**1. General Obligation Alternative Facilities Bonds**

On September 8, 2010, the District issued \$2,000,000 General Obligation Alternative Facilities Bonds, Series 2010A. Annual installments of \$105,000 to \$160,000 are due through February 1, 2026 with interest rates of 2.00% to 3.40%.

**2. General Obligation Building Bonds**

On February 1, 2018, the District issued \$1,550,000 General Obligation Building Bonds, Series 2018A. Annual installments of \$90,000 to \$320,000 are due through February 1, 2028 with interest rates of 2.00% to 4.00%.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

C. Description of Long-Term Debt (Continued)

Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies are dedicated for the retirement of these bonds. Deferred future years' tax levies available to retire bond principal and interest payable at June 30, 2019 are approximately \$3,152,147. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota Statutes.

3. Capital Lease Obligations

Equipment-

On August 22, 2017, the District entered into a five-year capital lease arrangement for two copiers. The total lease was \$34,878. The capital assets relating to the lease has a cost of \$34,878 and accumulated depreciation of \$6,940 as of June 30, 2019.

D. Changes in Long-Term Debt

	June 30, 2018	Net Additions	Retirements	June 30, 2019	Due Within One Year
General Obligation Bonds	\$ 2,710,000	\$ -	\$ 220,000	\$ 2,490,000	\$ 235,000
Net Bond Premiums (Discount)	210,456	-	21,042	189,414	-
Capital Leases	30,100	-	5,978	24,122	6,689
Subtotal	2,950,556	-	247,020	2,703,536	241,689
Severance Benefits Payable	237,410	-	15,107	222,303	126,129
Total	<u>\$ 3,187,966</u>	<u>\$ -</u>	<u>\$ 262,127</u>	<u>\$ 2,925,839</u>	<u>\$ 367,818</u>

**NOTE 5 RESTRICTED FUND BALANCES**

A. Health and Safety

Represents available resources to be used for health and safety projects in accordance with an approved health and safety plan through June 30, 2016.

B. Restricted for Operating Capital

Represents tax levies and state aid in the General Fund to be used for purchase of equipment and facilities.

C. Restricted for Basic Skills Ext Time

Represents resources to be used for extended time activities according to state statute.

D. Restricted for Staff Development

Represents cumulative unspent staff development dollars.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 5 RESTRICTED FUND BALANCES (CONTINUED)**

E. Restricted for Medical Assistance

Represents resources available to be used for medical assistance expenditures.

F. Restricted for Long-Term Facility Maintenance (LTFM)

Represents available resources to be used for LTFM capital projects in accordance with the ten-year plan.

G. Restricted for Community Education

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 family education, and extended day programs.

H. Restricted for Early Childhood and Family Education

Represents the resources available to provide for services for Early Childhood Family Education programming.

I. Restricted for School Readiness

Represents the resources available to provide for School Readiness Program.

J. Restricted for Adult Basic Education

Represents the resources available to provide for Adult Basic Education Programs.

K. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. See break out below:

Other Restricted	
Food Service	\$ 55,882
Community Service	1,260
Capital Projects	292,931
Debt Service	47,927
Total Other Restricted	<u>\$ 398,000</u>

**NOTE 6 COMMITTED FUND BALANCES**

Other Committed

Represents amounts constrained for a specific purpose by the district using the highest level of decision making authority (generally the Board of Education). It requires action by the same group to remove or change the constraints placed on the resources. The General Fund Committed Fund Balance of \$10,858 is for the Bronco Hall of Fame.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 7 ASSIGNED FUND BALANCES**

Assigned for Other Purposes

Represents amounts constrained by the District's intent to be used for a specific purpose, but are not restricted or committed. The Board of Education has delegated the authority to assign amounts to be used for specific purposes. See detailed break out of General Fund Assigned Fund Balances below:

Other Assigned	
Assigned Donations	\$ 5,308
3rd Grade Field Trip Funds	251
4th Grade Field Trip Funds	1
5th Grade Field Trip Funds	3,147
6th Grade Field Trip Funds	845
All Class Reunion	11,335
Falls Education Foundation Donation	1,278
FHS PBIS	2,074
Mr Pete Foundation Projects	589
Project Read	1,222
Purple Pride	2,973
PIE Projects	1,995
FES Miscellaneous Donations	11,394
FHS Miscellaneous Donations	3,535
Science Trip	991
NW Student Group	169
Arena Advertising	27,340
Technology	75,000
Football Projects	114
Boys Hockey Projects	4,435
FES Carnival Fund	146
Cross Country Ski Project	1,622
Weight Room	4,685
FES Library	1,963
Total Other Assigned	<u>\$ 162,412</u>

**NOTE 8 PENSION PLANS**

A. Plan Description

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

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

A. Plan Description (Continued)

1. 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.

2. Teachers Retirement Fund (TRA)

The Teacher's 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 other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).

B. Benefits Provided

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

1. 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 accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. TRA Benefits

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

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

*Tier 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 of Service 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 Services Years are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

or

*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. 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 Statutes. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

C. Contributions

1. General Employees Fund Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were \$173,199. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 7.71% for the employer. Basic rates were 11.00% for the employee and 11.71% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2019 were \$386,843. The District's contributions were equal to the required contributions for each year as set by state statute.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2019, the District reported a liability of \$1,836,252 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 to the fund in 2018. 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 \$60,257, for a total net pension liability of \$1,896,509 associated with the District. 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 proportionate share 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 .0331% which was a decrease of .0013% from its proportionate share measured as of June 30, 2017.

For the year ended June 30, 2019, the District recognized pension expense of (\$17,914) for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$14,052 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 48,603	\$ 53,556
Changes in Actuarial Assumptions	175,409	206,323
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	187,636
Changes in Proportion	15,243	104,302
District Contributions Subsequent to the Measurement Date	173,199	-
Total	<u>\$ 412,454</u>	<u>\$ 551,817</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

\$173,199 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expenses Amount
2020	\$ 8,318
2021	(112,625)
2022	(169,928)
2023	(38,327)

2. TRA Pension Costs

At June 30, 2019 the District reported a liability of \$5,678,239 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to 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 .0904% at the end of the measurement period and .0909% at the beginning of the period.

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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 5,678,239
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	533,486
Total	\$ 6,211,725

For the year ended June 30, 2019, the District recognized negative pension expense of \$2,146,937. It also recognized \$372,339 as a decrease to pension expense and negative grant revenue for the support provided by direct aid.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 60,565	\$ 114,509
Changes in Actuarial Assumptions	7,331,657	9,682,101
Net Difference Between Projected and Actual Investment Earnings	-	440,351
Changes in Proportion	-	339,238
District Contributions Subsequent to the Measurement Date	386,843	-
Total	<u>\$ 7,779,065</u>	<u>\$ 10,576,199</u>

\$386,843 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expenses Amount
2020	\$ 413,769
2021	269,023
2022	(91,093)
2023	(2,231,134)
2024	(1,544,542)

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions

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

Assumptions	PERA	TRA
Inflation	2.50%	2.50%
Salary Growth	11.25% after 1 year of service decreasing to 3.25% per year after 26 years	2.85% for 10 years and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually for TRA.

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Post-retirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions for PERA occurred in 2018:

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50% per year thereafter to 1.25% per year.

The following changes in actuarial assumptions for TRA occurred in 2018:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% 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.
- The single discount rate was changed from 5.12% to 7.5%.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36.0 %	5.10 %
International Stocks	17.0	5.30
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash	2.0	-
Totals	<u>100.0 %</u>	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were 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.

The discount rate used to measure the TRA pension liability was 7.50%. 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 contribution will be made at the fiscal year 2018 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 PENSION PLANS (CONTINUED)**

G. Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
<u>General Employees Plan Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 2,984,145	\$ 1,836,252	\$ 888,700
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 9,010,909	\$ 5,678,239	\$ 2,928,310

H. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

Detailed information about TRA's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 142 active participants, 9 retired participants, and 3 spouses receiving payments. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

**B. Funding Policy**

The District does not have assets designated to pay for OPEB related costs. Contribution requirements are negotiated between the District and union representatives. The eligibility for, amount of, duration of, and District's contribution to the cost of the benefits provided varies by contract and date of retirement. The District is funding this liability on a pay-as-you-go basis. For fiscal year 2019, the District contributed \$58,652 to the plan.

**C. Actuarial Methods and Assumptions**

The District's OPEB liability was measured as of July 1, 2018, and the total OPEB liability was determined by an actuarial valuation as of July 1, 2018.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
	6.5% decreasing to 5.0% over 6 years
Health Care Trend Rates	

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

The discount rate used to measure the total OPEB liability was 3.5%. The discount rate is based on the estimated yield of 20-Year Municipal Bond Yield.

Since the most recent valuation, the following assumption changes have been made for the measurement date July 1, 2018:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale with varying setbacks to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement tables for all employees and withdrawal tables for Non-Teachers only were updated.
- The discount rate was changed from 3.56% to 3.50%.
- The inflation rate was changed from 2.75% to 2.50%.
- The salary scale was changed from service graded rates which differed for Teachers and Non-Teachers to 3.00% for all active employees.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

C. Actuarial Methods and Assumptions (Continued)

- The percentage of future retired Teachers, At Will employees, and all Administrators who are assumed to continue on one of the District's medical plans post-employment was reduced from 75% to 70%.
- The percentage of future spouses who are assumed to continue on one of the District's medical plans post-employment was increased from 0% to 15%.
- Post-age 65 retirees as of the valuation date who are eligible for Medicare are assumed to have no implicit rate liability. Previously, a liability was valued for 50% of these post-age 65 retirees for life.
- These assumption changes decreased the liability (\$6,833).

Since the most recent valuation, the following plan change was made for the measurement date July 1, 2018:

- An Early Retirement Incentive of 50% of the difference between an employee's step/lane annual wage and the BA-1 step/lane annual wage, payable as a lump sum to a Health Care Savings Plan, was elected by one Teacher who retired during June 2018 and one Teacher who retired during June 2019. This plan change, along with the increase in implicit liability due to adjusting the retirement decrement for the Teacher retiring during June 2019, increased the liability \$44,423.

D. Changes in the OPEB Liability

	Total OPEB Liability
Balances at June 30, 2018	\$ 656,582
Changes for the Year:	
Service Cost	36,922
Interest	23,553
Net Investment Income	
Change of Assumptions	(6,833)
Plan Changes	44,423
Difference between Expected and Actual Experience	(54,720)
Benefit Payments	(64,348)
Net Changes	(21,003)
Balances at June 30, 2019	\$ 635,579

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

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
OPEB Liability	\$ 679,271	\$ 635,579	\$ 593,815

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

D. Changes in the OPEB Liability (Continued)

The following presents the OPEB liability of the District, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.5% decreasing to 4.0% over five years) or 1% higher (7.5% decreasing to 6.0% over five years) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4.0%)	Current Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Medical Trend Rate			
OPEB Liability	<u>\$ 573,071</u>	<u>\$ 635,579</u>	<u>\$ 709,020</u>

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	\$ -	\$ 45,600
Change of Assumptions	-	24,411
District Contributions Subsequent to the Measurement Date	58,652	-
Total	<u>\$ 58,652</u>	<u>\$ 70,011</u>

\$58,652 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	<u>Future Recognition</u>
2020	\$ (14,276)
2021	(14,276)
2022	(14,276)
2023	(14,276)
2024	(12,907)
Total	<u>\$ (70,011)</u>

For the year ended June 30, 2018, the District recognized OPEB expense of \$90,622.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 10 COMMITMENTS AND CONTINGENCIES**

A. Federal and State Programs

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

B. Construction Commitments

As of June 30, 2019, the District had outstanding commitments with various vendors in the amount of \$220,476. These commitments are related to the Bronco Arena HVAC project.

**NOTE 11 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF CHANGES IN THE DISTRICT'S OPEB LIABILITY AND RELATED RATIOS  
LAST TEN MEASUREMENT DATES**

Measurement Date	<u>June 30, 2018</u>	<u>June 30, 2017</u>
<b>Total OPEB Liability</b>		
Service Cost	\$ 36,922	\$ 39,674
Interest	23,553	20,525
Changes of Assumptions	(6,833)	(26,751)
Plan Changes	44,423	-
Differences between Expected and Actual Experience	(54,720)	
Benefit Payments	<u>(64,348)</u>	<u>(80,209)</u>
<b>Net Change in Total OPEB Liability</b>	<u>(21,003)</u>	<u>(46,761)</u>
<b>Total OPEB Liability - Beginning</b>	<u>656,582</u>	<u>703,343</u>
<b>Total OPEB Liability - Ending (a)</b>	<u><u>\$ 635,579</u></u>	<u><u>\$ 656,582</u></u>
 Covered-employee Payroll	 6,527,057	 \$ 6,719,428
 District's OPEB Liability as a Percentage of Covered Payroll	 9.74%	 9.77%

Note: The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to ten years of information as the information becomes available.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN MEASUREMENT DATES**

	Measurement Date <u>June 30, 2018</u>	Measurement Date <u>June 30, 2017</u>	Measurement Date <u>June 30, 2016</u>	Measurement Date <u>June 30, 2015</u>	Measurement Date <u>June 30, 2014</u>
<b>General Employees Plan</b>					
District's Proportion of the Net Pension Liability	0.0331%	0.0344%	0.0339%	0.0369%	0.0412%
District's Proportionate Share of the Net Pension Liability	\$ 1,836,252	\$ 2,196,073	\$ 2,752,512	\$ 1,912,350	\$ 1,935,370
State's Proportionate Share of the Net Pension Liability Associated with District	<u>60,257</u>	<u>27,653</u>	<u>35,904</u>	<u>-</u>	<u>-</u>
Total of District's and State's Proportionate Share of the Net Pension Liability	\$ 1,896,509	\$ 2,223,726	\$ 2,788,416	\$ 1,912,350	\$ 1,935,370
District's Covered Payroll	\$ 2,226,093	\$ 2,233,053	\$ 2,105,213	\$ 2,167,266	\$ 2,165,437
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	82.49%	98.34%	130.75%	88.24%	89.38%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	79.53%	75.90%	68.91%	78.20%	78.75%
<b>TRA</b>					
District's Proportion of the Net Pension Liability	0.0904%	0.0909%	0.0940%	0.0949%	0.102%
District's Proportionate Share of the Net Pension Liability	\$ 5,678,239	\$ 18,145,289	\$ 22,421,243	\$ 5,870,504	\$ 4,677,047
State's Proportionate Share of the Net Pension Liability Associated with District	<u>533,486</u>	<u>1,754,275</u>	<u>2,249,743</u>	<u>719,800</u>	<u>328,902</u>
Total of District's and State's Proportionate Share of the Net Pension Liability	\$ 6,211,725	\$ 19,899,564	\$ 24,670,986	\$ 6,590,304	\$ 5,005,949
District's Covered Payroll	\$ 4,994,747	\$ 5,142,693	\$ 4,892,093	\$ 4,817,481	\$ 4,631,978
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	113.68%	352.84%	458.32%	121.86%	100.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.07%	51.57%	44.88%	76.77%	81.50%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST TEN FISCAL YEARS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Employees Plan</b>					
Contractually Required Contribution	\$ 173,199	\$ 166,957	\$ 167,479	\$ 157,891	\$ 160,096
Contributions in Relation to the Contractually Required Contribution	<u>(173,199)</u>	<u>(166,957)</u>	<u>(167,479)</u>	<u>(157,891)</u>	<u>(160,096)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered Payroll	\$ 2,309,320	\$ 2,226,093	\$ 2,233,053	\$ 2,105,213	\$ 2,167,266
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.39%
<b>TRA</b>					
Contractually Required Contribution	\$ 386,843	\$ 374,606	\$ 385,702	\$ 366,907	\$ 361,311
Contributions in Relation to the Contractually Required Contribution	<u>(386,843)</u>	<u>(374,606)</u>	<u>(385,702)</u>	<u>(366,907)</u>	<u>(361,311)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
District's Covered Payroll	\$ 5,017,419	\$ 4,994,747	\$ 5,142,693	\$ 4,892,093	\$ 4,817,481
Contributions as a Percentage of Covered Payroll	7.71%	7.50%	7.50%	7.50%	7.50%

NOTE: Information is presented prospectively and an accumulation of ten years will be provided.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,  
AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the measurement period ended June 30:

2018

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested 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

- 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, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS,  
AND ASSUMPTIONS (CONTINUED)**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the measurement period ended June 30:

2018

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% 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.
- The single discount rate was changed from 5.12% to 7.5%.

2017

- 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.
- 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 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.
- The single discount rate was changed from 4.66% to 5.12%.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2019**

**NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

2016

- There was a change in actuarial assumptions that affected the measurement of the total liability since the prior measurement date.
- Postretirement benefit adjustments are now assumed to stay level at 2.0% annually.
- The single discount rate was changed from 8.0% to 4.66%.

**NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISION, ACTUARIAL METHODS, AND ASSUMPTIONS**

Since the most recent valuation, the following assumption changes have been made for the measurement date July 1, 2018:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale with varying setbacks to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The retirement tables for all employees and withdrawal tables for Non-Teachers only were updated.
- The discount rate was changed from 3.56% to 3.50%.
- The inflation rate was changed from 2.75% to 2.50%.
- The salary scale was changed from service graded rates which differed for Teachers and Non-Teachers to 3.00% for all active employees.
- The percentage of future retired Teachers, At Will employees, and all Administrators who are assumed to continue on one of the District's medical plans post-employment was reduced from 75% to 70%.
- The percentage of future spouses who are assumed to continue on one of the District's medical plans post-employment was increased from 0% to 15%.
- Post-age 65 retirees as of the valuation date who are eligible for Medicare are assumed to have no implicit rate liability. Previously, a liability was valued for 50% of these post-age 65 retirees for life.
- These assumption changes decreased the liability (\$6,833).

Since the most recent valuation, the following plan change was made for the measurement date July 1, 2018:

- An Early Retirement Incentive of 50% of the difference between an employee's step/lane annual wage and the BA-1 step/lane annual wage, payable as a lump sum to a Health Care Savings Plan, was elected by one Teacher who retired during June 2018 and one Teacher who retired during June 2019. This plan change, along with the increase in implicit liability due to adjusting the retirement decrement for the Teacher retiring during June 2019, increased the liability \$44,423.

## **SUPPLEMENTARY INFORMATION**

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 4,350,673	\$ 4,428,855
Receivables		
Current Taxes	1,149,803	1,083,234
Delinquent Taxes	85,344	73,839
Accounts and Interest Receivable	11,469	12,434
Due from Other Minnesota School Districts	200,079	205,485
Due from Minnesota Department of Education	762,681	833,725
Due from Federal through the Minnesota Department of Education	445,635	432,388
Due from Other Governmental Units	-	1,433
Prepaid Items	-	63,686
Inventories	12,548	16,136
Total Assets	\$ 7,018,232	\$ 7,151,215
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities		
Salaries Payable	\$ 187,159	\$ 145,829
Accounts and Contracts Payable	115,238	500,153
Due to Other Minnesota School Districts	176,299	185,759
Due to Other Governmental Units	2,054	296
Total Liabilities	480,750	832,037
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	2,184,132	2,177,274
Unavailable Revenue - Delinquent Taxes	79,956	49,046
Total Deferred Inflows of Resources	2,264,088	2,226,320
Fund Balances (Deficit)		
Nonspendable		
Prepaid Items	-	63,686
Inventory	12,548	16,136
Restricted		
Health and Safety	-	5,617
Operating Capital	418,824	429,765
Basic Skills Ext Time	680	-
Staff Development	55,967	123,989
Medical Assistance	50,982	140,856
Long-Term Facilities Maintenance (LTFM)	(60,245)	41,302
Committed		
Other Committed	10,858	8,424
Assigned	162,412	93,517
Unassigned	3,621,368	3,169,566
Total Fund Balances	4,273,394	4,092,858
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,018,232	\$ 7,151,215

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 2,412,067	\$ 2,485,089	\$ 73,022	\$ 1,962,979
Earnings on Investments	15,000	58,544	43,544	41,109
Charges for Services	218,850	184,417	(34,433)	254,200
Other	204,298	210,586	6,288	254,831
State Sources	9,663,614	9,841,766	178,152	10,351,918
Federal Sources	804,863	807,016	2,153	733,527
Total Revenues	13,318,692	13,587,418	268,726	13,598,564
<b>EXPENDITURES</b>				
Current				
Administration				
Salaries	478,246	476,730	(1,516)	485,831
Employee Benefits	166,062	157,682	(8,380)	171,221
Purchased Services	33,432	26,953	(6,479)	30,636
Supplies and Materials	5,925	3,424	(2,501)	3,398
Other Expenditures	17,795	20,273	2,478	18,864
Total Administration	701,460	685,062	(16,398)	709,950
District Support Services				
Salaries	279,260	280,040	780	220,204
Employee Benefits	75,617	70,741	(4,876)	53,657
Purchased Services	111,151	95,824	(15,327)	99,573
Supplies and Materials	122,698	108,130	(14,568)	552,306
Capital Expenditures	59,387	-	(59,387)	41,058
Other Expenditures	(714)	485	1,199	2
Total District Support Services	647,399	555,220	(92,179)	966,800
Elementary and Secondary Regular Instruction				
Salaries	3,842,945	3,785,009	(57,936)	3,699,919
Employee Benefits	1,281,653	1,242,401	(39,252)	1,276,345
Purchased Services	680,921	729,364	48,443	695,403
Supplies and Materials	460,260	418,580	(41,680)	460,629
Capital Expenditures	4,175	-	(4,175)	73,158
Other Expenditures	90,614	112,278	21,664	105,119
Total Elementary and Secondary Regular Instruction	6,360,568	6,287,632	(72,936)	6,310,573

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018	
	Final Budget	Actual Amounts		Actual Amounts	
<b>EXPENDITURES (Continued)</b>					
Current (Continued)					
Vocational Education Instruction					
Salaries	\$ 14,140	\$ 14,828	\$ 688	\$ 36,030	
Employee Benefits	2,250	2,237	(13)	5,567	
Purchased Services	75	1,083	1,008	192	
Supplies and Materials	19,615	29,375	9,760	27,639	
Capital Expenditures	3,466	3,466	-	34,830	
Other Expenditures	3,564	3,796	232	3,611	
Total Vocational Education Instruction	43,110	54,785	11,675	107,869	
Special Education Instruction					
Salaries	1,066,480	1,048,741	(17,739)	1,003,911	
Employee Benefits	325,431	335,367	9,936	333,364	
Purchased Services	331,692	382,393	50,701	361,254	
Supplies and Materials	88,791	23,289	(65,502)	8,157	
Capital Expenditures	-	23,654	23,654	-	
Other Expenditures	-	4,274	4,274	4,574	
Total Special Education Instruction	1,812,394	1,817,718	5,324	1,711,260	
Community Education					
Salaries	10,800	15,856	5,056	34,054	
Employee Benefits	1,924	18,325	16,401	5,142	
Purchased Services	-	3,106	3,106	-	
Total Community Education	12,724	37,287	24,563	39,196	
Instructional Support Services					
Salaries	267,024	260,238	(6,786)	265,674	
Employee Benefits	62,222	71,827	9,605	76,255	
Purchased Services	126,362	123,648	(2,714)	43,670	
Supplies and Materials	19,542	17,528	(2,014)	15,762	
Other Expenditures	9,070	8,929	(141)	9,747	
Total Instructional Support Services	484,220	482,170	(2,050)	411,108	
Pupil Support Services					
Salaries	782,656	794,956	12,300	782,483	
Employee Benefits	227,159	236,659	9,500	223,686	
Purchased Services	250,123	107,270	(142,853)	279,050	
Supplies and Materials	142,838	125,260	(17,578)	133,930	
Capital Expenditures	222,205	221,297	(908)	146,623	
Other Expenditures	230	1,526	1,296	2,130	
Total Pupil Support Services	1,625,211	1,486,968	(138,243)	1,567,902	

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (CONTINUED)  
GENERAL FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018
	Final Budget	Actual Amounts		Actual Amounts
<b>EXPENDITURES (Continued)</b>				
Current (Continued)				
Sites and Buildings				
Salaries	\$ 521,032	\$ 531,080	\$ 10,048	\$ 507,340
Employee Benefits	157,369	168,146	10,777	156,696
Purchased Services	546,346	517,175	(29,171)	476,464
Supplies and Materials	123,745	154,261	30,516	130,821
Capital Expenditures	461,018	575,914	114,896	236,917
Other Expenditures	600	350	(250)	402
Total Sites and Buildings	<u>1,810,110</u>	<u>1,946,926</u>	<u>136,816</u>	<u>1,508,640</u>
Fiscal and Other Fixed Cost Programs				
Purchased Services	48,000	45,153	(2,847)	47,756
Debt Service				
Principal Payments	-	5,978	5,978	4,778
Interest Payments	-	3,187	3,187	2,858
Total Debt Service	<u>-</u>	<u>9,165</u>	<u>9,165</u>	<u>7,636</u>
Total Expenditures	<u>13,545,196</u>	<u>13,408,086</u>	<u>(137,110)</u>	<u>13,388,690</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(226,504)	179,332	405,836	209,874
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital Lease Proceeds	-	-	-	34,878
Sale of Capital Assets	-	1,204	1,204	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,204</u>	<u>1,204</u>	<u>34,878</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (226,504)</u>	180,536	<u>\$ 407,040</u>	244,752
<b>FUND BALANCE</b>				
Beginning of Year		<u>4,092,858</u>		<u>3,848,106</u>
<b>END OF YEAR</b>		<u>\$ 4,273,394</u>		<u>\$ 4,092,858</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BALANCE SHEET  
FOOD SERVICE FUND  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 61,036	\$ 68,866
Receivables		
Inventory	8,451	13,722
Total Assets	\$ 69,487	\$ 82,588
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Salaries Payable	\$ 162	\$ 540
Accounts and Contracts Payable	15	373
Unearned Revenue - Charges for Services	4,977	3,751
Total Liabilities	5,154	4,664
Fund Balance		
Nonspendable		
Inventory	8,451	13,722
Restricted		
Other Restricted	55,882	64,202
Total Fund Balances	64,333	77,924
Total Liabilities and Fund Balance	\$ 69,487	\$ 82,588

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources				
Charges for Services	\$ 228,315	\$ 229,738	\$ 1,423	\$ 236,251
State Sources	33,807	33,960	153	33,830
Federal Sources	299,000	295,079	(3,921)	309,143
Total Revenues	561,122	558,777	(2,345)	579,224
<b>EXPENDITURES</b>				
Current				
Salaries	217,171	211,828	(5,343)	204,221
Employee Benefits	40,752	40,880	128	43,911
Purchased Services	8,305	1,667	(6,638)	16,677
Supplies and Materials	312,000	316,238	4,238	312,366
Other	1,755	1,755	-	1,755
Total Expenditures	579,983	572,368	(7,615)	578,930
<b>NET CHANGE IN FUND BALANCE</b>	\$ (18,861)	(13,591)	\$ 5,270	294
<b>FUND BALANCE</b>				
Beginning of Year		77,924		77,630
<b>END OF YEAR</b>		\$ 64,333		\$ 77,924

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BALANCE SHEET  
COMMUNITY SERVICE FUND  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 94,693	\$ 64,926
Receivables		
Current Taxes	67,423	63,923
Delinquent Taxes	4,966	4,728
Accounts and Interest Receivable	26,014	15,385
Due from Minnesota Department of Education	9,665	14,119
Total Assets	\$ 202,761	\$ 163,081
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
Liabilities		
Salaries Payable	\$ 12,865	\$ 7,052
Accounts and Contracts Payable	5,281	445
Due to Other Governments	96	240
Total Liabilities	18,242	7,737
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	126,590	125,859
Unavailable Revenue - Delinquent Taxes	4,966	4,728
Total Deferred Inflows of Resources	131,556	130,587
Fund Balances		
Restricted		
Community Education Programs	45,988	22,185
Early Childhood and Family Education Programs	4,160	-
School Readiness	247	2
Adult Basic Education	1,308	1,308
Community Service	1,260	1,262
Total Fund Balances	52,963	24,757
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 202,761	\$ 163,081

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 113,151	\$ 112,319	\$ (832)	\$ 100,319
Charges for Services	102,530	109,704	7,174	100,530
Other	2,585	8,747	6,162	8,500
State Sources	186,048	187,596	1,548	174,196
Total Revenues	<u>404,314</u>	<u>418,366</u>	<u>14,052</u>	<u>383,545</u>
<b>EXPENDITURES</b>				
Current				
Salaries	281,330	281,704	374	264,662
Employee Benefits	64,218	65,782	1,564	84,574
Purchased Services	32,567	28,409	(4,158)	24,502
Supplies and Materials	19,520	12,821	(6,699)	17,264
Other Expenditures	335	1,444	1,109	527
Total Expenditures	<u>397,970</u>	<u>390,160</u>	<u>(7,810)</u>	<u>391,529</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 6,344</u>	28,206	<u>\$ 21,862</u>	(7,984)
<b>FUND BALANCE</b>				
Beginning of Year		<u>24,757</u>		<u>32,741</u>
<b>END OF YEAR</b>		<u>\$ 52,963</u>		<u>\$ 24,757</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BALANCE SHEET  
BUILDING FUND  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 337,235	\$ 1,397,946
Receivables	-	235
Total Assets	\$ 337,235	\$ 1,398,181
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accounts and Contracts Payable	\$ 44,304	\$ 14,520
Fund Balances		
Restricted		
Capital Projects	292,931	1,383,661
Total Liabilities and Fund Balances	\$ 337,235	\$ 1,398,181

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
BUILDING FUND  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018
	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources				
Earnings on Investments	\$ -	\$ 25,802	\$ 25,802	\$ 11,966
<b>EXPENDITURES</b>				
Capital Outlay	1,216,647	1,116,532	(100,115)	386,916
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,216,647)	(1,090,730)	125,917	(374,950)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer Out	-	-	-	(1,845)
Bond Premium	-	-	-	210,456
Proceeds from Bonds	-	-	-	1,550,000
Total Other Financing Sources (Uses)	-	-	-	1,758,611
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (1,216,647)</u>	(1,090,730)	<u>\$ 125,917</u>	1,383,661
<b>FUND BALANCE</b>				
Beginning of Year		1,383,661		-
<b>END OF YEAR</b>		<u>\$ 292,931</u>		<u>\$ 1,383,661</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
BALANCE SHEET  
DEBT SERVICE FUNDS  
JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018)**

	2019	2018
<b>ASSETS</b>		
Cash and Investments	\$ 163,598	\$ 169,163
Receivables		
Current Taxes	153,849	146,043
Delinquent Taxes	8,346	5,190
Due from Minnesota Department of Education	9,420	6,581
Total Assets	\$ 335,213	\$ 326,977
 <b>DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>		
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Years	\$ 278,940	\$ 287,540
Deferred Revenue - Delinquent Taxes	8,346	5,190
Total Deferred Inflows of Resources	287,286	292,730
Fund Balances		
Restricted		
Restricted for Debt Service	47,927	34,247
Total Deferred Inflows of Resources and Fund Balances	\$ 335,213	\$ 326,977

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
DEBT SERVICE FUNDS  
YEAR ENDED JUNE 30, 2019  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)**

	2019		Over (Under) Final Budget	2018
	Final Budgeted Amounts	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Local Sources				
Property Tax	\$ 236,362	\$ 243,178	\$ 6,816	\$ 95,503
State Sources	51,380	94,715	43,335	65,349
Total Revenues	<u>287,742</u>	<u>337,893</u>	<u>50,151</u>	<u>160,852</u>
<b>EXPENDITURES</b>				
Debt Service				
Bond Principal	161,095	220,000	58,905	130,000
Bond Interest	-	104,213	104,213	36,463
Total Expenditures	<u>161,095</u>	<u>324,213</u>	<u>163,118</u>	<u>166,463</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	126,647	13,680	(112,967)	(5,611)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	1,845
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 126,647</u>	13,680	<u>\$ (112,967)</u>	(3,766)
Fund Balance - Beginning of Year		<u>34,247</u>		<u>38,013</u>
<b>FUND BALANCE - END OF YEAR</b>		<u>\$ 47,927</u>		<u>\$ 34,247</u>

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
JUNE 30, 2019**

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenues	\$ 13,587,418	\$ 13,587,412	\$ 6	Total Revenues	\$ 25,802	\$ 25,802	\$ -
Total Expenditures	\$ 13,408,086	\$ 13,408,080	\$ 6	Total Expenditures	\$ 1,116,532	\$ 1,116,532	\$ -
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
460 Non Spendable Fund Balance	\$ 12,548	\$ 12,548	\$ -	460 Non Spendable Fund Balance			
<i>Restricted/Reserve:</i>				<i>Restricted/Reserve:</i>			
403 Staff Development	\$ 55,967	\$ 55,967	\$ -	407 Capital Projects Levy	\$ -	\$ -	\$ -
405 Deferred Maintenance	\$ -	\$ -	\$ -	409 Alternative Fac. Program	\$ -	\$ -	\$ -
406 Health & Safety	\$ -	\$ -	\$ -	413 Project Funded by COP	\$ -	\$ -	\$ -
407 Capital Project Levy	\$ -	\$ -	\$ -	<i>Restricted:</i>			
408 Cooperative Rev.	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 292,931	\$ 292,931	\$ -
409 Deferred Maintenance	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
414 Operating Debt	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
416 Levy Reduction	\$ -	\$ -	\$ -	<b>07 DEBT SERVICE</b>			
419 Encumbrances	\$ -	\$ -	\$ -	Total Revenues	\$ 337,893	\$ 337,893	\$ -
423 Certain Teacher Programs	\$ -	\$ -	\$ -	Total Expenditures	\$ 324,213	\$ 324,213	\$ -
424 Operating Capital	\$ 418,824	\$ 418,824	\$ -	<i>Non Spendable:</i>			
426 \$25 Taconite	\$ -	\$ -	\$ -	460 Non Spendable Fund Balance	\$ -	\$ -	\$ -
427 Disabled Accessibility	\$ -	\$ -	\$ -	<i>Restricted/Reserve:</i>			
428 Learning & Development	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
434 Area Learning Center	\$ -	\$ -	\$ -	451 OZAB Payments	\$ -	\$ -	\$ -
435 Contracted Alt. Programs	\$ -	\$ -	\$ -	<i>Restricted:</i>			
436 St. Approved Alt. Prog.	\$ -	\$ -	\$ -	464 Restricted Fund Balance	\$ 47,927	\$ 47,928	\$ (1)
438 Gifted & Talented	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
441 Basic Skills	\$ -	\$ -	\$ -	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
443 Telecomm. Access Cost	\$ -	\$ -	\$ -	<b>08 TRUST</b>			
446 First Grade Preparedness	\$ -	\$ -	\$ -	Total Revenues	\$ 148	\$ 149	\$ (1)
449 Safe Schools Levy	\$ -	\$ -	\$ -	Total Expenditures	\$ 3,500	\$ 3,500	\$ -
450 Pre-Kindergarten	\$ -	\$ -	\$ -	422 Net Position	\$ 61,426	\$ 61,426	\$ -
459 Basic Skills Ext Time	\$ 680	\$ 680	\$ -	<b>20 INTERNAL SERVICE</b>			
467 LTFM	\$ (60,245)	\$ (60,245)	\$ -	Total Revenues	\$ -	\$ -	\$ -
472 Medical Assistance	\$ 50,982	\$ 50,982	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Restricted:</i>				422 Net Position			
464 Restricted Fund Balance	\$ -	\$ -	\$ -	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Committed:</i>				Total Revenues			
418 Committed for Separation	\$ -	\$ -	\$ -	Total Expenditures	\$ -	\$ -	\$ -
461 Committed Fund Balance	\$ 10,858	\$ 10,858	\$ -	422 Net Position			
<i>Assigned:</i>				Total Revenues			
462 Assigned Fund Balance	\$ 162,412	\$ 162,412	\$ -	Total Expenditures	\$ -	\$ -	\$ -
<i>Unassigned:</i>				422 Net Position			
422 Unassigned Fund Balance	\$ 3,621,368	\$ 3,621,369	\$ (1)	<b>45 OPEB IRREVOCABLE TRUST</b>			
<b>02 FOOD SERVICE</b>				Total Revenues			
Total Revenues	\$ 558,777	\$ 558,777	\$ -	Total Expenditures	\$ -	\$ -	\$ -
Total Expenditures	\$ 572,368	\$ 572,367	\$ 1	422 Net Position			
<i>Non Spendable:</i>				<b>47 OPEB DEBT SERVICE</b>			
460 Non Spendable Fund Balance	\$ 8,451	\$ 8,451	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Restricted:</i>				Total Expenditures	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	<i>Non Spendable:</i>			
464 Restricted Fund Balance	\$ 55,882	\$ 55,882	\$ -	460 Non Spendable Fund Balance			
<i>Unassigned:</i>				<i>Restricted:</i>			
463 Unassigned Fund Balance	\$ -	\$ -	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
<b>04 COMMUNITY SERVICE</b>				464 Restricted Fund Balance	\$ -	\$ -	\$ -
Total Revenues	\$ 418,366	\$ 418,364	\$ 2	<i>Unassigned:</i>			
Total Expenditures	\$ 390,160	\$ 390,157	\$ 3	463 Unassigned Fund Balance	\$ -	\$ -	\$ -
<i>Non Spendable:</i>				<b>47 OPEB DEBT SERVICE</b>			
460 Non Spendable Fund Balance	\$ -	\$ -	\$ -	Total Revenues	\$ -	\$ -	\$ -
<i>Restricted/Reserve:</i>				Total Expenditures	\$ -	\$ -	\$ -
426 \$25 Taconite	\$ -	\$ -	\$ -	<i>Non Spendable:</i>			
431 Community Education	\$ 45,988	\$ 45,988	\$ -	460 Non Spendable Fund Balance			
432 E.C.F.E.	\$ 4,160	\$ 4,160	\$ -	<i>Restricted:</i>			
444 School Readiness	\$ 247	\$ 247	\$ -	425 Bond Refundings	\$ -	\$ -	\$ -
447 Adult Basic Education	\$ 1,308	\$ 1,308	\$ -	464 Restricted Fund Balance	\$ -	\$ -	\$ -
452 OPEB Liab. Not in Trust	\$ -	\$ -	\$ -	<i>Unassigned:</i>			
<i>Restricted:</i>				463 Unassigned Fund Balance	\$ -	\$ -	\$ -
464 Restricted Fund Balance	\$ 1,260	\$ 1,263	\$ (3)				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	\$ -	\$ -	\$ -				

## **SINGLE AUDIT AND OTHER REQUIRED REPORTS**



## **INDEPENDENT AUDITORS' 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**

Board of Education  
Independent School District No. 361  
International Falls Public Schools  
International Falls, 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. 361 (the District), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements and have issued our report thereon dated October 28, 2019.

### **Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2019-001 and 2019-002 that we consider to be material weaknesses.

### **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*.

### **The District's Responses to Findings**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



### **CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019



## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Education  
Independent School District No. 361  
International Falls Public Schools  
International Falls, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited the Independent School District No. 361's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibility***

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

### ***Auditors' Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

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

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-003. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-003 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Purpose of this Report**

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

FEDERAL AGENCY/ PASS-THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	FEDERAL EXPENDITURES	PASSED THROUGH TO SUBRECIPIENTS
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Passed Through Minnesota Department of Agriculture:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	1-0361-000	\$ 33,931	\$ -
Cash Assistance:				
School Breakfast Program	10.553	1-0361-000	62,741	-
National School Lunch Program	10.555	1-0361-000	198,407	-
Cash Assistance Subtotal			<u>261,148</u>	<u>-</u>
Total Child Nutrition Cluster/U.S. Department of Agriculture			295,079	-
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Passed Through Minnesota Chippewa Tribe:				
Cash Assistance:				
Indian Education Assistance to Schools	15.130	A17AV00260	<u>17,323</u>	<u>-</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
Title II, Part A - Improving Teacher Quality	84.367	S367A180022	54,517	-
Carl Perkins Vocational and Applied Technology	84.048	N/A	6,254	-
Title VII - Indian Education	84.060	N/A	29,293	-
Special Education Cluster:				
Special Education	84.027	H027A180087	196,419	-
Special Education Preschool Grants	84.173	H173A180086	565	-
Title I, Part A	84.010	S010A180023A	<u>325,505</u>	<u>-</u>
Total U.S. Department of Education			<u>612,553</u>	<u>-</u>
<b>U.S. DEPARTMENT OF HUMAN SERVICES</b>				
Passed Through Minnesota Department of Human Services:				
Cash Assistance:				
Alcohol & Drug Abuse Prevention	93.959	2B08T010027-15	<u>177,138</u>	<u>-</u>
Total Federal Awards Expended			<u>\$ 1,102,093</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

Note 1:

The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Independent School District No. 361.

Note 2:

The expenditures on this schedule are on the modified accrual basis of accounting, which is described in Note 1 to the basic financial statements of the District. The District has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 4:

The total of CFDA No. 10.555 is \$232,338



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 361  
International Falls Public Schools  
International Falls, 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. 361 (the District), Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2019.

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

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

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?        X   yes             no
- Significant deficiency(ies) identified?             yes        X   none reported

Noncompliance material to financial statements noted?             yes        X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?        X   yes             no
- Significant deficiency(ies) identified?             yes        X   none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?        X   yes             no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs:      \$750,000

Auditee qualified as low-risk auditee?             yes        X   no

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

**Finding 2019-001 – Financial Statement Preparation**

**Criteria:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with generally accepted accounting principles (GAAP).

**Condition:** The District does not have an internal control policy in place over annual financial reporting that would enable management to prepare its annual financial statements and related footnote disclosures are complete and presented in accordance with GAAP.

**Context:** Management has informed us that they do not have an internal control policy in place over the annual financial reporting and that they do not have the necessary staff capacity to prepare the annual financial statements including footnote disclosures.

**Cause:** The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

**Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

**Recommendation:** Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Stacy Grover, Business Manager

**Corrective Action Plan:** The District will continue to have the audit firm prepare the financial statements; however, the District has established internal control procedures to document the annual review of the financial statements.

**Anticipated Completion Date:** June 30, 2020.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)**

**Finding 2019-002 - Segregation of Duties**

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

**Condition:** The District has a limited number of office personnel and accordingly, does not have adequate internal controls in certain areas because of a lack of segregation of duties.

**Cause:** The District's resources have not allowed for additional personnel to address this issue.

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

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

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Stacy Grover, Business Manager

**Corrective Action Plan:** The District reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available.

**Anticipated Completion Date:** June 30, 2020.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**C. FINDINGS – FEDERAL AWARD PROGRAMS**

**Finding 2019-003**

**Federal Agency:** U.S. Department of Agriculture

**Federal Program:** Child Nutrition Cluster

**CFDA Number:** 10.553 and 10.555

**Pass-Through Agency:** Minnesota Department of Education

**Pass-Through Numbers:** Not applicable

**Award Period:** July 1, 2018 – June 30, 2019

**Type of Finding:** Material Weakness over Internal Control and Other Matters

**Repeat Finding:** The finding is a repeat of a finding in the immediately prior year. Prior year finding number was 2018-003.

**Criteria:** Title 2 U.S. Code of Federal Regulations §200.320 states that for small purchases, that the District must obtain quotes from an adequate number of qualified sources. Title 2 U.S. Code of Federal Regulations §200.213 states that nonfederal entities are subject to the nonprocurement debarment and suspension regulations.

**Condition/Context:** Four out of five small purchases tested, the District did not have quotes on file from an adequate number of qualified sources. One vendor tested for suspension/debarment did not have documentation to show that the District verified the vendor was not on the list.

**Questioned Costs:** Not applicable.

**Cause:** District is still in process of implementing procedures to properly document procurement requirements in line with the Uniform Guidance. The District did not sufficiently document that suspension/debarment checks were completed.

**Possible Effect:** This could result in the District paying higher prices for goods since they are not attempting to find lower prices with other vendors. The District could enter into a contract with a vendor that is suspended/debarred, which is against federal guidelines for awards.

**Recommendation:** We recommend the District attempt to obtain quotes from an adequate number of sources for small purchases. Additionally, if the purchases are considered micro purchases, we recommend the District retain support that they have considered all qualified vendors. We also recommend that the District document that suspension/debarment procedures are taking place prior to entering into a contract.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Stacy Grover, Business Manager

**Corrective Action Plan:** A corrective action plan is in place.

**INTERNATIONAL FALLS PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 361  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED JUNE 30, 2019**

**D. FINDINGS – MINNESOTA LEGAL COMPLIANCE FINDINGS**

None

**INDEPENDENT SCHOOL DISTRICT NO. 361  
INTERNATIONAL FALLS, MINNESOTA  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS**

**FINANCIAL STATEMENT**

**YEAR ENDED JUNE 30, 2019**

**INDEPENDENT SCHOOL DISTRICT NO. 361  
INTERNATIONAL FALLS, MINNESOTA  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2019**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1</b>
<b>STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS</b>	<b>3</b>
<b>NOTE TO FINANCIAL STATEMENT</b>	<b>4</b>
<b>INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE MANUAL FOR ACTIVITY FUND ACCOUNTING</b>	<b>5</b>



## INDEPENDENT AUDITORS' REPORT

Board of Education, Finance Committee, Advisors, and Students  
Independent School District No. 361  
International Falls, Minnesota

### ***Report on the Financial Statement***

We have audited the statement of cash receipts and disbursements of the student activity funds of Independent School District No. 361 (the District) as of and for the year ended June 30, 2019 and the related note to the financial statement.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the regulatory basis of accounting described in the note to the financial statement. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

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

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in the note to the financial statement, to meet the financial reporting requirements of the Minnesota Department of Education, the financial statement is prepared by the District in accordance with the financial reporting provisions of the accounting practices prescribed or permitted by the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in the note to the financial statement and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of the District as of June, 30 2019, or changes in financial position for the year then ended.

***Basis for Qualified Opinion on Regulatory Basis of Accounting***

We were unable to audit cash receipts because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records. We were unable to obtain sufficient appropriate audit evidence about the completeness of cash receipts by other auditing procedures.

***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of the Student Activity Funds of the District as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in the note to the financial statement.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 361  
INTERNATIONAL FALLS, MINNESOTA  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019**

Activity Account	Balance June 30, 2018	Receipts	Disbursements	Balance June 30, 2019
Cheerleaders Football	\$ 3,152	\$ 2,030	\$ 3,493	\$ 1,689
Robotics	7,662	5,000	9,030	3,632
Cheerleaders	770	-	770	-
Cheerleaders Hockey	1,756	746	234	2,268
Cheerleaders Basketball	1,521	500	2,021	-
National Honor Society	618	863	573	908
Prom	7,823	5,410	8,313	4,920
Student Council	6,370	16,218	15,205	7,383
Interest	2,863	2,836	3,773	1,926
Total	<u>\$ 32,535</u>	<u>\$ 33,603</u>	<u>\$ 43,412</u>	<u>\$ 22,726</u>

See accompanying Note to Financial Statement.

**INDEPENDENT SCHOOL DISTRICT NO. 361  
INTERNATIONAL FALLS, MINNESOTA  
EXTRACURRICULAR STUDENT ACTIVITY ACCOUNTS  
NOTE TO FINANCIAL STATEMENT  
JUNE 30, 2019**

**NOTE 1 BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES**

International Falls Public School's (the District) extracurricular student activity account transactions are defined as extracurricular programs conducted for the motivation and enjoyment of students. These programs and activities are not offered for school credits nor required for graduation. Activities are generally conducted outside of school hours. The content of the activities is determined primarily by the students, under the guidance of a staff member or other adult.

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

The accounts of the extracurricular student activity accounts are maintained, and the accompanying financial statement has been prepared, on the regulatory basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations are incurred.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

At June 30, 2019, the carrying amount of the extracurricular student activities account's bank deposits was \$22,726 and the bank balances also totaled \$22,726. The District's student activity deposits in banks at June 30, 2019 were entirely covered by federal depository insurance.



## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE MANUAL FOR ACTIVITY FUND ACCOUNTING

Board of Education, Finance Committee, Advisors, and Students  
Independent School District No. 361  
International Falls, Minnesota

### Report on Compliance

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the student activity funds of Independent School District No. 361 (the District) as of and for the year ended June 30, 2019, and the related note to the financial statement which collectively comprises the basic financial statement and have issued our report thereon dated October 28, 2019. We expressed an adverse opinion on U.S. generally accepted accounting principles because the financial statement is prepared on a basis of accounting that demonstrates compliance with the regulatory basis of accounting prescribed or permitted by the Minnesota Department of Education, which differs from accounting principles generally accepted in the United States of America. In addition, our report on the regulatory basis of accounting is qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records.

The *Manual for Activity Fund Accounting*, issued by the Minnesota Department of Education, provides uniform financial accounting and reporting standards for student activities. We have performed auditing procedures to test compliance with the provisions of this manual.

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 *Manual for Activity Fund Accounting*, insofar as they relate to accounting matters. 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, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Manual for Activity Fund Accounting* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
October 28, 2019



# International Falls School District

## MISSION STATEMENT

In partnership with parents and the community, the International Falls School District will prepare every student to become a productive citizen by developing their maximum potential within a safe climate of mutual respect and trust.

## VISION

The vision of the International Falls Schools is to be a model of excellence in academics, student activities, technology, and efficient school district operations.

## BELIEFS AND VALUES

The International Falls School District believes that:

- All students can learn and each student will be given the tools to be successful;
- All students have the right to a quality education;
- Successful teaching and learning requires collaboration between the home, school, and the community;
- All parties should be accountable for their contribution toward successful learning;
- Community and school partnerships are critical to the success of each other;
- All students and staff deserve to learn and work in a safe and respectful environment;
- A positive learning environment is one that provides opportunities for creativity and innovation designed to promote continuous improvement in student achievement, relationship building, and school district operations; and
- The development of a rigorous school curriculum will lead to increased student achievement and promote both student and staff pride in the school system.

Focus Area	Goal	Objective	Note
Student Achievement	While closing existing achievement gaps between identified subgroups and the “all students” group, the school district will experience an increase in student achievement for all students as measured by the MCA test scores.	<ul style="list-style-type: none"> <li>• By September 2015, develop and implement a plan to involve community volunteers in increasing academic achievement through tutoring, mentoring, and guest speaker programs.</li>   <li>• Annually develop and implement a plan so that the percentage of students who did not meet or exceed standards on the MCA’s increase.</li>   <li>• By December 2015, develop and implement a plan designed to increase MCA scores in each academic area a minimum of 5 percent each year for the next three years.</li> </ul>	<p>*FES – encourage parent/grandparent volunteers and use of some high school students for mentorship on playground</p> <p>*FHS – Continued Homework Help in library after school</p> <p>#Junior Achievement, science fair, numerous elementary activities</p> <p>@ District has goals set focusing on increasing number of students who are proficient as well as making 4% increase – Student by student process</p> <p>*District set goals in which we are tracking actual students from year to year, staff is using different strategies to focus on reaching these students</p> <p># Make-up MCA’s are to be completed by Friday. Final results will not be released until mid-summer, we will have tentative results next week</p> <p>@ District wide focus on checking alignment of curriculum, developing “I Can” statements,</p>

		<ul style="list-style-type: none"> <li>• By June 2016, ensure curriculum plans for all subject areas are in place that have embedded all state standards in the appropriate grade level.</li> <li>• By June 2016, develop and implement a plan that will design staff development programs to address any weaknesses identified through the established staff evaluation procedures.</li> </ul>	<p>developing formative assessments so not waiting for summative data – working with NWSC</p> <p>*New reading curriculum, elementary at risk connection – teacher/student assignment, Math/Reading for bubble students</p> <p>Renewed focus for 2017, learned at meeting last summer that much of state needs a more comprehensive look at curriculum as a starting point.</p> <p>*On track with use of some early out time to analyze standards, scope and sequence, and pacing guides</p> <p>@ participated in a region wide staff development day at beginning of school year, more options to get specific areas of need and interest.</p> <p># Not much time allotted, could be more focused for 16-17.</p> <p>*Professional Development Team working on providing needed trainings based on district goal and teacher evaluation program.</p>
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		<ul style="list-style-type: none"> <li>• By the 2017-2018 school year, all students in grades 9 through 12 will have a personal learning plan designed to ensure that they will become career, college, and life ready by the time they successfully graduate from International Falls schools.</li> <li>• Annually work to increase concurrent enrollment offerings with a goal of having and in-house AA degree and 40 Minnesota Transfer Curricula credits</li> </ul>	<p>@Continuing this year with more focus of using this when scheduling comes along</p> <p>*In progress through counseling department, see attached.</p> <p># 9-11 completed, dropped the ball in having each child have a copy when scheduling</p> <p>*AA in place along with 40 MTC credits</p> <p>@#reduced course offerings for 16-17</p>
<b>Focus Area</b>	<b>School District Goal</b>	<b>Objectives</b>	

<b>Student Support</b>	<p>Each school building/site will have a sustainable, well-defined support system in place that enables all learners to achieve at high levels.</p>	<ul style="list-style-type: none"> <li>• By June 2015, develop and implement a plan to provide more speech therapy services in house.</li>   <li>• By October 2015, create a task force charged with studying the school lunch program to determine what, if any, changes can be made to address the issues raised in the student surveys.</li> </ul>	<p>@ISD 361 hired a .6 FTE speech therapist for 16-17, most likely will increase this FTE for 17-18</p> <p>*Contracted for a 20 hours per week of in-house speech services through Rainy Lake Medical Center.</p> <p># recommendation to board in May to hire a .63 FTE Speech Pathologist</p> <p>@contracting with INAC for food service management for 17-18, Wellness committee met every other month last year, not much for suggestions with regards to improving cafeteria offerings due to restrictions.</p> <p>*Sue is convening a wellness committee to examine lunch program and look for alternatives, 14-15 year worked with recommendations from INAC consultant, Food Service was self-supportive for 14-15 financially.</p> <p>#Wellness committee continues to meet and develop a revised plan, worked through a survey of staff with help from county SHIP coordinator</p>
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		<ul style="list-style-type: none"> <li>• By December 2015, develop and implement a plan to improve school climate for all students and staff in all buildings.</li> </ul>	<p>@ Continued focus on PBIS</p> <p>*Applied and were accepted into MDE School Climate Study, working with MDE through that process as we speak. Working on in-depth plans in areas of “sense of social-emotional security” and “social media.”</p> <p>#Completing work with School Climate Group, no major findings.</p>
		<ul style="list-style-type: none"> <li>• By January 2016, develop and implement a class for senior high credit that utilizes high school students to tutor elementary students.</li> <li>• By June 2016, develop and implement a plan designed to create partnerships with local services to ensure students receive needed assistance to remove any barriers to learning and individual growth and development.</li> </ul>	<p>*Student service credit in place, not overly effective, but available.</p> <p>*Northland Counseling has begun seeing students in our building</p> <p>*Koochiching Family Collaborative funded a part-time position to meet with struggling students</p> <p>*MN Office of Job Training – individualized counseling for career planning, post-secondary training, financial aid, community resources, etc.</p> <p>#Negotiating Planning and Implementation Grant (5 year)</p>

		<ul style="list-style-type: none"> <li>• By September 2016, develop and implement a plan to increase high school student time with guidance and/or counseling services.</li> </ul>	<p>@Did not increase these services as legislatively 50/50 match and we could not find funds to support at this time.</p> <p>*Legislatively no change and didn't increase counseling services to date.</p> <p>#Legislatively talk of possible help in funding; have discussed support for this with Rob Ecklund.</p>
<b>Focus Area</b>	<b>School District Goal</b>	<b>Objectives</b>	

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Communication / Community Relations</p>	<p>Create a reliable, consistent, and broad communication network (or system) to build partnerships between all users — students, staff, families, and the broader community.</p>	<ul style="list-style-type: none"> <li>• By September 2015, create a task force to study the existing district communications and prepare a report for the school board by November 2015 that describes all methods of communication that currently exist between the school district and the community. Suggest that additional methods of communication be implemented if a school building does not currently have a minimum of two consistent ways to communicate important information about the school to the students, staff, and the community.</li> <li>• By January 2016, develop and implement a plan to upgrade the current school district website and maintain the website consistently so it serves as a reliable first resource for users.</li> </ul>	<p># on hold</p> <p>@ Still close, but keeps getting pushed back, lack of time – Has to be a focus of mine to hold hands to get this in place.</p> <p>*Discussed issues with Mike, Jay, and Dave. Jay and Mike are exploring webpage options</p> <p>*Major technology focus has been on transition along with implementing online curriculum and increase in devices in the classrooms. #some early out time will be devoted to training and exploration with re-evaluation at the end of 16-17 school year # In progress, webpage materials have been uploaded, staff is working to redesign, collect new pictures #ready to go for 16-17</p>
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		<ul style="list-style-type: none"> <li>By January 2015 develop a plan and assign responsibilities to promote and market the various aspects of our district. (classroom activities, extracurricular activities, special events, etc.)</li> </ul>	<p>@ Continued School Matters, suspended theatre advertisement for time being. Continued focus on Facebook and bronco activities page (Timm R)</p> <p>#ISD 361 Facebook and Bronco Sports pages, School Matters radio program, Theatre Advertisement</p>
<b>Buildings and Grounds</b>	The school district will budget for school buildings upgrades and/or enhancements through funding, grants, and/or levy increases.	<ul style="list-style-type: none"> <li>The school district will immediately set a time to meet with state government representatives and with officials from other government units to allow administration, school board, and community personnel to lobby for increased funding in this area.</li> </ul>	<p>@Continued communication with legislative leaders</p> <p>#Regionally participated in day at the capital with superintendents to lobby #email contact with Rob and Tom on a regular basis</p>

	<p>The school district will assure adequate space for learning and activities (preschool, elementary, band, gymnasiums, etc.) exists for all students and staff.</p>	<ul style="list-style-type: none"> <li>• By August 2015, meet with community officials to develop a plan for coordinating with the community to share facilities and space.</li> <li>• By August 2015, develop and implement a plan to establish a maintenance schedule designed to assure existing facilities are well maintained.</li> <li>• By August 2015, identify, evaluate, and recommend improvements to facilities that will result in a more efficient use of existing buildings and grounds while also encouraging the development of “Bronco Pride.”</li> </ul>	<p>@ 10 year plan updated annually, focus for time being is Bronco Arena, planning a meeting for early January.</p> <p>*10 year facility plan developed, staged increase in Long Term Facility Revenue over next 3 years will help.  #playground group (PIE) been meeting every 2 weeks  #elevator and FES roof are major projects for this summer</p>
<b>Focus Area</b>	<b>School District Goal</b>	<b>Objectives</b>	

<b>Technology</b>	<p>The school district will keep pace with changes in technology, reaching all students and ensuring all students are technology-ready.</p>	<ul style="list-style-type: none"> <li>• By September 2015, develop and implement a plan that will ensure all students have access to technology while completing their homework.</li>   <li>• By September 2015, create and implement a staff development plan that provides staff the capability of integrating technology into their curriculum in a meaningful manner.</li>   <li>• By December 2015, develop and implement a five-year plan designed to ensure adequate funding to pay for technology changes.</li>   <li>• By August 2016, develop and implement a plan designed to start teaching technology use to younger students, making it challenging, meaningful, and exciting.</li> </ul>	<p>@ took a step back as staff was not willing to commit at end of last year to online format, Science adoption is going tech focus so this may be the push we need.</p> <p>*Added chromebooks, FHS library is open 8-4:30 M-Th and 8-4 F</p> <p>Addition of Tech personnel to assist daily, Minnesota Partnership for Collaborative Curriculum member. #use some early out time for training and exploration #5 staff signed up for MPCC training</p> <p>Working on 3 year financial plan, School Board work session to be held January 4<sup>th</sup></p> <p>Hired Keyboarding/computer teacher for elementary students (k-6)</p>
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<b>Finances</b>	Develop a three-year, financial plan with respect to: revenue and expenses — that incorporates a comprehensive facility plan.	<ul style="list-style-type: none"> <li>• By June 2015, develop a three-year projection for student enrollment.</li> <li>• By June 2015, create a three-year, long-range financial plan identifying current and anticipated revenues, expenditures, and fund balances.</li> <li>• By June 2015 (and thereafter), set an unassigned fund balance goal of 2 – 3 months of operational costs.</li> <li>• Operating Levies expire in 2019</li> </ul>	<p>Completed, showing continued slow decline</p> <p>On-going</p> <p>Done</p> <p>Recommend latest of November of 2018 to go out for renewal or change.</p>
<b>Focus Area</b>	<b>School District Goal</b>	<b>Objectives</b>	
<b>Personnel</b>	All school district staff, in order to be accountable for their role in the learning process, will receive support through evaluation and training.	<ul style="list-style-type: none"> <li>• By June 2015, develop and implement a plan to ensure all staff will receive an evaluation annually using best practice methods.</li> <li>• By June 2016, all non-certified personnel will have received one formal evaluation and be actively involved in a district-approved staff development plan. These plans will be updated annually.</li> <li>• By June 2016, all licensed personnel will have received a minimum of one summative evaluation and will have established an individual growth and development plan based the results of the evaluation process. These plans will be updated annually.</li> </ul>	<p>In place</p> <p>In place</p> <p>In place</p>