Financial Statements
June 30, 2019

Independent School District No. 717

Jordan, Minnesota

EideBailly

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June 30, 2019

Name	Position	Term Expires
School Board		
Deb Pauly	Chairperson	2022
Tom Vogel	Vice Chairperson	2020
Sandie Burke	Clerk	2022
Connie Hennen	Treasurer	2022
Lauren Pedersen	Member	2020
Rob Langheim	Member	2020
Jesse Erdal	Member	2019
Administration		
Matt Helgerson	Superintendent	
Amy Hafemann	Finance Director	

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

The School Board of
Independent School District No. 717
Jordan, 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. 717 (the District), Jordan, 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 as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial statements 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 for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the District's total OPEB liability and related ratios, schedule of funding progress, and schedule of employer's share of net pension liability and schedule of employer's 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 Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The School Board and Administration, schedule of changes in UFARS fund balances, combining and individual fund schedules, student activity treasurer's report, and uniform financial accounting and reporting standards compliance table are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund schedules, student activity treasurer's report, uniform 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 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.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 18, 2019, on our consideration of the County's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for Counties. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for Counties in considering the County's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Mankato, Minnesota
November 18, 2019

INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

This section of Independent School District No. 717 – Jordan Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

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

- Overall government-wide revenues were $28,579,008 while overall expenses totaled $23,513,064, resulting in an ending net deficit of $9,859,255. Also included in the government-wide statements is $20,855,734 of liabilities related to OPEB and the net pension liability related items. Excluding the reporting of those, ending net position would be $10,996,479.
- The district's overall fund balance increased by $838,465.
- The District's net outstanding long-term liabilities decreased by $1,922,339 or 3.12 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

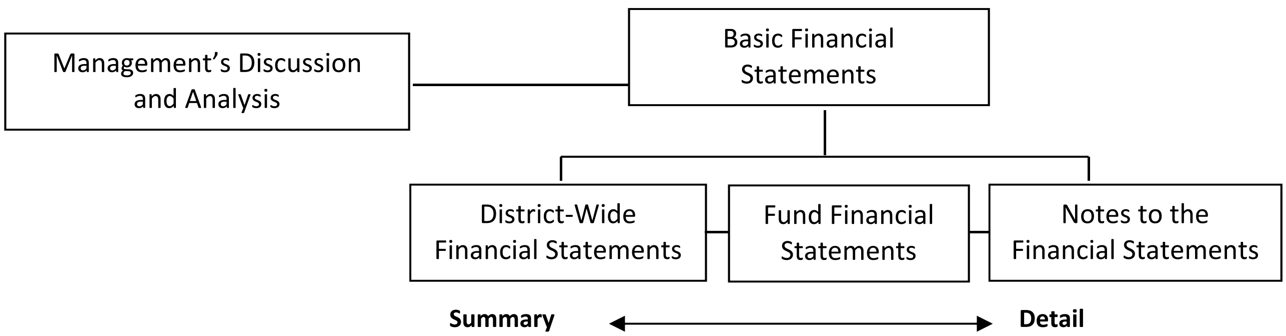
The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information, which includes the management's discussion and analysis (this section), the basic financial statements, and other required reports. The basic financial statements include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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram below shows how the various parts of this annual report are arranged and relate to one another.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.



Fund Financial Statements			
	District Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	•Statement of Net Position •Statement of Activities	•Balance Sheet •Statement of Revenues, Expenditures, and Changes in Fund Balances	•Statement of fiduciary net position
Accounting basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred outflows/inflows of resources, and liabilities. 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/inflows of resources, and liabilities – are one way to measure the District's financial health or position.

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

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

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

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of the 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.

The District has three kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or difference) between them.

Proprietary funds – The District's proprietary funds are used to report and account for the District's self insured denta plan. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the proprietary funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members.

Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as the agency fund which is held for Student Activates. 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.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (DISTRICT-WIDE FINANCIAL STATEMENTS)

Net Position

The District's net deficit was $9,859,255 on June 30, 2019. This represents a decrease in deficit when compared to the $14,925,199 deficit balance on June 30, 2018.

Statement of Net Position
June 30, 2019 and 2018

	2019	2018
Assets		
Current assets	$ 30,580,684	$ 29,428,786
Capital assets	48,729,783	50,430,038
Total assets	79,310,467	79,858,824
Deferred Outflows of Resources	15,974,805	21,506,592
Liabilities		
Other liabilities	2,975,391	2,900,356
Long-term liabilities	75,234,371	102,076,364
Total liabilities	78,209,762	104,976,720
Deferred Inflows of Resources	26,934,765	11,313,895
Net Position (Deficit)		
Net investment in capital assets	9,261,605	12,510,038
Restricted for specific purposes	19,809,306	19,027,608
Unrestricted	(38,930,166)	(46,462,845)
Total net position (deficit)	$ (9,859,255)	$ (14,925,199)

INDEPENDENT SCHOOL DISTRICT #717
JORDAN PUBLIC SCHOOLS
JORDAN, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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

	2019	2018
Revenues		
Program revenues		
Charges for service	$ 2,374,667	$ 2,085,103
Operating grants and contributions	4,328,286	4,189,301
Capital grants and contributions	343,942	307,283
General		
Property taxes	5,582,140	5,518,030
Aids and payments from state and other	14,578,245	12,939,123
Miscellaneous revenues	1,371,728	709,562
Total revenues	28,579,008	25,748,402
Expenses		
Administration	1,094,043	1,053,840
District support services	736,845	758,972
Regular instruction	6,883,934	9,883,169
Vocational instruction	299,771	195,262
Special education instruction	3,582,564	3,458,319
Community education and services	1,609,736	1,609,241
Instructional support services	805,013	5,488,977
Pupil support services	2,701,104	2,544,222
Sites and buildings	3,916,059	3,574,433
Fiscal and other fixed-cost programs	1,772,907	2,754,460
Self insurance	111,088	-
Total expenses	23,513,064	31,320,895
Change in Net Position	5,065,944	(5,572,493)
Net Deficit - Beginning	(14,925,199)	(9,352,706)
Net Deficit - Ending	$ (9,859,255)	$ (14,925,199)

Changes in Net Position. The District's total revenues were $28,579,008 for the year ended June 30, 2019. Unallocated federal and state aid along with property taxes accounted for 70.54 percent of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 16.35 percent and the remaining revenue was from fees charged for services and miscellaneous sources.

The total cost of all programs and services was $23,513,064. The District's expenses are predominantly related to student education and student educational support, 67.55 percent. The District's administrative activities accounted for 4.65 percent of the total costs. Total expenses were less than total revenues, decreasing net deficit by $5,065,944 from last year.

During the year ended June 30, 2019, the District started a self insurance plan for Dental coverage. This would account for the additional self insurance expense line.

General Fund

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

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2019	2018		
Local property taxes	$ 2,091,359	$ 1,999,744	$ 91,615	4.58%
Other local sources	648,366	720,763	(72,397)	-10.04%
State sources	17,970,027	16,214,150	1,755,877	10.83%
Federal sources	560,529	547,207	13,322	2.43%
Interest earnings	65,880	28,876	37,004	128.15%
Total General Fund revenues	$ 21,336,161	$ 19,510,740	$ 1,825,421	9.36%

Total General Fund revenue increased by $1,825,421 or 9.36% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue.

However, the major difference in revenue was due to the state aid contribution related to GASB 68 (the reporting requirements for TRA and PERA). The district is required to report the pension revenue as state aid and it has no control over the amount. The district also saw an increase of enrollment in fiscal year 2018-19. Enrollment increased by an estimated 67 students from 2017-18.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2019	Year Ended June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and benefits	$ 15,232,407	$ 14,742,064	$ 490,343	3.33%
Purchased services	3,574,436	3,134,748	439,688	14.03%
Supplies and materials	740,334	678,333	62,001	9.14%
Capital expenditures	829,591	635,551	194,040	30.53%
Other expenditures	834,100	166,699	667,401	400.36%
Total General Fund expenditures	$ 21,210,868	$ 19,357,395	$ 1,853,473	9.58%

Total General Fund expenditures increased by $1,853,473 or 9.58% from the previous year. The overall increase in the current fiscal year resulted from the state aid contribution related to GASB 68 reporting (the reporting requirements for TRA and PERA). The district is required to report the pension expenditures in the "other expenditures" category and it has no control over the amount. There were also major projects completed in FY2018-19: resurfacing of the tennis courts and continuing work on the Trane Conversion at the High School.

General Fund Budgetary Highlights

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

- Actual revenues were $1,114,592 *more than* budget as a result of an increase in enrollment from what was originally estimated for ADMs, increase in Special Education aid, increase in pension liability (GASB 68) and also increase in LTFM revenue which resulted in more revenue for the district.

- Actual expenditures were $1,027,298 more than budgeted due to an increase in transportation costs for Care & Treatment/Homeless Students, an increase in tuition costs of students attending PSEO and required pension liability reporting (GASB 68). Overall, the District had an increase to the unassigned fund balance of approximately $109,000.

Debt Service Fund

The Debt Service Fund revenues were $4,475,668 and expenditures were $3,780,840, thereby increasing fund balance by $694,828 as revenues exceeded expenditures. The increase is a result of interest received in escrow for the refunding bonds, and also the increased aid in the School To Ag credit.

Other Non-Major Funds

The Food Service Fund incurred a decrease in the fund balance of $40,433 for a year end fund balance of $9,403. The decrease in fund balance is due in partly to an increase in food supplier costs, and also an increase in the salary and benefit packages.

The Community Service Fund incurred an increase in the fund balance of $58,438 for a year end fund balance of $348,539. The increase in fund balance is a result of an increase in State Aid for ECFE . The Community Education is also increasing their revenue by offering more classes and also changes made to the facility use policy.

The Capital Projects Fund incurred a decrease in the fund balance of $123,141 for a year end fund balance of $53,584. The decrease in fund balance is a result of the Capital Facility Bond projects now completed.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

By the end of fiscal year 2019, the District had invested $66,778,793 in a broad range of capital assets, including school buildings, land, computer and audio-visual equipment, and other equipment for various instructional programs. Total depreciation expense for the year was $2,159,967. More detailed information about capital assets can be found in the notes to the financial statements.

	2019	2018
Land	$ 1,896,117	$ 1,896,117
Construction in progress	-	47,640
Buildings	59,972,431	59,792,922
Improvements	2,782,190	2,602,615
Equipment	2,208,349	2,439,499
Accumulated depreciation	(18,129,304)	(16,348,755)
Total capital assets	$ 48,729,783	$ 50,430,038

Long-Term Debt

At year-end the District had $59,608,545 of long term debt consisting of bonds payable of $54,800,000, bond premium of $3,378,289, bond discount of 90,720, certifications of participation payable $1,045,000, capital leases payable of $50,609, loans payable of $108,840, severance benefits payable of $219,755 and compensated absences payable of $96,772.

The District has $13,459,044 in net pension liability at June 30, 2019.

The District has $2,166,782 in total OPEB liability at June 30, 2019.

See notes to the financial statements for additional details on the District's long term debt.

Factors Bearing on the District's Future:

- Enrollment continues to be an area of concern weighing on the District's financial future, and will continue to be monitored closely by the District's administration. Since Minnesota school districts are paid on pupil units served, any decline in enrollment results in less revenue. The District's student enrollment, which determines the pupil units for the purpose of funding, has increased slightly. The District saw an increase of an estimated 60 students in grades K-12 for fiscal year 2018-19. Also, administration is noticing that the number of students open-enrolling to the District is rising. Open enrolled students in grades K-12 increased from 163 students in 2017-18 to an estimated 191 students in 2018-19. The district's enrollment for FY 2019-20 is comparable to that of FY 2018-19, although the district would have liked to see more of an increase as the most recent demographic study had shown.

- For years, many Minnesota school district referendums for facilities maintenance projects did not pass. The Legislature, recognizing an important need to maintain district facilities, requested input on how to create a more equitable and sustainable financing process for public school facilities. As a result, the School Facilities Financing Working Group was created and provided recommendations. New legislation was passed during a special session in July 2015 that provides revenue increases for school districts not currently eligible to participate in the Alternative Facilities Bonding and Levy program. The new program, referred to as Long Term Facilities Maintenance (LTFM) Revenue, includes a three year phased approach which began in FY 2017. Districts received up to $193 per pupil of revenue the first year, then in FY 2018, districts received up to $292 per pupil, and that figured increased up to $380 per pupil for FY 2019. These figures are prorated for districts with an average building age of 35 years or less. This replaces the former Health and Safety and Deferred Maintenance revenue programs and associated funding. This additional funding will provide dollars for our District to pay for ongoing deferred maintenance expenditures.

- Labor costs account for over 80% of the District expenses. As costs of benefits continue to skyrocket, it becomes more important during the negotiations of labor contracts that the District be cognizant to this potential unknown long-term liability. The District must continue to follow enrollment trends and maintain a responsible balance between staffing and student enrollment. In addition, the District must be aware of future legislative action as it relates to public school funding, and consider efforts to increase local operating revenue. These actions directly correlate to labor negotiations and hiring practices.

Contacting the District's Financial Management:

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact the District Office, ISD No. 717, 500 Sunset Drive, Suite #1, Jordan, Minnesota, 55352.

Independent School District No. 717
Jordan, Minnesota
Statement of Net Position
June 30, 2019

Assets	
Cash and investments	$ 6,315,738
Cash and investments with fiscal agent	19,082,270
Receivables	
Current property taxes	2,911,443
Delinquent property taxes	52,662
Accounts	96,494
Interest	10,538
Due from other governmental units	2,071,141
Inventories	12,226
Prepaid items	28,172
	30,580,684
Capital assets not being depreciated:	
Land	1,896,117
Capital assets, net of accumulated depreciation:	
Land improvements	1,691,641
Buildings	44,287,484
Equipment	854,541
Total capital assets	48,729,783
Total assets	79,310,467
Deferred Outflows of Resources	
Other postemployment benefits plan	84,669
Pension plans	15,890,136
Total deferred outflows of resources	15,974,805
Liabilities	
Salaries payable and payroll deductions	1,613,320
Accounts payable	217,658
Interest payable	892,521
Due to other governmental units	185,133
Unearned revenue	63,673
Claims incurred but not reported	3,086
Noncurrent liabilities:	
Due within one year - bonds, bond premium, bond discount, certificates of participation, capital leases, loans, severance benefits, and compensated absences	2,282,158
Due in more than one year - bonds, bond premium, bond discount, certificates of participation, capital leases, loans, severance benefits, and compensated absences	57,326,387
Due in more than one year - net pension liability	13,459,044
Due in more than one year - other postemployment obligation	2,166,782
Total liabilities	78,209,762
Deferred Inflows of Resources	
Other postemployment benefits plan	41,973
Pension plans	21,162,740
Unavailable revenue - property taxes	5,730,052
Total deferred inflows of resources	26,934,765
Net Position (Deficit)	
Net investment in capital assets	9,261,605
Restricted	19,809,306
Unrestricted	(38,930,166)
Total net deficit	$ (9,859,255)

Statement of Activities

Year Ended June 30, 2019

		Program Revenues			Net (Expense)
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Administration	$ 1,094,043	$ -	$ 45,915	$ -	$ (1,048,128)
District support services	736,845	-	-	-	(736,845)
Regular instruction	6,883,934	269,790	1,308,532	343,942	(4,961,670)
Vocational instruction	299,771	-	20,131	-	(279,640)
Special education instruction	3,582,564	47,762	2,310,046	-	(1,224,756)
Community education and services	1,609,736	1,300,633	219,018	-	(90,085)
Instructional support services	805,013	-	-	-	(805,013)
Pupil support services	2,701,104	603,226	424,644	-	(1,673,234)
Sites and buildings	3,916,059	18,817	-	-	(3,897,242)
Fiscal and other fixed cost programs	1,772,907	-	-	-	(1,772,907)
Self insurance	111,088	134,439	-	-	23,351
Total Governmental Activities	$ 23,513,064	$ 2,374,667	$ 4,328,286	$ 343,942	(16,466,169)
General Revenues					
Property taxes and other county sources					5,582,140
State aid not restricted to specific purposes					14,578,245
Interest earnings					1,100,616
Loss on sale of fixed assets					(42,228)
Miscellaneous					313,340
Total general revenues					21,532,113
Changes in Net Position					5,065,944
Net Deficit - Beginning					(14,925,199)
Net Deficit - Ending					$ (9,859,255)

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash and investments	$ 3,388,061	$ 2,386,605	$ 512,935	$ 6,287,601
Cash and investments with fiscal agent	-	19,082,270	-	19,082,270
Receivables				
Current property taxes	1,150,474	1,696,126	64,843	2,911,443
Delinquent property taxes	21,265	30,249	1,148	52,662
Accounts	51,894	-	44,600	96,494
Interest	10,538	-	-	10,538
Due from other Minnesota school districts	58,409	-	-	58,409
Due from Minnesota Department of Education	1,773,661	19,205	20,571	1,813,437
Due from Federal through Minnesota Department of Education	196,395	-	-	196,395
Due from other governmental units	2,900	-	-	2,900
Inventories	-	-	12,226	12,226
Prepaid items	25,884	-	2,288	28,172
Total assets	$ 6,679,481	$ 23,214,455	$ 658,611	$ 30,552,547
Liabilities				
Salaries payable	$ 876,849	$ -	$ 36,921	$ 913,770
Accounts payable	192,190	-	24,060	216,250
Due to other Minnesota school districts	164,256	-	-	164,256
Due to other governmental units	17,887	-	2,990	20,877
Payroll deductions	699,550	-	-	699,550
Unearned revenue	15,712	-	47,961	63,673
Total liabilities	1,966,444	-	111,932	2,078,376
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	21,265	30,249	1,148	52,662
Unavailable revenue - property taxes	2,252,436	3,343,611	134,005	5,730,052
Total deferred inflows of resources	2,273,701	3,373,860	135,153	5,782,714
Fund Balances				
Nonspendable	25,884	-	14,514	40,398
Restricted	370,207	19,840,595	459,628	20,670,430
Unassigned	2,043,245	-	(62,616)	1,980,629
Total fund balances	2,439,336	19,840,595	411,526	22,691,457
Total liabilities, deferred inflows of resources, and fund balances	$ 6,679,481	$ 23,214,455	$ 658,611	$ 30,552,547

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

Total Fund Balances for Governmental Funds		$ 22,691,457
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		48,729,783
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		52,662
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(892,521)
The internal service fund accounts for the district's health and dental self-insurance plan. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.		23,643
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(5,272,604)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		42,696
Noncurrent 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 noncurrent - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	$ 54,800,000	
Bond Premium	3,378,289	
Bond Discount	(90,720)	
Certificates of Participation Payable	1,045,000	
Capital Lease Payable	50,609	
Loans Payable	108,840	
Severance Benefits Payable	219,755	
Compensated Absences Payable	96,772	
Net Pension Liability	13,459,044	
Total OPEB Obligation	2,166,782	
		(75,234,371)
Total Net Deficit for Governmental Activities		$ (9,859,255)

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Revenues				
Local property tax levies	$ 2,091,359	$ 3,260,880	$ 133,287	$ 5,485,526
Other local and county sources	648,366	-	2,005,518	2,653,884
State sources	17,970,027	192,046	184,325	18,346,398
Federal sources	560,529	-	336,169	896,698
Interest earnings	65,880	1,022,742	11,700	1,100,322
Total revenues	21,336,161	4,475,668	2,670,999	28,482,828
Expenditures				
Administration	1,094,043	-	-	1,094,043
District support services	735,656	-	-	735,656
Regular instruction	10,636,046	-	-	10,636,046
Vocational instruction	299,771	-	-	299,771
Special education instruction	3,581,054	-	-	3,581,054
Community education and services	-	-	1,619,206	1,619,206
Instructional support services	860,430	-	-	860,430
Pupil support services	1,641,752	-	1,028,415	2,670,167
Sites and buildings	2,169,270	-	126,345	2,295,615
Fiscal and other fixed cost programs	73,460	-	-	73,460
Debt service:				
Principal	66,224	1,750,000	1,716	1,817,940
Interest and fiscal charges	53,162	2,030,840	453	2,084,455
Total expenditures	21,210,868	3,780,840	2,776,135	27,767,843
Excess (Deficiency) of Revenues Over (Under) Expenditures	125,293	694,828	(105,136)	714,985
Other Financing Sources				
Notes payable proceeds	108,840	-	-	108,840
Gain on sale of assets	14,640	-	-	14,640
Total other financing sources	123,480	-	-	123,480
Net Change in Fund Balances	248,773	694,828	(105,136)	838,465
Fund Balances - Beginning	2,190,563	19,145,767	516,662	21,852,992
Fund Balances - Ending	$ 2,439,336	$ 19,840,595	$ 411,526	$ 22,691,457

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2019

Total Net Change in Fund Balances for Governmental Funds	$ 838,465
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period those amounts are:	
Capital outlay	516,581
Depreciation expense	(2,159,967)
In the statement of activities, only the net gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets less the accumulated depreciation.	(56,869)
In governmental funds, issuance of long-term debt is reported as a source of financing. However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position.	(108,840)
The governmental funds report severance and compensated absences costs as expenditures when paid, on the other hand, the statement of activities reports severance and compensated absences costs as expenditures as the employees earn the compensated absences. In the statement of net position, the payment of severance and compensated absences results in a reduction of the liability.	(56,458)
In governmental funds, OPEB liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in an OPEB liability is based on the amount earned by the employees during the period. This amount is the net effect of these differences.	(135,402)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	4,091,780
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	269,697
The governmental funds report repayment of principal on long-term liabilities as expenditures. In the statement of net position, however, repayment of principal reduces the liability.	1,817,940
Long-term debt 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.	21,696
The internal service fund accounts for the district's health and dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities.	23,643
Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as deferred inflows - delinquent taxes (not considered available revenues) in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied.	3,678
Change in Net Position of Governmental Activities	$ 5,065,944

	Governmental Activities Internal Service Fund
Assets	
Cash and investments	$ 28,137
Liabilities	
Accounts payable	1,408
Claims incurred but not reported	3,086
Total liabilities	4,494
Net Position	
Unrestricted	$ 23,643

	Governmental Activities Internal Service Fund
Additions	
Dental revenue	$ 134,439
Interest earnings	292
Total additions	134,731
Deductions	
Dental claims	96,910
Service fee	14,178
Total deductions	111,088
Operating Income	23,643
Net Position - Beginning	-
Net Position - Ending	$ 23,643

	Governmental Activities Internal Service Fund
Operating Activities	
Receipts from participants	$ 134,731
Payments of insurance claims and administration	(106,594)
Net cash provided for operating activities	28,137
Cash and Investments, July 1	-
Cash and Investments, July 30	$ 28,137
Reconciliation of Operating Income to	
Net Cash provided for Operating Activities	
Operating Income	$ 23,643
Adjustments to reconcile operating income	
to net cash provided for operating activities	
Changes in assets and liabilities	
Accounts payable	1,408
Claims incurred but not reported	3,086
	$ 28,137

	Agency Fund	Private Purpose Trust Fund
Assets		
Cash and investments	$ 85,368	$ 143,640
Liabilities		
Unearned revenue	135	-
Due to student activities	85,233	-
Total liabilities	85,368	-
Net Position		
Restricted for scholarships	$ -	$ 143,640

	Private Purpose Trust Fund
Additions	
Earnings on investments	$ 1,462
Deductions	
Scholarships	178,669
Change in Net Position	(177,207)
Net Position - Beginning	320,847
Net Position - Ending	$ 143,640

Note 1 - Summary of Significant Accounting Policies

The Independent School District No. 717 (the District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant School District accounting policies are described below.

A. Financial Reporting Entity

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental revenues, and other items not properly included among program revenues are reported instead as general revenues.

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as 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. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unavailable revenue on its' governmental fund financial statements. Unavailable revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, unavailable revenue is removed from the financial statements and revenue is recognized. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when property tax levies, food service revenue, or grant monies are received prior to the incurrence of qualifying expenditures. This type of unearned revenue is recorded on the District's government-wide and governmental fund financial statements.

The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, District instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund.

- *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- *Food service fund* accounts for food service revenues and expenditures.

- *Community service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.

- *Capital projects fund* accounts for the activity of the building construction project.

Additionally, the government reports the following fund types:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured dental plan.

- *Fiduciary funds* are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

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

- *Private-purpose trust fund* is a fiduciary fund used to account for resources legally held in trust by agreements where the School Board has accepted the responsibility to serve as trustee. This fund is used for student scholarships. The assets held in trust cannot be used to support the government's own programs.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance

1. Cash and Investments

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota state statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits as well as short-term investments with an original maturity date within three months of the date acquired by the District. The District's investments are in the Minnesota School District Liquid Asset Fund Plus (MSDLAF) and MNTrust. Both are an external investment pool, which in accordance with GASB 79 are valued at amortized cost, which approximates fair value. Both are not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7, where the value of the position in the pool is the same as the value of the pool's share and are carried at amortized cost. MSDLAF and MNTrust are money market accounts and are available to service the District's financial needs immediately.

2. Cash and Investments with Fiscal Agent

Restricted cash balances of the District's funds are holding bond proceeds from the General Obligation Crossover Refunding Bonds of 2016A and are to be used to refund a portion of the General Obligation School Building Refunding Bond, Series 2014A on the call date of February 1, 2023. In addition, the bond proceeds from the General Obligation Crossover Refunding bonds of 2017B are used to refund a portion of the General Obligation School Building Refunding Bond, Series 2014A on the call date of February 1, 2023.

3. Receivables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding 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 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2018 which are not payable until 2019 less amounts received before June 30, 2019. Delinquent taxes receivable represent levies collectible during 2018 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2018, but not payable until 2019 and are not expendable by the District until the 2019-2020 school year, adjusted for the property tax shift amount.

4. Inventories, Commodities, and Prepaid Items

All inventories are expended when consumed rather than when purchased and are valued at the lower of cost or market using the first in first out (FIFO) method. United States Department of Agriculture commodities received are recorded as revenue at the fair market value of such commodities and included in the food service fund revenue and expenditures when received. Unused commodities at year end are included in inventories of food.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the District are depreciated using the straight line method.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment. Capital assets not being depreciated include land.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances 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.

Compensated Absences – Substantially all full-time employees earn annual vacation pay at various rates based on length of service. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2019, unpaid vacation pay totaling $96,772 is recorded in the financial statements.

Severance Benefits – Upon termination of employment, employees meeting years of service requirements are entitled to a payout of accumulated sick leave at various rates established in their employment contract. At June 30, 2019, a severance liability of $219,755 is recorded for all eligible employees.

7. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the Teachers Retirement Association (TRA) and additions to/deductions from PERA's and TRA's fiduciary net position have been determined on the same basis as they are reported by PERA and TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 5.

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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The District has three items that qualify for reporting in this category. They are the contributions made to pension plans and the other postemployment benefit plan after the measurement date and prior to the fiscal year-end, and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

9. Net Position and Fund Balances

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution. The same action is required to rescind a committed fund balance.

- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District approved a minimum unassigned general fund balance of 12 percent of the annual budget. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Inter-Fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.

F. Property Tax Shift

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2017 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

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

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes is considered necessary.

G. Estimates

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal yearend. The actual revenues, expenditures, and transfers for the year ended June 30, 2019, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the School Board. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations in the General Fund by $1,027,298. The over expenditures were funded by greater than anticipated revenues and existing fund balance.

Note 3 - Detailed Notes on All Funds

A. Cash and Investments

1. Cash

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District 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 bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2019, none of the District's bank balances were exposed to custodial credit risk.

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

2. Investments

As of June 30, 2019, the District had an investment in MSDLAF and MNTrust with an amortized cost of $147,732 and $19,082,270, respectively.

Custodial Credit Risk – Investments. The investments in the MSDLAF and MNTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not have an investment policy for custodial credit risk.

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The District may invest funds as authorized by Minnesota Statutes Section 118A.04. All funds in the MSDLAF and MNTrust are invested in accordance with Minnesota Statutes Section 475.66. Each Minnesota school district owns a pro-rata share of each investment which is held in the name of the funds. The District has no investment policy that would further limit its investment choices. As of June 30, 2019, the District's MSDLAF and MNTrust accounts were rated AAAm and AAA, respectively, by Standard & Poor's.

Concentration of Credit Risk. The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are invested with MSDLAF and MNTrust.

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

		Investment Maturities (in Years)	
Type	Total	N/A	1 - 5
Cash and cash equivalents			
MN School District Liquid Asset Fund	$ 147,732	$ 147,732	$ -
Deposits	11,234	11,234	-
Money Market	856,516	856,516	-
Investments			
US Treasuries	19,082,270	19,082,270	-
Mutual Funds	5,389,538	5,389,538	-
Certificates of deposit	139,726	-	139,726
	$ 25,627,016	$ 25,487,290	$ 139,726

US Treasuries of $19,082,270 and mutual funds of $5,389,538 are valued using quoted market prices (Level 1 inputs).

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

Cash and cash equivalents - Statement of Net Position	$ 6,315,738
Cash and investments with fiscal agent - Statement of Net Position	19,082,270
Cash and cash equivalents - Statement of Fiduciary Net Position	229,008
	$ 25,627,016

B. Capital Assets

Depreciation expense was charged to functions/programs of the primary government as follows:

Administration	$ 1,189
Regular instruction	2,039,550
Special education instruction	1,510
Community education and services	818
Instructional support services	7,370
Pupil support services	26,440
Sites and buildings	83,090
Total depreciation expense	$ 2,159,967

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	$ 1,896,117	$ -	$ -	$ 1,896,117
Construction in progress	47,640	-	47,640	-
Total Capital Assets, not being Depreciated	1,943,757	-	47,640	1,896,117
Capital Assets, being Depreciated:				
Land improvements	2,602,615	179,575	-	2,782,190
Buildings	59,792,922	200,424	20,915	59,972,431
Equipment	2,439,499	184,222	415,372	2,208,349
Total Capital Assets, being Depreciated	64,835,036	564,221	436,287	64,962,970
Less Accumulated Depreciation for:				
Land improvements	978,908	111,641	-	1,090,549
Buildings	13,810,027	1,887,524	12,604	15,684,947
Equipment	1,559,820	160,802	366,814	1,353,808
Total Accumulated Depreciation	16,348,755	2,159,967	379,418	18,129,304
Total Capital Assets, being Depreciated, net	48,486,281	(1,595,746)	56,869	46,833,666
Governmental Activities Capital Assets, net	$ 50,430,038	$ (1,595,746)	$ 104,509	$ 48,729,783

C. Long-term Liabilities

1. Capital Leases

The District has entered into three lease agreements as lessee for the financing of technology equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of future minimum lease payments as of the inception date. The leases are payable in monthly installments through August 2022 at interest rates ranging from 3.22 to 8.50 percent. These lease obligations are being retired by the general fund and community service fund.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2019, are as follows:

Years Ending June 30,	
2020	$ 19,095
2021	18,165
2022	18,165
Total Lease Payments	55,425
Less: Interest	(4,816)
Present Value of Minimum Lease Payments	$ 50,609

The total cost of assets acquired through the capital leases is $465,542 and the related accumulated depreciation of those assets is $322,172 as of June 30, 2019.

2. Bonds

General Obligation Bonds. The District issued general obligation bonds to provide funds for the improvement and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are paid from the debt service fund.

During the year ended June 30, 2018, the District issued $9,720,000 of General Obligation Crossover Refunding Bonds, series 2017B and $250,000 of General Obligation Taxable Capital Facilities Bonds, Series 2017C bonds. The series 2017B bonds have interest rates ranging from 2.0 – 3.0% and will mature on February 1, 2032. These bonds will be used to refund a portion of the 2028 maturity and the entire 2029 through 2032 maturities outstanding General Obligation School Building Refunding Bond, Series 2014 on the call date of February 1, 2023. The district refunded the bond to obtain an economic gain of $615,235. The Series 2017C bonds will be used to fund a project to renovate educational spaces at the elementary and high schools. The Series 2017C bonds will mature on February 1, 2022.

General obligation bonds currently outstanding are as follows:

Bond Description	Final Maturities	Interest Rate	Principal Payments	Original Principal	Outstanding Balance
General Obligation Refunding Bonds of 2013B	2/1/2021	2.00% - 3.00%	$1,620,000 - $1,670,000	$ 9,500,000	$ 3,290,000
General Obligation School Building Bonds of 2014	2/1/2023	1.00% - 5.00%	$130,000 - $29,720,000	34,590,000	31,645,000
General Obligation Crossover Refunding Bonds of 2016A	2/1/2035	2.00% - 2.50%	$95,000 - $2,950,000	9,995,000	9,995,000
General Obligation Crossover Refunding Bonds of 2017B	2/1/2023	2.00% - 3.00%	$100,000 - $2,450,000	9,720,000	9,720,000
General Obligation Capital Facilities Bonds of 2017C	2/1/2022	3.00%	$50,000	250,000	150,000
				$ 64,055,000	$ 54,800,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities Principal	Interest
2020	$ 1,800,000	$ 2,121,175
2021	1,855,000	2,067,175
2022	1,710,000	2,011,525
2023	29,720,000	1,943,625
2024	195,000	534,675
2025-2029	3,225,000	2,612,985
2030-2034	13,345,000	1,460,710
2035	2,950,000	73,750
Total	$ 54,800,000	$ 12,825,620

Certificates of Participation. The District issued certificates of participation to provide funds for the purchase of land. The certificates are payable in installments through February 2037, at an interest rate ranging from 4.53 to 6.60 percent and payable in installments ranging from $40,000 to 85,000. Amounts are paid from the general fund. Annual debt service requirements to maturity for certificates of participation are as follows.

Years Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2020	$ 40,000	$ 47,232
2021	40,000	45,872
2022	45,000	44,512
2023	45,000	42,982
2024	45,000	41,101
2025-2029	260,000	174,733
2030-2034	330,000	109,402
2035-2037	240,000	24,500
Total	$ 1,045,000	$ 530,334

Loans Payable. The District issued loans payable to provide funds for the purchase of chromebooks. The loans are payable in installments through September 2020, at an interest rate of 2.70 percent and payable in installments of $46,095 and 10,436. Amounts are paid from the general fund. Annual debt service requirements to maturity for loans payable are as follows.

Years Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2020	$ 53,818	$ 2,714
2021	55,022	1,509
Total	$ 108,840	$ 4,223

Changes in Long-Term liabilities. During the year ended June 30, 2019, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year
Bonds Payable					
General obligation bonds	$ 56,550,000	$ -	$ 1,750,000	$ 54,800,000	$ 1,800,000
Bond premium	3,654,466	-	276,177	3,378,289	276,177
Bond discount	(97,200)	-	(6,480)	(90,720)	(6,480)
Total bonds payable	60,107,266	-	2,019,697	58,087,569	2,069,697
Certificates of Participation Payable	1,085,000	-	40,000	1,045,000	40,000
Capital Leases Payable (direct borrowing)	78,549	-	27,940	50,609	15,526
Loans Payable	-	108,840	-	108,840	53,818
Severance Benefits Payable	178,001	48,937	7,183	219,755	6,345
Compensated Absences Payable	82,068	214,762	200,058	96,772	96,772
	$ 61,530,884	$ 372,539	$ 2,294,878	$ 59,608,545	$ 2,282,158

Legal Debt Margin. Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2018 Payable 2019 was $1,085,009,400.

Compensated Absences

The District will make payments out of the General Fund and amounts consist of benefits as discussed in Note 1.

Severance Benefits

Plan Description – The District compensates certain eligible employees for compensated absences like sick leave upon retirement. The severance plan is based on contractual agreements with the employees.

Teachers – For teachers reaching age 55 with 25 years of service the benefit is $10 per hour of unused sick leave. Sick leave accrues at 72 hours per year up to 1,000 hours. The benefit is payable 50% at the time of retirement and the remaining 50% in January the following year.

Superintendent – After reaching 4 years of service, the superintendent's benefit is a minimum of 5 days per year of service multiplied by the daily rate of pay at the time of retirement. The benefit is payable in one lump sum.

Principals and Special Services Director – For principals and the special services director the benefit is $125 per day of unused sick leave. Sick leave accrues at 12 days per year up to 125 days. The benefit is payable in one lump sum.

Food Service Custodians – For food service custodians, the benefit is $1.75 per hour of unused sick leave. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Assistant Principal/Activities Director, Director of Teaching and Learning/Assistant Principal, Community Education/Recreation Director, and Special Service Coordinator/Psychologist – For these employees the benefit is $110 per day of unused sick leave up to a maximum of 120 days. Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

All Others – For all other employees reaching 10 years of service, the multiplier for each hour of unused sick leave is based on years of service:

- 10 years of service - $2.00
- 15 years of service - $2.25
- 20 years of service - $2.50
- 20 years of service for the Finance Director, Equity/Outreach Specialist and Bookkeepers - $4.00

Sick leave accrues at 12 days per year up to 1,000 hours. The benefit is payable in one lump sum.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. All benefits are paid out of the General Fund and the District makes all contributions.

D. Fund Balances

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

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

	General	Debt Service	Total Nonmajor Funds	Totals
Nonspendable				
Inventories	$ -	$ -	$ 12,226	$ 12,226
Prepaid items	25,884	-	2,288	28,172
Total nonspendable	25,884	-	14,514	40,398
Restricted				
Staff development	16,238	-	-	16,238
Operating capital	26,699	-	-	26,699
Learning and development	51,867	-	-	51,867
Area learning center	69,846	-	-	69,846
Gifted and talented	18,535	-	-	18,535
Teacher development and evaluation	30,485	-	-	30,485
Basic skills extended time	9,091	-	-	9,091
Basic skills	19,156	-	-	19,156
Long-term facilities maintenance	79,479	-	-	79,479
Medical assistance	48,811	-	-	48,811
Early childhood family education	-	-	56,595	56,595
School readiness	-	-	292,370	292,370
Community service	-	-	57,079	57,079
Projects funded by certificates of participation	-	-	20,891	20,891
Capital projects	-	-	32,693	32,693
Bond refunding	-	18,330,000	-	18,330,000
Debt service	-	1,510,595	-	1,510,595
Total restricted	370,207	19,840,595	459,628	20,670,430
Unassigned	2,043,245	-	(62,616)	1,980,629
Total fund balance	$ 2,439,336	$ 19,840,595	$ 411,526	$ 22,691,457

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than the reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

	GASB Balance	Reconciling Transfer	UFARS Balance
Nonspendable			
Inventories	$ 12,226	$ -	$ 12,226
Prepaid items	28,172	-	28,172
Total nonspendable	40,398	-	40,398
Restricted			
Staff development	16,238	-	16,238
Operating capital	26,699	-	26,699
Basic skills	19,156	-	19,156
Area learning center	69,846	-	69,846
Gifted and talented	18,535	-	18,535
Teacher development and evaluation	30,485	-	30,485
Safe schools	-	(78,486)	(78,486)
Learning and development	51,867	-	51,867
Basic skills extended time	9,091	-	9,091
Long-term facilities maintenance	79,479	-	79,479
Medical assistance	48,811	-	48,811
Food service	-	(2,823)	(2,823)
Community education	-	(59,793)	(59,793)
Early childhood family education	56,595	-	56,595
School readiness	292,370	-	292,370
Community service	57,079	-	57,079
Projects funded by certificates of participation	20,891	-	20,891
Capital projects	32,693	-	32,693
Bond refunding	18,330,000	-	18,330,000
Debt service	1,510,595	-	1,510,595
Total restricted	20,670,430	(141,102)	20,529,328
Unassigned	1,980,629	141,102	2,121,731
Total Fund Balance	$ 22,691,457	$ -	$ 22,691,457

Note 4 - Other Post-Employment Benefits

A. Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health, dental, and life insurance plans after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. The implicit rate subsidy is only until Medicare eligibility. Contract groups receive other post-retirement benefits as follows:

- *All Employees* – Employees reaching age 55 with 3 years of service are allowed to access the group insurance plan.
- *Teachers* – Teachers reaching age 55 with 25 years of service hired before March 12, 2012 are allowed access to subsidized benefits of the medical, dental and life insurance plans. See benefit details below:
    - Medical –The benefit is the full single premium plus $1,100 multiplied by 6 years or to Medicare eligibility, whichever is earlier. The benefit is payable in one lump sum at retirement to a VEBA account. Plus, remaining retiree payments only of a minimum of 5 days per year of service multiplied by their base salary pay at June 30, 1993 minus accumulated District contributions to the deferred match program. The benefit is payable to the VEBA account in two equal annual installments. District match is up to $2,000 per year after 6 years of service up to a maximum of $20,000. Account credit can also be sued for spouse coverage.
    - Dental –The benefit is the full premium for single dental for 6 years or Medicare eligibility, whichever is earlier.
    - Life – The benefit is the full premium for a $100,000 policy for 6 years or Medicare eligibility, whichever is earlier.
- *Principals, Special Services Direct and Grandfathered Activities Director* – These employees reaching age 55 with 10 years of service are allowed to access the subsidized medical insurance benefit. They receive one year of District paid single medical insurance for every 4 years of service up to a maximum of 6 years or Medicare eligibility, whichever is earlier.

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

B. Benefits Provided

The contract groups have access to other post-retirement benefits listed below:

- Medical – The blended medical premiums are $630 for single and $1,617 for family coverage/
- Dental – The dental premiums are $38 for single and $115 for family coverage.
- Life – The life premiums are $0.14 per $1,000.

The subsidized benefits available to certain contract groups are discussed above.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	14
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	252
	266

D. Total OPEB Liability

The District's total OPEB liability of $2,166,782 was measured as of July 1, 2018, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of that date.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.5 percent
Salary increases	3.0 percent
Discount rate	3.5 percent
Health care cost trend rate	6.50% for FY2018, decreasing to 5.00% over 6 years
Retiree plan participation	
Future retirees electing coverage:	
Pre-65 subsidy available	100%
Pre-65 subsidy not available	50%
Percent of married retirees electing spouse coverage	10%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

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

The other assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2014.

F. Changes in Total OPEB Liability

Balance at June 30, 2018	$ 2,073,697
Changes from the Prior Year:	
Service Cost	147,051
Interest Cost	74,108
Assumption Changes	3,804
Differences between Expected and Actual Experience	(48,969)
Benefit Payments	(82,909)
Net Change	93,085
Balance at June 30, 2019	$ 2,166,782

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	2.50%	3.50%	4.50%
Total OPEB Liability	$ 2,350,392	$ 2,166,782	$ 1,990,308

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

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Total OPEB Liability	$ 1,886,172	$ 2,166,782	$ 2,504,121

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

For the year ended June 30, 2019, the District recognized OPEB expense of $214,707. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual liability	$ -	$ 41,973
Changes in actuarial assumptions	3,260	-
District's contributions subsequent to measurement date	81,409	-
Total	$ 84,669	$ 41,973

$81,409 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	OPEB Expense
2020	$ (6,452)
2021	(6,452)
2022	(6,452)
2023	(6,452)
2024	(6,452)
Thereafter	(6,453)

Note 5 - Defined Benefit Pension Plans

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

1. Public Employees Retirement Association (PERA)

A. Plan Description

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

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

B. Benefits Provided

PERA 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.

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

Benefit increases are provided to benefit recipients each January. General Employees Plan benefit recipients receive a future annual increase equal to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 percent. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). [Note: 1/1/19 increase was 1.4%] A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

C. Contribution Rate

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

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2019, were $230,010. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Actuarial Assumptions

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

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

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

The following changes in actuarial assumptions occurred in 2018:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0 percent to 3.0 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living adjustment, not less than 1.0 percent and not more than 1.5 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%
Total	100%	

E. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current 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.

F. Pension Costs

At June 30, 2019, the District reported a liability of $2,540,796 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $83,339. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the District's proportion was 0.0458% at the end of the measurement period and 0.0473% for the beginning of the period.

District's proportionate share of net pension liability	$ 2,540,796
State of Minnesota's proportionate share of the net pension liability associated with the District	83,339
	$ 2,624,135

For the year ended June 30, 2019, the District recognized pension expense of $101,128 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $19,434 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 69,355	$ 75,884
Changes in actuarial assumptions	248,540	291,885
Difference between projected and actual investment earnings	-	266,720
Change in proportion and differences between contributions made and District's proportionate share of contributions	44,743	71,819
District's contributions to GERF subsequent to the measurement date	243,010	-
Total	$ 605,648	$ 706,308

$243,010 reported as deferred outflows of resources related to pensions resulting from the District's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 99,757
2021	(156,228)
2022	(234,168)
2023	(53,031)
2024	-

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 4,129,119	$ 2,540,796	$ 1,229,681

H. Pension Plan Fiduciary Net Position

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

2. Teachers Retirement Association (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier 1 Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
(b) 3 percent per year early retirement reduction 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).

or

Tier II Benefits

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

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

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

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

C. Contribution Rate

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

	Ending June 30, 2017		Ending June 30, 2018		Ending June 30, 2019	
	Employees	Employers	Employees	Employers	Employees	Employers
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

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

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

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

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2018
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% for 10 years and 3.25%, thereafter
Projected salary increase	2.85 to 8.85% for 10 years and 3.25 to 9.25%, thereafter
Cost of living adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Allocations of June 30, 2019	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33%	36%	5.10%
International Equity	16%	17%	5.30%
Private Markets	25%	25%	5.90%
Fixed Income	16%	20%	0.75%
Treasuries	8%	0%	0.50%
Unallocated cash	2%	2%	0.00%
Total	100%	100%	

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

Changes in actuarial assumptions since the 2017 valuation:

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

E. Discount Rate

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

F. Net Pension Liability

At June 30, 2018, the District reported a liability of $10,918,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on The District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1738% at the end of the measurement period and 0.1776% for the beginning of the year.

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

District's proportionate share of net pension liability	$ 10,918,248
State's proportionate share of the net pension liability associated with the district	$ 1,025,996

For the year ended June 30, 2019, the District recognized pension expense of ($7,594,366). It also recognized ($716,079) as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 3,780	$ 224,402
Changes in actuarial assumptions	14,297,145	18,701,271
Difference between projected and actual investment earnings	-	857,715
Change in proportion and differences between contributions made and District's proportionate share of contributions	216,000	673,044
District's contributions to TRA subsequent to the measurement date	767,563	-
Total	$ 15,284,488	$ 20,456,432

$767,563 was reported as deferred outflows of resources related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Deferred outflows of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2020	$ 908,225
2021	596,352
2022	(88,431)
2023	(4,278,522)
2024	(3,077,131)

G. Pension Liability Sensitivity

The following presents the net pension liability of TRA calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate this is one percentage point lower (6.50%) or one percentage point higher (7.50%) than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	$ 17,327,216	$ 10,918,248	$ 5,630,892

The Jordan Public Schools ISD No. 717's proportion of the net pension liability was based on the employer contributions to TRA in relation to TRA's total employer contributions including direct aid contributions from the State of Minnesota, City of Minneapolis and Minneapolis School District.

H. Pension Plan Fiduciary Net Position

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

Note 6 - 403(b) Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the "Plan"). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2019, 2018, and 2017, were $139,532, $150,409, and $144,942, respectively. The related employee contributions were $390,141, $378,484, and $380,989, for the years ended June 30, 2019, 2018, and 2017, respectively.

Note 7 - Other Information

A. Contingent Liabilities

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

Note 8 - Issued But Non-effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will significantly affect the District is Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. This statement will be implemented at the District in the year ended June 30, 2020.

The second statement issued but not yet implemented that will significantly affect the District is Statement No. 90, Majority Equity Interests. This statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at the District in the year ended June 30, 2020.

The third statement issued but not yet implemented that will significantly affect the District is Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This statement will be implemented at the District in the year ended June 30, 2021.

The fourth statement issued but not yet implemented that will significantly affect the District is Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This statement will be implemented at the District in the year ended June 30, 2021.

The final statement issued but not yet implemented that will significantly affect the District is Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required noted disclosures. The requirements of this Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognized assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitments issuers extend and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. This statement will be implemented at the District in the year ended June 30, 2022.

As a result of implementing GASB Statement No. 84, management expects assets of $85,368 currently reported within the Agency Fund will be reported within the General Fund beginning July 1, 2019. Management has not yet determined the effect GASB Statements No. 87, 89, 90, and 91 will have on the District's financial statement.

Required Supplementary Information
June 30, 2019

Independent School District No. 717

Jordan, Minnesota

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

	2019	2018
Service cost	$ 147,051	$ 143,627
Interest	74,108	70,804
Assumption changes	3,804	-
Differences between expected and actual experience	(48,969)	-
Benefit payments	(82,909)	(157,845)
Net change in total OPEB liability	93,085	56,586
Total OPEB liability - beginning	2,073,697	2,017,111
Total OPEB liability - ending	$ 2,166,782	$ 2,073,697
Covered-employee payroll	$ 12,326,693	$ 10,480,104
Total OPEB liability as a percentage of covered-employee payroll	17.58%	19.79%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Schedule of Funding Progress – Severance Benefits

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2018	$ -	$ 219,755	$ 219,755	-	$ 12,085,133	1.82%
7/1/2016	-	158,311	158,311	-	10,061,060	1.57%
7/1/2014	-	166,357	166,357	-	10,263,626	1.62%

Note to the Schedule of Funding Progress

Since the last actuarial valuation as of July 1, 2016, the following actuarial assumptions have been changed:

- The mortality table was updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.00% to 3.50%.

Since the last actuarial valuation as of July 1, 2016, the following plan provisions have changed:

- None

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

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with District (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/18	0.0458%	$ 2,540,796	$ 83,339	$ 2,624,135	$ 3,087,592	85.0%	79.5%
	6/30/17	0.0473%	3,019,601	37,971	3,057,572	3,057,585	100.0%	75.9%
	6/30/16	0.0469%	3,808,047	49,721	3,857,768	2,933,615	131.5%	68.9%
	6/30/15	0.0447%	2,316,586	N/A	2,316,586	2,472,253	93.7%	78.2%
	6/30/14	0.0442%	2,076,295	N/A	2,076,295	2,319,607	89.5%	78.8%
TRA	6/30/18	0.1738%	$ 10,918,248	$ 1,025,996	$ 11,944,244	$ 9,717,935	112.4%	78.1%
	6/30/17	0.1776%	35,452,182	3,427,611	38,879,793	9,563,987	370.7%	51.6%
	6/30/16	0.1763%	42,051,757	4,220,988	46,272,745	9,233,733	455.4%	44.9%
	6/30/15	0.1760%	10,887,341	1,335,517	12,222,858	8,960,120	121.5%	76.8%
	6/30/14	0.1856%	8,552,314	601,775	9,154,089	8,567,861	99.8%	81.5%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years *

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/19	$ 243,010	$ 243,010	$ -	$ 3,256,291	7.5%
	6/30/18	230,462	230,462	-	3,087,592	7.5%
	6/30/17	228,238	228,238	-	3,057,585	7.5%
	6/30/16	218,931	218,931	-	2,933,615	7.5%
	6/30/15	185,419	185,419	-	2,472,253	7.5%
TRA	6/30/19	$ 767,563	$ 767,563	$ -	$ 9,941,330	7.7%
	6/30/18	725,242	725,242	-	9,717,935	7.5%
	6/30/17	717,299	717,299	-	9,563,987	7.5%
	6/30/16	692,530	692,530	-	9,233,733	7.5%
	6/30/15	672,009	672,009	-	8,960,120	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

- PERA's CAFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.
- TRA's CAFR may be obtained on the PERA's website at www.MinnesotaTRA.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Independent School District No. 717
Jordan, Minnesota
General Fund Budgetary Comparison Schedule
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 2,091,621	$ 2,091,625	$ 2,091,359	$ (266)
Other local and county sources	396,776	435,655	648,366	212,711
State sources	16,433,390	17,117,413	17,970,027	852,614
Federal sources	445,400	546,876	560,529	13,653
Interest earnings	20,000	30,000	65,880	35,880
Total revenues	19,387,187	20,221,569	21,336,161	1,114,592
Expenditures				
Administration	1,061,337	1,085,638	1,094,043	(8,405)
District support services	757,653	773,049	735,656	37,393
Regular instruction	9,569,022	9,920,776	10,636,046	(715,270)
Vocational instruction	205,019	270,172	299,771	(29,599)
Special education instruction	3,280,019	3,491,325	3,581,054	(89,729)
Instructional support services	637,793	703,585	860,430	(156,845)
Pupil support services	1,499,921	1,570,888	1,641,752	(70,864)
Sites and buildings	2,126,906	2,205,545	2,169,270	36,275
Fiscal and other fixed cost programs	74,000	74,000	73,460	540
Debt service				
Principal	86,314	40,000	66,224	(26,224)
Interest and fiscal charges	48,592	48,592	53,162	(4,570)
Total expenditures	19,346,576	20,183,570	21,210,868	(1,027,298)
Excess of Revenues Over Expenditures	40,611	37,999	125,293	87,294
Other Financing Sources				
Notes payable proceeds	-	-	108,840	108,840
Gain on sale of assets	-	14,250	14,640	390
Total Other Financing Sources	-	14,250	123,480	109,230
Net Change in Fund Balance	$ 40,611	$ 52,249	248,773	$ 196,524
Fund Balances - Beginning			2,190,563	
Fund Balances - Ending			$ 2,439,336	

Supplementary Information
June 30, 2019

Independent School District No. 717

Jordan, Minnesota

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 55,498	$ (29,614)	$ 25,884
Restricted for staff development	57,975	(41,737)	16,238
Restricted for health and safety	(5,223)	5,223	-
Restricted for operating capital	18,264	8,435	26,699
Restricted for learning and development	-	51,867	51,867
Restricted for area learning center	16,710	53,136	69,846
Restricted for gifted and talented	5,844	12,691	18,535
Restricted for teacher development and evaluation	32,235	(1,750)	30,485
Restricted for basic skills	-	19,156	19,156
Restricted for safe schools	(59,135)	(19,351)	(78,486)
Restricted for basic skills extended time	73	9,018	9,091
Restricted for long-term facilities maintenance	38,526	40,953	79,479
Restricted for medical assistance	17,811	31,000	48,811
Unassigned	2,011,985	109,746	2,121,731
	$ 2,190,563	$ 248,773	$ 2,439,336

	Special Revenue Funds			
	Food Service	Community Service	Capital Projects	Total Nonmajor Funds
Assets				
Cash and investments	$ 14,043	$ 445,308	$ 53,584	$ 512,935
Receivables				
Current property taxes	-	64,843	-	64,843
Delinquent property taxes	-	1,148	-	1,148
Accounts	210	44,390	-	44,600
Due from Minnesota Department of Education	-	20,571	-	20,571
Inventories	12,226	-	-	12,226
Prepaid items	-	2,288	-	2,288
Total assets	$ 26,479	$ 578,548	$ 53,584	$ 658,611
Liabilities				
Salaries payable	$ 1,163	$ 35,758	$ -	$ 36,921
Accounts payable	12,385	11,675	-	24,060
Due to other governmental units	349	2,641	-	2,990
Unearned revenue	3,179	44,782	-	47,961
			-	
Total liabilities	17,076	94,856	-	111,932
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	1,148	-	1,148
Unavailable revenue - property taxes	-	134,005	-	134,005
Total deferred inflows of resources	-	135,153	-	135,153
Fund Balances				
Nonspendable	12,226	2,288	-	14,514
Restricted	-	406,044	53,584	459,628
Unassigned	(2,823)	(59,793)	-	(62,616)
Total fund balances	9,403	348,539	53,584	411,526
Total liabilities, deferred inflows of resources, and fund balances	$ 26,479	$ 578,548	$ 53,584	$ 658,611

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

	Special Revenue Funds			
	Food Service	Community Service	Capital Projects	Total Nonmajor
Revenues				
Local property tax levies	$ -	$ 133,287	$ -	$ 133,287
Other local and county sources	613,646	1,391,872	-	2,005,518
State sources	37,299	147,026	-	184,325
Federal sources	336,169	-	-	336,169
Interest earnings	868	7,628	3,204	11,700
Total revenues	987,982	1,679,813	3,204	2,670,999
Expenditures				
Community education and services	-	1,619,206	-	1,619,206
Pupil support services	1,028,415	-	-	1,028,415
Sites and buildings	-	-	126,345	126,345
Debt service:				
Principal	-	1,716	-	1,716
Interest and fiscal charges	-	453	-	453
Total expenditures	1,028,415	1,621,375	126,345	2,776,135
Net Change in Fund Balances	(40,433)	58,438	(123,141)	(105,136)
Fund Balances - Beginning	49,836	290,101	176,725	516,662
Fund Balances - Ending	$ 9,403	$ 348,539	$ 53,584	$ 411,526

Other Supplementary Information
June 30, 2019

Independent School District No. 717

Jordan, Minnesota

Activity Account	Beginning Balance	Receipts	Disbursements	Ending Balance
Art Club	$ -	$ 148	$ 148	$ -
Class of 2019	417	5,535	5,753	199
Dance	-	2,134	1,267	867
Drama	4,622	2,229	265	6,586
JES Coffee Sales	-	386	83	303
JMS Coffee Sales	-	528	-	528
JMS Drama	250	-	1	249
J.A.M.S. (Middle School)	35	-	35	-
LGBTQ Club	-	88	-	88
Music Activities	19,830	38,248	33,482	24,596
New York Fashions	623	-	-	623
Prom	2,819	16,075	14,182	4,712
SADD	1,337	-	54	1,283
Speech	5,222	1,471	991	5,702
Spanish Club	27,609	97,721	108,086	17,244
Student Council	7,176	3,916	1,535	9,557
Wolf Ridge (Middle School)	14,191	51,593	53,088	12,696
	$ 84,131	$ 220,072	$ 218,970	$ 85,233

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$21,336,161	$21,336,164	($3)
Total Expenditures	$21,210,868	$21,210,869	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$25,884	$25,884	$0
Restricted / Reserved:			
4.03 Staff Development	$16,238	$16,238	$0
4.06 Health and Safety	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$26,699	$26,699	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$51,867	$51,867	$0
4.34 Area Learning Center	$69,846	$69,846	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$18,535	$18,535	$0
4.40 Teacher Development and Evaluation	$30,485	$30,485	$0
4.41 Basic Skills Programs	$19,156	$19,156	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	($78,486)	($78,486)	$0
4.50 Pre-Kindergarten	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$9,091	$9,091	$0
4.67 LTFM	$79,479	$79,479	$0
4.72 Medical Assistance	$48,811	$48,811	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$0	$0	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,121,731	$2,121,733	($2)

02 FOOD SERVICES	Audit	UFARS	Audit - UFARS
Total Revenue	$987,982	$987,980	$2
Total Expenditures	$1,028,415	$1,028,415	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$12,226	$12,226	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	($2,823)	($2,824)	$1

04 COMMUNITY SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$1,679,813	$1,679,813	$0
Total Expenditures	$1,621,375	$1,621,375	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$2,288	$2,288	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	($59,793)	($59,793)	$0
4.32 E.C.F.E	$56,595	$56,595	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$292,370	$292,370	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$57,079	$57,079	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$3,204	$3,204	$0
Total Expenditures	$126,345	$126,345	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$20,891	$20,891	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$32,693	$32,693	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$4,475,668	$4,475,667	$1
Total Expenditures	$3,780,840	$3,780,840	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$18,330,000	$18,330,000	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$1,510,595	$1,510,594	$1
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST	Audit	UFARS	Audit - UFARS
Total Revenue	$1,462	$1,462	$0
Total Expenditures	$178,669	$178,669	$0
4.22 Unassigned Fund Balance (Net Assets)	$143,640	$143,640	$0

20 INTERNAL SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$134,731	$134,732	($1)
Total Expenditures	$111,088	$111,088	$0
4.22 Unassigned Fund Balance (Net Assets)	$23,643	$23,644	($1)

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

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

47 OPEB DEBT SERVICE	Audit	UFARS	Audit - UFARS
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The School Board of
Independent School District No. 717
Jordan, 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. 717 (the "District"), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items that we consider to be material weaknesses: 2019-001 and 2019-002.

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

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

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

Eide Bailly LLP

Mankato, Minnesota
November 18, 2019

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

The School Board of
Independent School District No. 717
Jordan, Minnesota

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

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

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for 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 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 Programs
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major Federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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 compliance requirement 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and 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, as 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.

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

Eide Bailly LLP

Mankato, Minnesota
November 18, 2019

Report on Compliance over
Financial Reporting of the Student Activity Accounts

The School Board of
Independent School District No. 717
Jordan, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of the *Manual for Activity Fund Accounting (MAFA)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 717 (the District), Jordan Public Schools ISD #717 as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Compliance

As part of obtaining reasonable assurance about whether the District's student activity accounts are free of material misstatement, we performed tests of the district's compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of student activity amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under the MAFA.

Purpose of this Report

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

Eide Bailly LLP

Mankato, Minnesota
November 18, 2019

Report on *Minnesota Legal Compliance*

The School Board of
Independent School District No. 717
Jordan, 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 the Independent School District No. 717, as of and for the year ended June 30, 2019, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2019.

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

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

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

Eide Bailly LLP

Mankato, Minnesota
November 18, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures		
Department of Agriculture					
Passed through the Minnesota Department of Education					
Child Nutrition Cluster					
Commodities Received (non-cash)	10.555	01-717-000	$ 72,302		
School Breakfast Program	10.553	01-717-000	28,763		
National School Lunch Program	10.555	01-717-000	233,244		
Special Milk Program for Children	10.556	01-717-000	1,861		
Total Child Nutrition Cluster				$ 336,170	
Total Department of Agriculture					$ 336,170
Department of Education					
Passed through the Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010	01-717-000		145,333	
Improving Teacher Quality State Grants	84.367	01-717-000		34,236	
Special Education Grants for Infants and Families	84.181	01-717-000		9,361	
Special Education Cluster					
Special Education Grants to States	84.027	01-717-000	353,947		
Special Education Preschool Grants	84.173	01-717-000	6,436		
Total for Special Education Cluster				360,383	
Passed Through Southwest Metro Intermediate District					
Career and Technical Education	84.048	41-1295656		11,790	
Total Department of Education					561,103
Total Federal Financial Assistance					$ 897,273

Note A – Basis of Presentation

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

Note B – Significant Accounting Policies

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

Note C – Indirect Cost Rate

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

Note D – Food Distribution

Nonmonetary assistance is reported in the schedule of the fair market value of the commodities received and disbursed. At June 30, 2019, the organization had food commodities totaling $12,226 in inventory.

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program	CFDA Number
Child Nutrition Cluster	10.553, 10.555, 10.556
Special Education Cluster	84.027, 84.173

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

Section II – Financial Statement Findings

2019-001 Preparation of Financial Statements
Material Weakness

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements, accompanying notes to the financial statements, and required supplementary budgetary comparison information.

Cause: The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.

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

Recommendation: This control deficiency is not unusual in a District of your size. It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials: There are no disagreements with this finding.
Independent School District No. 717

2019-002 Material Journal Entries
Material Weakness

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

Condition: During the course of our engagement, we proposed material audit adjustments to the trial balance that would not have been identified as a result of the District's existing internal controls.

Cause: The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to make all of the necessary year-end adjustments to the trial balance.

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

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

View of Responsible Officials: There are no disagreements with this finding.

Section III – Federal Award Findings and Questioned Costs

2019-003 Department of Agriculture, Passed Through the Minnesota Department of Education
CFDA No. 10.553, 10.555, and 10.556, Contract Number 0171-01-000 FIN 701, 703, and 705
Child Nutrition Cluster

Procurement, Suspension and Debarment
Significant Deficiency in Internal Control over Compliance

Criteria: Uniform Guidance requires recipients of federal funds to be utilized on bids that are selected in accordance with the District's procurement, suspension and debarment policies.

Condition: During the course of the year ended June 30, 2019, the District did not have a process in place to properly review and select vendor bids for compliance with procurement, suspension and debarment policies of the District. The District received a bid for bread that had an overall lower cost than the bid that was awarded the contract. This contract was extended into the year ended June 30, 2019 without new bids being reviewed.

Cause: The District's controls are not adequate to ensure that all bids selected comply with the District's procurement, suspension and debarment policies.

Effect: Lacking controls resulted in noncompliance with the requirements of the District's procurement, suspension and debarment policies for selection of proper vendor bid.

Questioned Costs: None reported

Context/Sampling: Tested 100% of the two vendors selected for contract.

Repeat Finding from Prior Year: Yes

Recommendation: We recommend the District design and implement internal controls and provide evidence of that review to ensure procurement, suspension and debarment requirements are complied with.

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

Section IV – Student Activity Findings

None

Section V – Minnesota Legal Compliance Findings

None