INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

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MOUNTAIN IRON, MINNESOTA
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ROSTER OF SCHOOL OFFICIALS
June 30, 2019

Jeremy Jesch	Chairperson
Jason Gellerstedt	Vice-Chairperson
Amy Winans	Treasurer
Charles Bainter	Clerk
Lisa Kvas	Director
Jennifer Tiedeman	Director
Jesse White	Director
Reggie Engebritson	Superintendent

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 712
Mountain Iron, 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. 712, 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 712, 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 District contributions, schedule of District share of net pension liability, and notes to required supplementary information as listed in the table of contents as required supplementary information 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. The combining statements, schedule of changes in fund balances, and compliance table as listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining statements, schedule of changes in fund balances and compliance table, 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 combining statements, schedule of changes in fund balances and compliance table are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

December 18, 2019

This section of Independent School District No. 712's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

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

- The General fund balance decreased $844,043 during the 2018-2019 school year.

Overview of the Financial Statements

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.
  - The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.
  - The *proprietary fund* statements provides information about an internal service fund which accumulates and allocates costs internally to the District's various functions.
  - The *fiduciary fund* statement provides information about the financial relationships in which the District acts solely as an agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. 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 it has changed. Net position – the difference between the District's assets, liabilities, and deferred inflows/outflows of resources – is one way to measure the District's financial health or *position*.

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

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has three kinds of funds:

Governmental funds: The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental 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, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance to help explain the relationship (or differences) between governmental funds and governmental activities.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the building construction fund and the debt service fund, all of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

Proprietary fund: The District maintains an internal service fund which accumulates and allocates costs internally to the District's various functions. The District's internal service fund is used to account for the District's postemployment benefits. Because this service predominately benefits the government function, they have been included in the governmental activities in the government-wide financial statements.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of student activity funds and a private purpose trust fund) 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

Net Position

The District's combined net position was $2,787,497 on June 30, 2019 (see details in Table A-1).

Table A-1
Statement of Net Position

	2019	2018	Total Percentage Change
Current and Other Assets	$ 7,256,219	$ 18,530,566	(60.8) %
Capital Assets	35,966,655	29,112,557	23.5
Total Assets	43,222,874	47,643,123	(9.3)
Deferred Outflows of Resources	5,541,205	5,912,479	(6.3)
Long-Term Liabilities	34,792,732	43,234,239	(19.5)
Other Liabilities	2,509,920	3,551,637	(29.3)
Total Liabilities	37,302,652	46,785,876	(20.3)
Deferred Inflows of Resources	8,673,930	3,563,052	143.4
Net Position			
Net Investment in Capital Assets	5,834,186	8,315,221	(29.8)
Restricted	905,885	866,736	4.5
Unrestricted	(3,952,574)	(5,975,283)	33.9
Total Net Position	$ 2,787,497	$ 3,206,674	(13.1) %

Change in Net Position

Table A-2 presents the change in net position of the District.

Table A-2
Change in Net Position

	2019	2018	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	$ 182,095	$ 134,155	35.7 %
Operating Grants and Contributions	1,100,221	876,408	25.5
Capital Grants and Contributions	43,033		100.0
General Revenues			
Property Taxes	2,046,849	1,932,477	5.9
Unrestricted State Aid	5,035,863	4,751,926	6.0
Other Sources	538,346	680,873	(20.9)
Total Revenues	8,946,407	8,375,839	6.8
Expenses			
Administration	664,333	567,199	17.1
District Support Services	495,715	574,876	(13.8)
Elementary & Secondary Regular Instruction	1,390,120	4,157,729	(66.6)
Vocational Education Instruction	200,708	150,403	33.4
Special Education Instruction	1,154,893	1,058,448	9.1
Community Education and Services	220,988	171,384	28.9
Instructional Support Services	184,149	212,667	(13.4)
Pupil Support Services	982,759	1,019,048	(3.6)
Sites and Buildings	2,331,318	690,975	237.4
Fixed Costs	201,245	36,244	455.3
Interest on Long-Term Debt	876,319	862,375	1.6
Depreciation - Unallocated	614,158	354,941	73.0
Total Expenses	9,316,705	9,856,289	(5.5)
Change in Net Position	(370,298)	(1,480,450)	75.0
Net Position - Beginning	3,206,674	4,687,124	(31.6)
Prior Period Adjustment- See Note 2	(48,879)		
Net Position - Beginning, Restated	3,157,795	4,687,124	
Net Position - Ending	$ 2,787,497	$ 3,206,674	(13.1) %

The District's total revenues were $8,946,407 for the year ended June 30, 2019. Property taxes and state aid payments accounted for 89 percent of total revenue for the year.

The total cost of all programs and services was $9,316,705. The District's expenses are predominantly related to educating and caring for students. The net cost of governmental activities is their total costs less program revenues applicable to each category. Total expenses surpassed revenues, decreasing net position $370,298 over last year. For the year ended June 30, 2019, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by $1,656,983. For the year ended June 30, 2018, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA decreased net position by $1,249,857.

Table A-3 presents these net costs.

Table A-3
Net Cost of Governmental Activities

	Total Cost of Services		Total Percentage	Net Cost of Services		Total Percentage
	2019	2018	Change	2019	2018	Change
Expenses						
Administration	$ 664,333	$ 567,199	17.1 %	$ 664,333	$ 567,199	17.1 %
District Support Services	495,715	574,876	(13.8)	495,715	562,326	(11.8)
Elementary & Secondary Regular Instruction	1,390,120	4,157,729	(66.6)	1,279,330	3,876,741	(67.0)
Vocational Education Instruction	200,708	150,403	33.4	171,558	150,050	14.3
Special Education Instruction	1,154,893	1,058,448	9.1	440,674	716,321	(38.5)
Community Education and Services	220,988	171,384	28.9	102,265	74,528	(37.2)
Instructional Support Services	184,149	212,667	(13.4)	184,149	208,687	(11.8)
Pupil Support Services	982,759	1,019,048	(3.6)	684,373	772,758	(11.4)
Sites and Buildings	2,331,318	690,975	237.4	2,277,237	663,556	243.2
Fixed Costs	201,245	36,244	455.3	201,245	36,244	455.3
Interest on Long-Term Debt	876,319	862,375	1.6	876,319	862,375	1.6
Depreciation - Unallocated	614,158	354,941	73.0	614,158	354,941	73.0
	$ 9,316,705	$ 9,856,289	(5.5) %	$ 7,991,356	$ 8,845,726	(9.7) %

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Table A-4
Major Funds

	Fund Balance 6/30/19	Fund Balance 6/30/18	Increase (Decrease)	Percentage Increase (Decrease)
Governmental Funds				
General	$ 3,033,735	$ 3,877,778	$ (844,043)	(21.8) %
Building Construction Fund	338,927	9,097,649	(8,758,722)	(96.3)
Debt Service Fund	112,196	104,992	7,204	6.9

General Fund

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

Table A-5 presents a summary of general fund revenue.

Table A-5
General Fund Revenue

	2019	2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	$ 1,352,360	$ 1,193,227	$ 159,133	13.3 %
Other	313,427	487,761	(174,334)	(35.7)
State Sources	5,077,669	4,368,981	708,688	16.2
Federal Sources	268,525	304,561	(36,036)	(11.8)
Total General Fund Revenue	$ 7,011,981	$ 6,354,530	$ 657,451	10.3 %

Total general fund revenue increased by $657,451 or 10.3 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-6 presents a summary of general fund expenditures.

Table A-6
General Fund Expenditures

	2019	2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 4,045,821	$ 3,919,137	$ 126,684	3.2 %
Employee Benefits	1,475,476	1,474,496	980	0.1
Purchased Services	1,488,042	852,157	635,885	74.6
Supplies and Materials	525,909	316,668	209,241	66.1
Capital Expenditures	231,143	257,784	(26,641)	(10.3)
Other Expenditures	40,754	39,272	1,482	3.8
Total General Fund Expenditures	$ 7,807,145	$ 6,859,514	$ 947,631	13.8 %

Total general fund expenditures increased $947,631 or 13.8 percent from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the District revised the budget.

The District’s final budget for the general fund anticipated that expenditures would exceed revenues by $551,854, the actual results for the year show a $844,043 deficit.

Capital Assets and Debt Administration

Capital Assets

Note 4 to the financial statements presents an analysis of capital asset transactions occurring during the year ended June 30, 2019. Additions totaling $7,662,658, consisted of a Bobcat, weight room equipment, telecommunication equipment, field turf, gym and football scoreboards, common area furniture, a bus, shop equipment and wood flooring in the new building. There were no disposals in the current year.

Long-Term Debt

At year-end, the District had $30,471,396 of long-term debt consisting of bonded indebtedness net of related premiums. Note 6 to the financial statements presents details and payment provisions of these items.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the existing circumstances that could significantly affect its financial health in the future:

- The District expects enrollment to remain constant for the upcoming year. Declining enrollment coupled with inflation could have a negative impact on the District's financial outlook.
- Interest earnings are expected to continue to be significantly lower.
- Weakening economic conditions in local economy.
- The political environment at the State level will have a significant effect on future finances. The State legislature sets the amount of revenue from aids and levies that Minnesota school districts will receive.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Superintendent, Reggie Engebritson of Independent School District No. 712, 5720 Marble Avenue, Mountain Iron, MN 55768.

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF NET POSITION
June 30, 2019

GOVERNMENTAL ACTIVITIES	
ASSETS	
Cash and Investments	$ 5,317,997
Property Taxes Receivable	385,620
Accounts Receivable	27,690
Interest Receivable	5,538
Due From MN School Districts	24,483
Due From Department of Education	788,444
Advance of Unearned Aid	15,144
Due From Federal Govt. - DOE	255,325
Due From Other Governmental Units	433,278
Inventory	2,700
Capital Assets	
Land	105,100
Other Capital Assets, Net of Depreciation	35,861,555
TOTAL ASSETS	43,222,874
DEFERRED OUTFLOWS OF RESOURCES	
Cost Sharing Defined Benefit Pension Plan	5,491,015
Other Postemployment Benefit	50,190
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,541,205
LIABILITIES	
Accounts Payable	377,468
Salaries Payable	471,586
Due to Other MN School Districts	240,216
Payroll Deductions	40,648
Interest Payable	358,604
Long-Term Liabilities Due Within One Year	1,021,398
Long-Term Liabilities	
Bonds, Net	30,471,396
Severance Payable	189,986
Net Pension Liability	3,902,001
Total Other Postemployment Benefit Liability	1,250,747
Less Amounts Due Within One Year	(1,021,398)
Total Long-Term Liabilities	34,792,732
TOTAL LIABILITIES	37,302,652
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	517,655
Cost Sharing Defined Benefit Pension Plan	7,977,437
Other Postemployment Benefit Liability	178,838
TOTAL DEFERRED INFLOWS OF RESOURCES	8,673,930
NET POSITION	
Net Investment in Capital Assets	5,834,186
Restricted	
Taconite Building Maintenance	562,669
Operating Capital	9,558
Long-Term Facilities Maint	212,173
Food Service	72,042
Community Education	12,853
School Readiness	14,239
OPEB Debt Service	22,351
Unrestricted	(3,952,574)
TOTAL NET POSITION	$ 2,787,497

The notes to basic financial statements are an integral part of this statement

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INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Administration	$ 664,333	$	$	$	$ (664,333)
District Support Services	495,715				(495,715)
Elementary & Secondary Regular Instruction	1,390,120	34,939	75,851		(1,279,330)
Vocational Education Instruction	200,708	27,246	1,904		(171,558)
Special Education Instruction	1,154,893	940	713,279		(440,674)
Community Education and Services	220,988	15,634	103,089		(102,265)
Instructional Support Services	184,149				(184,149)
Pupil Support Services	982,759	92,288	206,098		(684,373)
Sites and Buildings	2,331,318	11,048		43,033	(2,277,237)
Fixed Costs	201,245				(201,245)
Interest on Long-Term Debt	876,319				(876,319)
Depreciation - Unallocated	614,158				(614,158)
TOTAL GOVERNMENTAL ACTIVITIES	$ 9,316,705	$ 182,095	$ 1,100,221	$ 43,033	(7,991,356)

General Revenues	
Taxes	
Property Taxes, Levied for General Purposes	1,343,032
Property Taxes, Levied for Community Education and Services	50,593
Property Taxes, Levied for Debt Services	496,042
Property Taxes, Levied for Other Postemployment Benefits	157,182
Unrestricted State Aid	5,035,863
Unrestricted Investment Earnings	297,016
Other General Revenue	241,330
TOTAL GENERAL REVENUES	7,621,058
Change in Net Position	(370,298)
Net Position - Beginning	3,206,674
Prior Period Adjustment - See Note 2	(48,879)
Net Position - Beginning, Restated	3,157,795
Net Position - Ending	$ 2,787,497

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Investments	$ 2,116,368	$ 616,951	$ 292,124	$ 109,773	$ 3,135,216
Current Property Taxes Receivable	202,427		177,145		379,572
Delinquent Property Taxes Receivable	6,048				6,048
Accounts Receivable	27,690				27,690
Due From MN School Districts	24,483				24,483
Due From Department of Education	778,077		4,037	6,330	788,444
Advance of Unearned Aid	15,144				15,144
Due From Federal Govt. - DOE	247,016			8,309	255,325
Due From Other Governmental Units	433,278				433,278
Due From Other Funds	246,066				246,066
Inventory				2,700	2,700
TOTAL ASSETS	$ 4,096,597	$ 616,951	$ 473,306	$ 127,112	$ 5,313,966
LIABILITIES					
Accounts Payable	$ 86,846	$ 278,024	$	$ 12,598	$ 377,468
Severance Payable	76,398				76,398
Salaries Payable	456,161			15,425	471,586
Due To Other MN School Districts	240,216				240,216
Payroll Deductions	40,648				40,648
TOTAL LIABILITIES	900,269	278,024		28,023	1,206,316
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Delinquent Taxes	6,048				6,048
Property Taxes Levied - Subs. Years	156,545		361,110		517,655
TOTAL DEFERRED INFLOWS OF RESOURCES	162,593		361,110		523,703
FUND BALANCES					
Fund Balance:					
Nonspendable: Inventory				2,700	2,700
Restricted for Taconite Building Maint	562,669				562,669
Restricted for Operating Capital	9,558				9,558
Restricted for Long-Term Facilities Maint	212,173				212,173
Restricted for Building Construction		338,927			338,927
Restricted for Debt Service			112,196		112,196
Restricted for Food Service				69,342	69,342
Restricted for Community Education				12,853	12,853
Restricted for School Readiness				14,239	14,239
Restricted for OPEB Debt Service				22,351	22,351
Unassigned	2,249,335			(22,396)	2,226,939
TOTAL FUND BALANCES	3,033,735	338,927	112,196	99,089	3,583,947
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 4,096,597	$ 616,951	$ 473,306	$ 127,112	$ 5,313,966

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balances - governmental funds	$	3,583,947
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 the governmental funds.		
Cost of capital assets		46,284,204
Less accumulated depreciation		(10,317,549)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		5,541,205
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
Bonds		(28,950,000)
Unamortized premiums (discounts)		(1,521,396)
Severance Payable		(113,588)
Net Pension Liability		(3,902,001)
Total Other Postemployment Benefit Liability		(1,250,747)
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		(8,156,275)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		6,048
An internal service fund is used by management to charge the costs of OPEB to individual funds. These assets and liabilities of the internal service fund are included in the statement of net position.		1,942,253
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.		(358,604)
Net position - governmental activities	$	2,787,497

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General Fund	Building Construction Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,352,360	$	$ 496,042	$ 207,775	$ 2,056,177
Other Local & County Revenues	313,427	56,645	3,722	112,861	486,655
Revenue From State Sources	5,077,669		728,890	126,377	5,932,936
Revenue From Federal Sources	268,525			182,810	451,335
TOTAL REVENUES	7,011,981	56,645	1,228,654	629,823	8,927,103
EXPENDITURES					
Current					
Administration	664,333				664,333
District Support Services	468,085				468,085
Elementary & Secondary					
Regular Instruction	3,174,041				3,174,041
Vocational Education Instruction	195,212				195,212
Special Education Instruction	1,154,893				1,154,893
Community Education and Services				222,713	222,713
Instructional Support Services	153,641				153,641
Pupil Support Services	689,175			263,741	952,916
Sites and Buildings	1,028,136				1,028,136
Fixed Costs	48,486				48,486
Debt Service					
Principal	65,405		355,000	1,115,000	1,535,405
Interest and Fees	1,666		866,450	118,745	986,861
Capital Outlay	164,072	8,815,367			8,979,439
TOTAL EXPENDITURES	7,807,145	8,815,367	1,221,450	1,720,199	19,564,161
Revenues Over (Under) Expenditures	(795,164)	(8,758,722)	7,204	(1,090,376)	(10,637,058)
OTHER FINANCING SOURCES					
Bond Issued				1,080,000	1,080,000
Bond Premium				50	50
TOTAL OTHER FINANCING SOURCES				1,080,050	1,080,050
Net Change in Fund Balances	(795,164)	(8,758,722)	7,204	(10,326)	(9,557,008)
Fund Balances - Beginning	3,877,778	9,097,649	104,992	109,415	13,189,834
Prior Period Adjustment- See Note 2	(48,879)				(48,879)
Net Position - Beginning, Restated	3,828,899	9,097,649	104,992	109,415	13,140,955
Fund Balances - Ending	$ 3,033,735	$ 338,927	$ 112,196	$ 99,089	$ 3,583,947

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Total net change in fund balances - governmental funds	$	(9,557,008)
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 are allocated over the estimated useful lives as depreciation expense.		
Capital outlays		7,662,658
Depreciation expense		(808,560)
Proceeds from long-term debt provide current financial resources to government funds, but the issuing of debt increases long-term liabilities in the statement of net position.		(1,080,000)
Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.		1,535,404
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		110,542
In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		
Other postemployment benefit obligation		110,272
Severance Payable		79,645
Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.		
Revenue in the statement of activities that does not provide current financial resources is not reported as revenues in the governmental funds.		(9,329)
Change in net pension liability.		6,775,276
Changes in deferred outflows and inflows of resources related to net pension liability.		(5,118,293)
Changes in deferred outflows and inflows of resources related to other postemployment benefit liability.		(151,886)
The change in net position of the internal service fund is reported in the statement of activities.		80,981
Change in net position - governmental activities	$	(370,298)

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF NET POSITION – PROPRIETARY FUND – INTERNAL SERVICE FUND
June 30, 2019

	Postemployment Benefits Revocable Trust
ASSETS	
Investments	$ 2,182,781
Interest Receivable	5,538
TOTAL ASSETS	$ 2,188,319
LIABILITIES	
Due to Other Funds	$ 246,066
NET POSITION	
Unrestricted	1,942,253
TOTAL LIABILITIES AND NET POSITION	$ 2,188,319

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION – PROPRIETARY FUND – INTERNAL SERVICE FUND
For the Year Ended June 30, 2019

		Postemployment Benefits Revocable Trust
OPERATING REVENUE	$	64,698
OPERATING EXPENSES		152,759
OPERATING LOSS		(88,061)
NON-OPERATING REVENUE		
Investment Income		169,042
Change in Net Position		80,981
Net Position - Beginning		1,861,272
Net Position - End of Year	$	1,942,253

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF CASH FLOWS – PROPRIETARY FUND – INTERNAL SERVICE FUND
For the Year Ended June 30, 2019

	Postemployment Benefits Revocable Trust
Cash flows from operating activities	
Cash received for health benefits	$ 64,698
Cash paid for health benefits	(152,759)
Net cash received from operating activities	(88,061)
Cash flows from noncapital financing activities	
Net change in amounts due to other funds	88,061
Net cash from investing activities	
Purchase of investments	(169,042)
Investment income received	169,042
Net cash provided by investing activities	
Change in cash	
Cash, beginning of year	
Cash, end of year	$

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	Private Purpose Trust Fund	Student Activity Agency Fund
ASSETS		
Cash and Investments	$ 91,819	$ 16,475
TOTAL ASSETS	91,819	16,475
LIABILITIES		
Accounts Payable		16,475
NET POSITION		
Held in Trust	91,819	
TOTAL LIABILITIES AND NET POSITION	$ 91,819	$ 16,475

The notes to basic financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Donations	$ 15,724
TOTAL ADDITIONS	15,724
DEDUCTIONS	
Scholarships	15,000
TOTAL DEDUCTIONS	15,000
Change in Net Position	724
Net Position - Beginning	91,095
Net Position - End of Year	$ 91,819

The notes to basic financial statements are an integral part of this statement

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Independent School District No. 712 (District) was formed and operates pursuant to applicable Minnesota laws and statutes. The Governing Body consists of a seven-member Board elected by voters of the District. Members are elected for four-year terms. The financial statements of Independent School District No. 712 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

Extracurricular student activities are carried on primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. In accordance with Minnesota Statutes, the District's school board has elected not to control or be otherwise financially accountable with respect to the underlying extracurricular activities. Accordingly, the extracurricular student activity accounts are not included in these basic financial statements.

C. Basic Financial Statement Presentation

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

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function, otherwise it is presented as unallocated.

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Separate fund financial statements are provided for governmental, proprietary and fiduciary funds, even though fiduciary funds are excluded from the district-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

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

The fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the District, these funds are not incorporated into the district-wide statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide and fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift." Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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

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

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The District's internal service fund is used to account for the revocable trust fund established to provide funds needed for future OPEB obligations for employees and retirees.

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements.

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. Each fund is accounted for as an independent entity. A description of the funds included in this report are as follows:

Major Governmental Funds

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

Building Construction Fund – Accounts for financial resources used in the acquisition and construction of major capital facilities.

Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs other than OPEB bonds.

GASB No. 34 also requires that budget to actual information be presented for the general fund and all major special revenue funds.

Proprietary Funds

Postemployment Benefits Revocable Trust Fund – Internal Service Fund – Accounts for resources set aside and held in a revocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

Fiduciary Funds

Private Purpose Trust Fund – Accounts for resources received and held by the District as the trustee for others.

Student Activity Agency Fund – Accounts for cash held by the District as the agent for student activity funds.

All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in net position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Nonmajor Governmental Funds

Special Revenue Funds – Accounts for proceeds of specific revenue sources (other than permanent fund and major capital projects) that are legally restricted to expenditures for specified purposes. The District's special revenue funds and its purpose is as follows:

Food Service – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service – Accounts for all resources designated for programs other than those for elementary and secondary students.

Postemployment Benefits Debt Service Fund – Accounts for resources set aside and held in a revocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

E. Specific Account Information

Cash and Investments – Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities
Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data
Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2018 which are not payable until 2019, net of the amount received prior to June 30.

Property Taxes – 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 year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

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

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.” This amount is recorded as advance of unearned aid.

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 based financial statements because it is not known to be available to finance the operations of the District in the current year.

Accounts Receivable – Accounts receivable are shown net of any allowance for uncollectible amounts. No allowances for amounts uncollectible have been recorded. The only receivables not expected to be collected within one year delinquent property taxes receivable.

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

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 25 years for equipment.

Capital assets not being depreciated include land and construction in process, if any.

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

Severance Payable – It is the District’s policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

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

PERA has a special funding situation created by direct aid contributions of $16 million made by the State of Minnesota to the fund in 2018.

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net 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(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans as well as amounts paid to the plans after the measurement date.

In addition to liabilities, the statement of net 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The item, *property taxes levied – subs. years,* is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item, *Cost Sharing Defined Benefit Pension Plan*, represents actuarial differences within PERA and TRA pension plans.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for a particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

> Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
>
> Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.
>
> Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
>
> Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the authority to assign fund balances to the superintendent.
>
> Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The District has a minimum fund balance policy. The goal is to maintain a minimum of 15 percent of or a maximum of 25 percent of the prior fiscal year's expenditures.

F. Use of Estimates

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

NOTE 2 PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2019, the District discovered errors made in prior periods. Payroll liabilities were understated by $48,879, thus reducing net position by the same amount.

NOTE 3 DEPOSITS AND INVESTMENTS

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The District's interest income for the year ended June 30, 2019, was $297,016.

The pooled cash and investment accounts are comprised of the following:

	Governmental Activities	Fiduciary Funds	Total
Cash	$ 112,642	$ 108,294	$ 220,936
Investments	5,205,355		5,205,355
Total	$ 5,317,997	$ 108,294	$ 5,426,291

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

Investment Type	Fair Value	Investment Maturities (in Years) < 1	1 - 5	6-10	> 10	Credit Rating	Rating Agency
Money Market Funds	$ 146,707	$ 146,707	$	$	$	AAA	Moody
MN School District Liquid Asset Fund	2,875,866	2,875,866				N/A	N/A
MN State Board of Investment	2,182,782	2,182,782				N/A	N/A
Total Investments	$ 5,205,355	$ 5,205,355	$	$	$		

Investment Type	Fair Value Level 1	Fair Value Level 3	Total
MN School District Liquid Asset Fund	$ 2,875,866	$	$ 2,875,866
MN State Board of Investment		2,182,782	2,182,782
Total Investments by Fair Value	2,875,866	2,182,782	5,058,648
Money Market Funds	146,707		146,707
Total Investments	$ 3,022,573	$ 2,182,782	$ 5,205,355

The Minnesota School District Liquid Asset Fund is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of school district monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position in the pool is the same as the value of the pool shares.

The District's postemployment benefit funds are invested in the Minnesota State Board of Investment (SBI), whose investments are governed by the prudent person rule and Minnesota Statutes, Chapter 11A and Chapter 356A. The SBI maintains investment pools that participants can invest in; participants own a proportionate share of the investment pools. The fair value of the investment pools is priced daily by the SBI custodian, when a daily price is available, by using independent pricing sources.

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 idle funds as authorized in Minnesota Statutes, as follows:

(a) Direct obligations or obligations guaranteed or insured issued by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
(b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
(c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
(d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
(e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
(f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
(g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.
(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits - The District does not have a policy for custodial credit risk. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, all of which 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 percent of the deposits not covered by insurance or bonds. As of June 30, 2019, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments – None of the District's investments are subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$ 105,100	$	$	$ 105,100
Construction in Progress	20,075,118		20,075,118	
Total Capital Assets, Not Being Depreciated	20,180,218		20,075,118	105,100
Capital Assets, Being Depreciated:				
Land Improvements	227,479	416,391		643,870
Buildings	15,850,546	26,635,654		42,486,200
Equipment	2,363,303	685,731		3,049,034
Total Capital Assets, Being Depreciated	18,441,328	27,737,776		46,179,104
Less Accumulated Depreciation For:				
Land Improvements	168,420	15,869		184,289
Buildings	7,707,360	630,098		8,337,458
Equipment	1,633,209	162,593		1,795,802
Total Accumulated Depreciation	9,508,989	808,560		10,317,549
Total Capital Assets, Being Depreciated, Net	8,932,339	26,929,216		35,861,555
Governmental Activities Capital Assets, Net	$ 29,112,557	$ 26,929,216	$ 20,075,118	$ 35,966,655

In the statement of activities, depreciation expense was charged to the following governmental functions:

District Support Services	$ 869
Elementary & Secondary Regular Instruction	44,524
Vocational Education Instruction	5,231
Instructional Support Services	30,042
Pupil Support Services	88,147
Sites and Buildings	25,589
	194,402
Unallocated	614,158
Total Depreciation Expense	$ 808,560

NOTE 5 DEFINED BENEFIT PENSION PLANS - STATEWIDE

Substantially, all employees of the District are required by state law to belong to 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:

A. Public Employees Retirement Association

Plan Description – The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (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.

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

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

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

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

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were $92,339. The District's contributions were equal to the required contributions for each year as set by state statute.

Pension Costs – At June 30, 2019, the District reported a liability of $981,923 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 $32,243. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0177% at the end of the measurement period and 0.0181% for the beginning of the period.

District's proportionate share of net pension liability	$	981,923
State of Minnesota's proportionate share of the net pension liability associated with the District		32,243
Total	$	1,014,166

For the year ended June 30, 2019, the District recognized pension expense of ($51,447) for its proportionate share of the General Employee Plan's pension expense. In addition, the District recognized an additional $7,519 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	$ 26,550	$ 37,052
Difference between projected and actual investment earnings		66,588
Changes in actuarial assumptions	121,356	112,036
Changes in proportion		215,484
Contributions paid to PERA subsequent to the measurement date	92,339	
Total	$ 240,245	$ 431,160

$92,339 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		Pension Expense Amount
2020	$	(32,170)
2021		(143,390)
2022		(87,198)
2023		(20,496)

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

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

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

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

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

Changes in Actuarial Assumptions:
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 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 Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds (Fixed Income)	20%	0.75%
Alternative Assets (Private Markets)	25%	5.90%
Cash	2%	0.00%

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 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

District Proportionate Share of NPL		
1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
$ 1,595,751	$ 981,923	$ 475,226

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit 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.

B. Teachers Retirement Association

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain 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.

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 I Benefits:

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

With these provisions:

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

or

Tier II Benefits:

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

Members first employed after June 30, 1989, receive only the Tier II 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.

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

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	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.

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%, from the Single Equivalent Interest Rate calculation
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 – 9.25% thereafter
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumption

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Allocations as of June 30, 2018	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.00%	36.00%	5.10%
International Equity	16.00%	17.00%	5.30%
Private Markets	25.00%	25.00%	5.90%
Fixed Income	16.00%	20.00%	0.75%
Treasuries	8.00%	0.00%	0.50%
Unallocated Cash	2.00%	2.00%	0.00%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The “Difference Between Expected and Actual Experience” and “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6 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 5 years as required by GASB 68.

<u>Changes in actuarial assumptions since the 2017 valuation:</u>

- 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 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 payment 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.

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

Net Pension Liability - On June 30, 2019, the District reported a liability of $2,920,078 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. District proportionate share was 0.0465% at the end of the measurement period and 0.0477% 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	$	2,920,078
State's proportionate share of the net pension liability associated with the District		274,570

For the year ended June 30, 2019, the District recognized pension expense of ($1,211,594). It also recognized ($191,632) 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 experience	$	41,017	$	60,300
Net difference between projected and actual earnings on plan inv.				113,874
Changes in actuarial assumptions		5,004,298		5,006,891
Changes in proportion				2,365,212
Contributions paid to TRA subsequent to the measurement date		205,455		
Total	$	5,250,770	$	7,546,277

$205,455 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30		Pension Expense Amount
2020	$	182,503
2021		40,721
2022		(205,277)
2023		(1,706,291)
2024		(812,618)

Pension Liability Sensitivity - The following presents the net pension liability calculated using the discount rate of 7.50 percent as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage higher (8.50 percent) than the current rate.

Sensitivity of the Net Pension Liability (NPL) to Changes in the Discount Rate

1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
$ 4,634,152	$ 2,920,078	$ 1,505,978

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

Pension Plan Fiduciary Net Position - Detailed information about the plan'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.

The District recognized total pension expense of ($1,263,041) for all of the pension plans in which it participates.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS

Plan Description - The District's Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions, and employer contributions are governed by the District and can be amended by the District through the District's collective bargaining agreements with employee groups. The District has established a Postemployment Benefits Revocable Trust (Trust) to account for the accumulation plan assets available to pay for current and future postemployment health care costs. The Trust does not issue a standalone financial report, but is included in this report of the District.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

Employees Covered by Benefit Term – At June 30, 2019, the following employees were covered by the benefit terms:

Active employees electing coverage	52
Active employees waiving coverage	24
Retirees electing coverage	8
Total Members	84

Total OPEB Liability – The District's total OPEB liability of $1,250,747 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions – The total OPEB liability in the June 30, 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	2.5 percent
Healthcare Cost Trend Rates	6.9 percent decreasing to 4 percent by 2076.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.

The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds. The overall single discount rate is 3.62%.

In the June 30, 2018 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 6/30/2018	$ 1,361,019
Changes for the year:	
Service Cost	75,462
Interest Cost	49,484
Difference Between Expected and Actual Experience	(155,001)
Changes of Assumptions	(10,888)
Benefit Payments	(69,329)
Net Changes	(110,272)
Balance at 6/30/2019	$ 1,250,747

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.62 percent) or one percentage point higher (4.62 percent) than the current rate:

District Total OPEB Liability

1% Decrease (2.62%)	Current (3.62%)	1% Increase (4.62%)
$ 1,331,411	$ 1,250,747	$ 1,173,933

Sensitivity of the Total OPEB Liability to Changes in 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 healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent over 5 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 5 years) than the current healthcare cost trend rates:

District Healthcare Cost Trend Rates

(5.9% decreasing to 3.0%)	(6.9% decreasing to 4.0%)	(7.9% decreasing to 5.0%)
$ 1,151,440	$ 1,250,747	$ 1,366,775

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the District recognized OPEB expense of $35,914. At June 30, 2019, the District reported 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 experience	$	$ 132,602
Changes in assumptions		46,236
Employer contributions paid subsequent to the measurement date	50,190	
Total	$ 50,190	$ 178,838

$50,190 reported as deferred outflows of resources related to OPEB resulting from District contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total other postemployment benefit liability in the year ending June 30, 2020.

Year Ending June 30	OPEB Expense Amount
2020	$ (31,929)
2021	(31,929)
2022	(31,929)
2023	(31,929)
2024	(29,065)
Thereafter	(22,057)

NOTE 6 LONG-TERM DEBT

Changes in the District's long-term liabilities for the year ended June 30, 2019 are as follows:

Summary of Long-Term Debt

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
2008A OPEB Bonds	$ 1,115,000	$	$ 1,115,000	$	$
2013A Refunding Bonds	355,000		355,000		
2016A School Building Bonds	27,870,000			27,870,000	855,000
2018A OPEB Refunding Bonds		1,080,000		1,080,000	90,000
Unamortized Premium on Bonds	1,597,306		75,910	1,521,396	
Total Bonds	30,937,306	1,080,000	1,545,910	30,471,396	945,000
Capital Lease	65,404		65,404		
Severance Payable	193,233	17,541	20,788	189,986	76,398
Total Long-Term Liabilities	$ 31,195,943	$ 1,097,541	$ 1,632,102	$ 30,661,382	$ 1,021,398

The District's interest expense for the year ended June 30, 2019 was $831,774.

Severance payable is generally liquidated by the general fund.

A. G.O. School Building Bond and OPEB Refunding Bond

Date of Issue	Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/19	Amounts Due in 2019-2020 Principal	Interest
2008	5.0 - 6.85 %		$ 1,600,000	$ 1,115,000	$	$	$
2013	1.5		2,085,000	355,000			
2016	2.0 - 4.0	2037	27,870,000		27,870,000	855,000	860,650
2018	3.0 - 3.8	2029	1,080,000		1,080,000	90,000	44,555
				$ 1,470,000	$ 28,950,000	$ 945,000	$ 905,205

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2020	$ 945,000	$ 905,205
2021	1,175,000	869,515
2022	1,255,000	834,218
2023	1,295,000	796,368
2024	1,335,000	757,203
2025-2029	7,335,000	3,151,061
2030-2034	9,245,000	1,920,150
2035-2037	6,365,000	385,650
	$ 28,950,000	$ 9,619,370

B. Current Refunding

On November 1, 2018, the District issued $1,080,000 General Obligation Taxable OPEB Refunding Bonds Series 2018A. The debt was issued to refund the General Obligation Taxable OPEB Bonds, Series 2008A. The refunding was undertaken to reduce total debt services payments over the next ten years by $154,208 and resulted in an economic gain of $127,652.

NOTE 7 SEVERANCE PAY

Upon retirement, most District employees are entitled to a severance amount based on accumulated unused sick leave, age, years of service and wage rate at the date of retirement, as established by contracts with bargaining units or other employee contracts. These contracts establish the terms and amounts each retiree is eligible to receive and establish when this severance benefit vests, all of which may differ between each bargaining unit and employee group. The severance amount is paid directly to the retiree's designated 403(b) or 401(a) account. The liability for this benefit at June 30, 2019 is $189,986.

NOTE 8 INTERFUND BALANCES

The composition of interfund balances as of June 30, 2019 are as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Postemployment Benefits Revocable Trust Fund	$ 246,066

The due to/due from balances resulted from the elimination of a cash deficit in the Postemployment Benefits Revocable Trust Fund.

NOTE 9 CONSTRUCTION COMMITMENTS

At June 30, 2019, the District had approximately $50,000 in construction commitments relating to the new school construction.

NOTE 10 CONTINGENCIES

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2019.

NOTE 11 RISK MANAGEMENT

The District's property and liability premiums and unemployment claims are paid by the General Fund. Worker's compensation premiums are paid by the General and Food Service Funds based on salaries. There were no significant reductions in insurance coverage from coverage in prior years and insurance settlements have not exceeded insurance coverage in any of the last three years.

The District purchases commercial insurance for property and liability, transferring the risk of loss to the insurance carrier.

The District participates in a risk pool for worker's compensation insurance. The pool in turn contracts with an insurance carrier, thereby transferring the risk from the pool members to the insurance carrier. The worker's compensation policy is retrospectively rated in that the initial premium is adjusted based on the actual experience during the coverage period of the group of entities that participate in the pool.

The District handles unemployment costs through a self-insurance plan. The District retains the risks associated with unemployment claims.

NOTE 12 NEW PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measureable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the District's financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
For the Year Ended June 30, 2019

	Original	Final Budget	Actual	Over (Under) Final Budget
REVENUES				
Local Property Tax Levies	$ 1,170,106	$ 1,318,726	$ 1,352,360	$ 33,634
Other Local & County Revenues	92,485	208,935	313,427	104,492
Revenue From State Sources	4,815,752	5,039,465	5,077,669	38,204
Revenue From Federal Sources	276,294	295,038	268,525	(26,513)
TOTAL REVENUES	6,354,637	6,862,164	7,011,981	149,817
EXPENDITURES				
Current				
Administration	692,220	659,641	664,333	4,692
District Support Services	430,729	459,170	468,085	8,915
Elementary & Secondary				
Regular Instruction	2,858,942	3,033,101	3,174,041	140,940
Vocational Education Instruction	151,992	198,134	195,212	(2,922)
Special Education Instruction	1,100,521	1,100,555	1,154,893	54,338
Instructional Support Services	143,618	163,426	153,641	(9,785)
Pupil Support Services	633,148	683,925	689,175	5,250
Sites and Buildings	797,475	828,372	1,028,136	199,764
Fixed Costs	38,760	49,800	48,486	(1,314)
Debt Service				
Principal	67,100	67,100	65,405	(1,695)
Interest and Fees			1,666	1,666
Capital Outlay	135,046	170,794	164,072	(6,722)
TOTAL EXPENDITURES	7,049,551	7,414,018	7,807,145	393,127
Revenues Over (Under) Expenditures	(694,914)	(551,854)	(795,164)	(243,310)
Net Change in Fund Balances	(694,914)	(551,854)	(795,164)	(243,310)
Fund Balances - Beginning	3,877,778	3,877,778	3,877,778	
Prior Period Adjustment- See Note 2			(48,879)	(48,879)
Net Position - Beginning, Restated	3,877,778	3,877,778	3,828,899	(48,879)
Fund Balances - Ending	$ 3,182,864	$ 3,325,924	$ 3,033,735	$ (292,189)

The notes to the required supplementary information is an integral part of this schedule.

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
Last 10 Years

	2018	2019
Total OPEB Liability		
Service Cost	$ 78,364	$ 75,462
Interest	40,424	49,484
Difference Between Expected and Actual Experience		(155,001)
Changes of Assumptions	(52,835)	(10,888)
Benefit Payments	(89,889)	(69,329)
Net Change in Total OPEB Liability	(23,936)	(110,272)
Total OPEB Liability - Beginning	1,384,955	1,361,019
Total OPEB Liability - Ending	$ 1,361,019	$ 1,250,747
Covered Payroll	$ 3,873,851	$ 3,356,423
District's Total OPEB Liability as a Percentage of Covered Payroll	35.13%	37.26%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2018. Information from prior years is not available.

The notes to the required supplementary information is an integral part of this schedule.

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
SCHEDULE OF DISTRICT CONTRIBUTIONS
Last 10 Years

Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
PERA					
2015	$ 99,796	$ 99,796	$	$ 1,351,411	7.38 %
2016	106,637	106,637		1,421,820	7.50
2017	87,526	87,526		1,167,006	7.50
2018	89,462	89,462		1,192,812	7.50
2019	92,339	92,339		1,231,981	7.50
TRA					
2015	$ 235,939	$ 235,939	$	$ 3,145,853	7.50 %
2016	240,818	240,818		3,210,907	7.50
2017	192,750	192,750		2,570,000	7.50
2018	192,644	192,644		2,568,587	7.50
2019	205,455	205,455		2,654,084	7.74

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

The notes to the required supplementary information is an integral part of this schedule.

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
SCHEDULE OF DISTRICT SHARE OF NET PENSION LIABILITY
Last 10 Years

Fiscal Year Ended June 30	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
2014	0.0240 %	$ 1,127,400	$	$ 1,127,400	$ 1,260,578	89.44 %	78.70 %
2015	0.0230	1,191,979		1,191,979	1,351,411	88.20	78.19
2016	0.0229	1,859,366	24,285	1,883,651	1,421,820	130.77	68.90
2017	0.0181	1,155,492	14,541	1,170,033	1,167,006	99.01	75.90
2018	0.0177	981,923	32,243	1,014,166	1,192,812	82.32	79.53
TRA							
2014	0.0654 %	$ 3,013,585	$ 211,999	$ 3,225,584	$ 2,985,411	100.94 %	81.50 %
2015	0.0620	3,835,313	470,405	4,305,718	3,145,853	121.92	76.80
2016	0.0617	14,716,922	1,477,346	16,194,268	3,210,907	458.34	44.88
2017	0.0477	9,521,785	920,247	10,442,032	2,570,000	370.50	51.57
2018	0.0465	2,920,078	274,570	3,194,648	2,568,587	113.68	78.07

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

The notes to the required supplementary information is an integral part of this schedule.

NOTE 1 BUDGETARY DATA

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

NOTE 2 DEFINED BENEFIT PLANS

PERA

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00 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.

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Changes in Plan Provisions:
- The State's special funding contribution increased from $6 million to $16 million.

2016 Changes
Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes
Changes in Actuarial Assumptions:
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions:
- On January 1, 2015 the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increased the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6 million, which meets the special funding situation definition, is due September 2015.

TRA

Changes in Actuarial Assumptions Since the 2016 Valuation:
- The Cost of Living Adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0 percent and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

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 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 payment 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.

NOTE 3 OTHER POSTEMPLOYMENT BENEFITS

Changes in actuarial assumptions since 2018 valuation:
- The discount rate was changed from 3.53% to 3.62% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

NOTE 4 EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded appropriations in the general fund by $393,127.

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Special Revenue Funds: Food Service Fund	Special Revenue Funds: Community Service Fund	Postemployment Debt Service Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash and Investments	$ 73,584	$ 13,838	$ 22,351	$ 109,773
Due From Department of Education		6,330		6,330
Due From Federal Govt. - DOE	8,309			8,309
Inventory	2,700			2,700
TOTAL ASSETS	$ 84,593	$ 20,168	$ 22,351	$ 127,112
LIABILITIES				
Accounts Payable	$ 12,551	$ 47	$	$ 12,598
Salaries Payable		15,425		15,425
TOTAL LIABILITIES	12,551	15,472		28,023
FUND BALANCES				
Fund Balance:				
Nonspendable: Inventory	2,700			2,700
Restricted for Food Service	69,342			69,342
Restricted for Community Education		12,853		12,853
Restricted for School Readiness		14,239		14,239
Restricted for OPEB Debt Service			22,351	22,351
Unassigned		(22,396)		(22,396)
TOTAL FUND BALANCES	72,042	4,696	22,351	99,089
TOTAL LIABILITIES AND FUND BALANCES	$ 84,593	$ 20,168	$ 22,351	$ 127,112

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	Special Revenue Funds			Total
	Food Service Fund	Community Service Fund	Postemployment Debt Service Fund	Nonmajor Governmental Funds
REVENUES				
Local Property Tax Levies	$	$ 50,593	$ 157,182	$ 207,775
Other Local & County Revenues	94,184	18,677		112,861
Revenue From State Sources	23,288	103,089		126,377
Revenue From Federal Sources	182,810			182,810
TOTAL REVENUES	300,282	172,359	157,182	629,823
EXPENDITURES				
Current				
Community Education and Services		222,713		222,713
Pupil Support Services	263,741			263,741
Debt Service				
Principal			1,115,000	1,115,000
Interest &Fees			118,745	118,745
TOTAL EXPENDITURES	263,741	222,713	1,233,745	1,720,199
Revenues Over (Under) Expenditures	36,541	(50,354)	(1,076,563)	(1,090,376)
OTHER FINANCING SOURCES				
Bond Issued			1,080,000	1,080,000
Bond Premium			50	50
TOTAL OTHER FINANCING SOURCES			1,080,050	1,080,050
Net Change in Fund Balances	36,541	(50,354)	3,487	(10,326)
Fund Balances - Beginning	35,501	55,050	18,864	109,415
Fund Balances - Ending	$ 72,042	$ 4,696	$ 22,351	$ 99,089

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
SCHEDULE OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

	UFARS Balance Beginning of Year	Revenues	Expenditures	Transfers	Bond Refinancing	Prior Period Adjustment	UFARS Balance End of Year	Reclassify	Balance End of Year
Governmental Funds									
General Fund									
Restricted for:									
Staff Development	$	$ 71,178	$ 71,178	$	$		$	$	$
Health and Safety	(12,346)	(47,583)		59,929					
Taconite Bldg Maint	471,031	91,638					562,669		562,669
Operating Capital		149,647	140,089				9,558		9,558
Learning and Development		114,051	114,051						
Teacher Dev and Eval	(1,614)			1,614					
Safe Schools	1,615	19,079	20,694						
LTFM	290,791	199,101	277,719				212,173		212,173
Unassigned	3,128,301	6,414,870	7,183,414	(61,543)		(48,879)	2,249,335		2,249,335
Food Service Fund									
Nonspendable	4,932			(2,232)			2,700		2,700
Restricted: Food Service	30,569	300,282	263,741	2,232			69,342		69,342
Community Service Fund									
Restricted for:									
Community Education	26,766	49,095	49,095	(13,913)			12,853		12,853
ECFE	(13,913)	55,683	74,312	13,913			(18,629)	18,629	
School Readiness	45,964	65,856	97,581				14,239		14,239
Community Service		1,725	1,725						
Unassigned	(3,767)						(3,767)	(18,629)	(22,396)
Building Construction Fund									
Restricted: Building Construction	9,097,649	56,645	8,815,367				338,927		338,927
Debt Service Fund									
Nonspendable									
Restricted: Debt Service	104,992	1,228,654	1,221,450				112,196		112,196
OPEB Debt Service Fund									
Restricted: OPEB Debt Service	18,864	157,182	1,233,745		1,080,050		22,351		22,351
OPEB Revocable Trust	1,861,272	233,740	152,759				1,942,253		1,942,253
Fiduciary Funds									
Trust Fund									
Private Purpose Trust Fund	91,095	15,724	15,000				91,819		91,819
Student Activity Fund	16,752	24,612	24,889				16,475		16,475

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BradyMartz

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education
Independent School District No. 712
Mountain Iron, 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. 712 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 December 18, 2019.

Legal Compliance

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.

Purpose of the Report

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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

December 18, 2019

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BradyMartz

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

To the Board of Education
Independent School District No. 712
Mountain Iron, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 712, 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 December 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as items 2019-001, 2019-002 and 2019-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

The District's Response to Findings

The District's responses to the findings identified in our audit were described in the accompanying schedule of findings and corrective action plan. The District's responses were 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

December 18, 2019

2019-001 FINDING

Criteria
Generally, a system of internal control contemplates separation of duties that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Condition
Lack of sufficient segregation of duties.

Cause
Size and budget constraints limiting the number of personnel within the accounting department.

Effect
The design of the internal control over financial reporting that could adversely affect the ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Recommendation
The areas should be reviewed periodically and consideration given to improving the segregation of duties. In order to mitigate risk, an individual from the District should review and approve all journal entries, review all bank reconciliations and bank statements, and credit card statements.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review on an annual basis.

2019-002 FINDING

Criteria
The District does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with generally accepted accounting principles (GAAP).

Condition
The District's personnel prepare periodic financial information for internal use that meets the needs of management and the Board of Education. For the year ended June 30, 2019, the District's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the District does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The Board of Education is aware of this deficiency and addresses it by obtaining our assistance in the preparation of the District's annual financial statements.

Cause
The District does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect
The superintendent is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation
For entities of the District's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review on an annual basis.

2019-003 FINDING

Criteria
A good system of internal accounting controls contemplates an internal control system designed to reconcile balance sheet accounts such as cash and payroll liabilities.

Condition
The District's payroll liability accounts were not reconciled. The District's bank reconciliation had an outstanding deposit that was in error for four months.

Cause
The District does not have an internal control system designed to compare payroll liability general ledger balances to reconciliations. There is no independent review of the bank reconciliation.

Effect
The District's cash and revenue were overstated by $344,260. The District's payroll liabilities and beginning equity were misstated by $48,879.

Recommendation
The District should reconcile payroll liability accounts. The District should establish a review process over the bank reconciliation.

Views of Responsible Officials and Planned Corrective Actions
The District agrees with the recommendation and will review reconciliation procedures.

2019-001 FINDING

Contact Person – Superintendent

Corrective Action Plan – The following steps are being taken to mitigate the risk: a member of personnel will review and approve all journal entries, the board will approve checks, and personnel will review all bank statements and credit card statements before turning the statements over to the business office for reconciliation.

Completion Date – Ongoing

2019-002 FINDING

Contact Person – Superintendent

Corrective Action Plan – School district personnel will receive additional training to better prepare personnel to understand the financial statements and to work closely with an accounting firm in the preparation of the financial statements. The District staff will review the prior year journal entries to determine training needs. The District staff has worked with their auditors and the ESV Accounting Office and is in the process of identifying required year end journal entries.

Completion Date – Ongoing

2019-003 FINDING

Contact Person – Superintendent

Corrective Action Plan – The District will reconcile payroll accounts and develop review procedures for bank reconciliations.

Completion Date – Immediately

INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS

Members of the School Board, Advisors, and Students
Independent School District No. 712
Mountain Iron, Minnesota

We have audited the accompanying statement of cash receipts and disbursements of the student activity accounts of Independent School District No. 712, for the year ended June 30, 2019, and the related note to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 statement.

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

Basis for Qualified Opinion

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

Qualified Opinion

In our opinion, except for such adjustments, if any, as might have been determined to be necessary had the cash collections referred to above been susceptible to satisfactory audit tests, the financial statement referred to above presents fairly, in all material respects, the cash transactions of the District's student activity accounts for the year ended June 30, 2019, and the cash balances at that date, in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the Student Activity Accounts Financial Statement, which describes the basis of accounting; this financial statement is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

December 18, 2019

INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE STUDENT ACTIVITY ACCOUNTS
For the Year Ended June 30, 2019

High School SAA	Fund Balance 6-30-18	Receipts	Disbursements	Transfers	Fund Balance 6-30-19
Art Club	$ 1,718	$ 40	$ 1,110	$	$ 648
Band	6,983	3,391	3,364		7,010
Choir	1,501	628	875		1,254
Class of 2019	1,911	766	2,177		500
Class of 2020		2,319	754		1,565
Drama	29				29
National Honor Society	36		30		6
Pep Squad	702	3,665	2,373		1,994
Science Club	611	340	23		928
Student Council	481	4,016	3,513		984
Track		915			915
Yearbook	2,729	8,489	10,670		548
Interest Account	51	43			94
Total All Funds	$ 16,752	$ 24,612	$ 24,889	$	$ 16,475

The note to the student activity accounts financial statement is an integral part of this statement.

NOTE 1 STUDENT ACTIVITY ACCOUNTS

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

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

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

BradyMartz

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

To the School Board, Advisors, and Students
Independent School District No. 712
Mountain Iron, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America, the statement of cash receipts and disbursements of the student activity accounts of Independent School District 712, for the year ended June 30, 2019, and the related note to the financial statement, and have issued our report thereon dated December 18, 2019, which was qualified because the District has not established procedures to provide assurance that all cash collections are recorded in the accounting records, therefore, we were unable to audit the cash collections beyond the amounts recorded.

Compliance

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

In connection with our audit, we found Independent School District No. 712 complied with the material terms and conditions with the provisions of the *Manual for Activity Fund Accounting*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

Purpose of the Report

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.

Brady Martz

BRADY, MARTZ & ASSOCIATES, P.C.
Thief River Falls, Minnesota

December 18, 2019

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INDEPENDENT SCHOOL DISTRICT NO. 712
MOUNTAIN IRON, MINNESOTA
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE
June 30, 2019

District Name: INDEPENDENT SCHOOL DISTRICT NO. 712 **District Number:** 712

	Audit	UFARS	Variance
01 GENERAL FUND			
Total Revenue	7,011,981	7,011,981	
Total Expenditures	7,807,145	7,807,147	(2)
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
403 Staff Development			
406 Health & Safety			
407 Capital Projects Levy			
408 Cooperative Revenue			
413 Project Funded by COP			
414 Operating Debt			
416 Levy Reduction			
417 Taconite Building Maintenance	562,669	562,669	
423 Certain Teacher Programs			
424 Operating Capital	9,558	9,558	
426 $25 Taconite			
427 Disabled Accessibility			
428 Learning & Development			
434 Area Learning Center			
435 Contracted Alt Programs			
436 State Approved Alt Program			
438 Gifted & Talented			
440 Teacher Development and Eval			
441 Basic Skills Programs			
448 Achievement and Integration			
449 Safe Schools Levy			
450 Prekindergarten			
451 QZAB Payments			
452 OPEB Liab Not In Trust			
453 Unfunded Sev & Retiremt Levy			
459 Basic Skills Ext Time			
467 LTFM	212,173	212,173	
472 Medical Assistance			
Restricted			
464 Restricted Fund Balance			
475 Title VII - Impact Aid			
476 PILT			
Committed			
418 Committed for Separation			
461 Committed			
Assigned			
462 Assigned Fund Balance			
Unassigned:			
422 Unassigned Fund Balance	2,249,335	2,249,334	1
Reconciliation of General	17,852,861	17,852,862	(1)
02 FOOD SERVICE			
Total Revenue	300,282	300,281	1
Total Expenditures	263,741	263,741	
Non Spendable			
460 Non Spendable Fund Balance	2,700	2,699	1
Restricted/Reserved:			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance	69,342	69,343	(1)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of Food Service	636,065	636,064	1
04 COMMUNITY SERVICE			
Total Revenue	172,359	172,359	
Total Expenditures	222,713	222,713	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
426 $25 Taconite			
431 Community Education	12,853	12,850	3
432 E.C.F.E.	(18,629)	(18,629)	
440 Teacher Development & Eval			
444 School Readiness	14,239	14,238	1
447 Adult Basic Education			
452 OPEB Liab Not In Trust			
Restricted			
464 Restricted Fund Balance			
Unassigned			
463 Unassigned Fund Balance	(3,767)	(3,767)	
Reconciliation of Community Service	399,768	399,764	4

	Audit	UFARS	Variance
06 BUILDING CONSTRUCTION			
Total Revenue	56,645	56,645	
Total Expenditures	8,815,367	8,815,367	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
407 Capital Projects Levy			
413 Projects Funded By COP			
467 LTFM			
Restricted			
464 Restricted Fund Balance	338,927	338,926	1
Unassigned:			
463 Unassigned Fund Balance			
Reconciliation of Building Construction	9,210,939	9,210,938	1
07 DEBT SERVICE			
Total Revenue	1,228,654	1,228,654	
Total Expenditures	1,221,450	1,221,450	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted/Reserved:			
425 Bond Refundings			
433 Max Effort Loan			
451 QZAB Payments			
467 LTFM			
Restricted			
464 Restricted Fund Balance	112,196	112,196	
Unassigned:			
463 Unassigned Fund Balance			
	2,562,300	2,562,300	
08 TRUST			
Total Revenue	15,724	15,724	
Total Expenditures	15,000	15,000	
Unassigned:			
422 Unassigned Fund Balance	91,819	91,819	
Reconciliation of Trust	122,543	122,543	
20 INTERNAL SERVICE			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of Internal Service			
25 OPEB REVOCABLE TRUST FUND			
Total Revenue	233,740	233,740	
Total Expenditures	152,759	152,759	
Unassigned:			
422 Unassigned Fund Balance	1,942,253	1,942,254	(1)
Reconciliation of OPEB Revocable Trust	2,328,752	2,328,753	(1)
45 OPEB IRREVOCABLE TRUST FUND			
Total Revenue			
Total Expenditures			
Unassigned:			
422 Unassigned Fund Balance			
Reconciliation of OPEB Irrevocable Trust			
47 OPEB DEBT SERVICE FUND			
Total Revenue	157,182	157,182	
Total Expenditures	1,233,745	1,233,745	
Non Spendable			
460 Non Spendable Fund Balance			
Restricted			
425 Bond Refunding			
464 Restricted Fund Balance	22,351	22,353	(2)
Unassigned			
463 Unassigned Fund Balance			
Reconciliation of OPEB Debt Service	1,413,278	1,413,280	(2)