

RIDGEWAY COMMUNITY SCHOOL  
CSD# 4083  
Houston, Minnesota

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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HOUSTON, MINNESOTA  
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**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**INTRODUCTORY SECTION**

**JUNE 30, 2019**

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2019**

<u>2018 - 2019</u>		<u>Term Expires</u>
Samantha Conway	Chairperson - Teacher	5/31/2019
Sheila Langowski	Vice-Chairperson - Community	5/31/2020
Jennifer Krings	Treasurer - Teacher	5/31/2019
Judith Lubahn	Secretary - Teacher	5/31/2020
Rhonda Anderson	Member - Teacher	5/31/2020
Amy Woodard	Member - Parent	5/31/2019
Lauren Tomesh	Member - Parent	5/31/2020

Jodi Dansingburg - Ex-officio & School Coordinator

Mary Feathergill - Ex-officio & Business Manager

**RIDGEWAY COMMUNITY ASSOCIATION  
BOARD OF DIRECTORS**

<u>2018 - 2019</u>		<u>Term Expires</u>
Tammy Merchlewitz	President	6/30/2020
Terry Stinson	Treasurer	6/30/2019
Steve Groth	Secretary/Clerk	6/30/2020

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**FINANCIAL SECTION**

**JUNE 30, 2019**

## INDEPENDENT AUDITOR'S REPORT

Board of Education  
**Ridgeway Community School**  
Houston, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ridgeway Community School, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Ridgeway Community School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

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

### Other Matters

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 and the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

## **Other Matters**

### *Required Supplementary Information (Continued)*

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ridgeway Community School, Houston, Minnesota's basic financial statements. The introductory section, supplementary information, and Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and Uniform Financial Accounting and Reporting Standards 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 supplementary information and Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Report on Summarized Comparative Information*

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

We have previously audited the School's 2018 financial statements and our report, dated September 10, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities and each major fund. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued a report dated September 12, 2019, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Smith, Schaff and Associates, Ltd.*

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

**FINANCIAL HIGHLIGHTS**

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

- Total Assets and Deferred Outflows: \$2,842,410.
- Overall revenues for the General Fund were \$1,073,620 while overall expenditures totaled \$1,045,696.
- The General Fund Unassigned Fund Balance is \$276,845. This represents an increase of \$27,636 from last year.
- The General Fund total fund balance increased by \$22,971 from the prior year.
- The Food Service Fund total fund balance remained a net zero balance.
- The Community Service Fund total fund balance decreased by \$1,848 from the prior year.



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are school-wide financial statements that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are fund-financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the school-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 financial statements also include notes that explain some of the information in the statements and provide more detailed data. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

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

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

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

**Fund Financial Statements.** The fund financial statements provide more detailed information about the School's funds – focusing on its most significant or "major" funds – not the School as a whole. Funds are accounting devices the School 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 School establishes other funds to control and manage money for particular purposes.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The School has one kind of fund:

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

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

**Net position.** The school's combined net position from Governmental activities was \$325,837 for the year ended June 30, 2019. This was an increase of \$147,530 from the prior year primarily these changes are due to the School recognizing their proportionate share of the underfunded liability for Teachers Retirement Association (TRA) and Minnesota Public Employee Retirement Association (PERA). The School's proportionate share is obtained from actuary reports which allocate the underfunded liability of Teachers Retirement Association (TRA) and Minnesota Public Employee Retirement Association (PERA) plans to all governmental units within the plans.

The goal of the School has been to establish an unassigned fund balance of 25% or more so that the School will not have to secure a loan in order to cover the cash flow from one year to the next. The School also plans for specific large expenditure items in the areas of technology, transportation, equipment replacement, and curriculum replacement on a year to year basis.

	Total	
	2019	2018
<b>Assets</b>		
Current and other assets	\$ 550,522	\$ 514,361
Capital assets	1,513,490	1,560,256
Total assets	2,064,012	2,074,617
<b>Deferred Outflows of Resources</b>		
Total deferred outflows of resources	778,398	690,924
<b>Liabilities</b>		
Current liabilities	97,579	135,747
Long-Term liabilities	1,503,254	2,384,141
Total liabilities	1,600,833	2,519,888
<b>Deferred Inflows of Resources</b>		
Total deferred inflows of resources	915,740	67,346
<b>Net Position</b>		
Net investment in capital assets	694,221	753,321
Restricted	159,106	156,273
Unrestricted	(527,490)	(731,287)
Total net position	\$ 325,837	\$ 178,307

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)**

**School's Revenue.** The School's total revenues were \$1,394,312 for the year ended June 30, 2019; compared to \$1,307,887 for the year ending June 30, 2018. Federal and State sources accounted for 49.4% (compared to 49.3% the previous year) of the total revenue, with the remaining revenue coming from general revenues, donations, small grants and program revenues.

Recording of the School's proportionate share of the State's net pension liability, which is required by accounting standards, impacts the Statement of Activities. The School's proportionate share is obtained from actuary reports which allocate the underfunded liability of Teachers Retirement Association (TRA) and Minnesota Public Employee Retirement Association (PERA) plans to all governmental units within the plans.

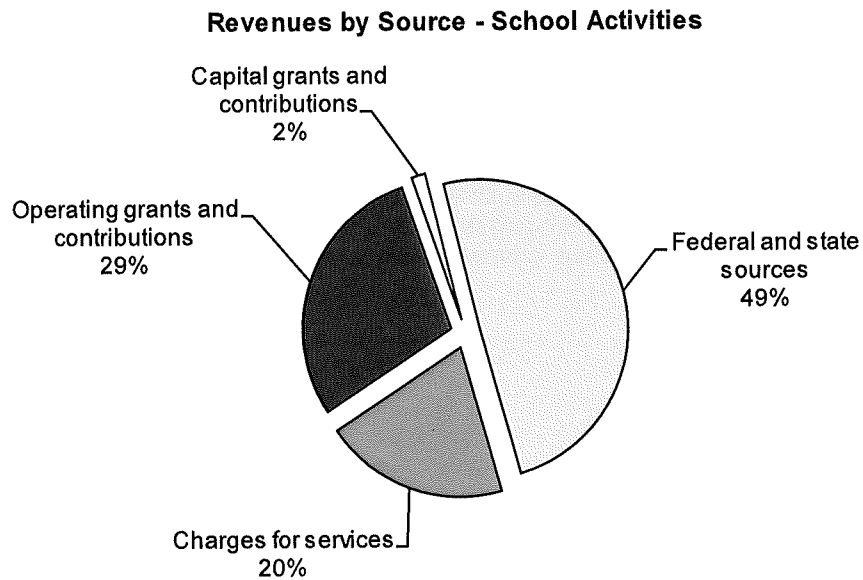
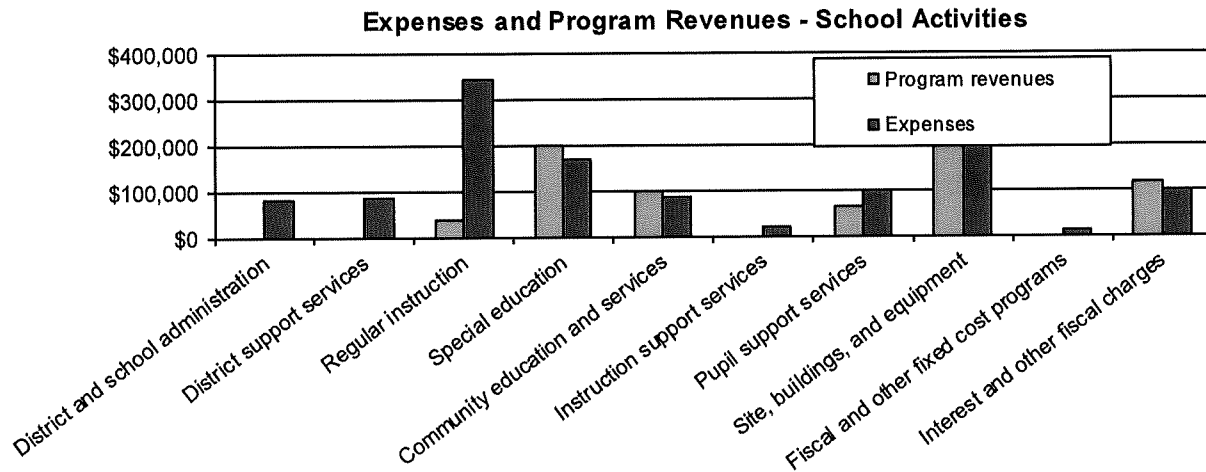
A condensed version of the Statement of Activities follows:

	Total	
	2019	2018
<b>Revenue</b>		
Program revenues:		
Charges for services	\$ 280,635	\$ 273,453
Operating grants and contributions	403,196	368,549
Capital grants and contributions	20,933	20,676
General revenues:		
Federal and state sources	688,473	644,722
Investment earnings	1,075	487
Total revenues	1,394,312	1,307,887
<b>Expenses</b>		
District and school administration	79,438	119,135
District support services	86,218	90,598
Regular instruction	339,572	589,478
Special education	168,069	233,851
Community education and services	86,041	92,682
Instruction support services	17,418	19,392
Pupil support services	99,548	11,464
Site, buildings, and equipment	264,160	226,199
Fiscal and other fixed cost programs	10,474	85,941
Interest and other fiscal charges	95,844	59,246
Total expenses	1,246,782	1,527,986
Change in net position	147,530	(220,099)
Net position, beginning	178,307	398,406
Net position, end	\$ 325,837	\$ 178,307

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE (Continued)**

Below are specific graphs that provide comparisons of the school activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by general state aid.



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FUND BASIS FINANCIAL ANALYSIS**

**Financial Analysis of the School's Funds**

The financial performance of the School is reflected in its governmental funds as well. As the School completed the year, its Governmental Funds reported a combined fund balance of \$452,943.

The School adheres to the state attendance statutes and works with families to help keep student attendance steady.

History of adjusted average daily membership:

<u>Fiscal Year</u>	<u>ADM</u>	<u>% Change</u>
2010	81.84	
2011	86.97	6.3%
2012	92.30	6.1%
2013	101.32	9.8%
2014	96.00	-5.3%
2015	92.86	-3.3%
2016	96.64	4.1%
2017	99.51	3.0%
2018	95.41	-4.1%
2019	100.68	5.5%

**General Fund.** The General Fund includes the primary operations of the School in providing educational services to students from kindergarten through grade five.

Total General Fund Operating Revenue increased \$36,918 from the previous year (being \$1,073,620 in 2019, and \$1,036,702 in 2018). The primary increase was due to increased state aid based on the increase in student enrollment.

Basic general education revenue is determined by multiple complex state formulas, largely enrollment driven, and consists of a specified minimum amount with variables such as socioeconomic indicators driving additional funding. For Minnesota charter schools the majority of all funding is made up of general education aid, special education aid, and charter school lease aid. Other revenue consists of federal and private grant funding that is often expenditure driven.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FUND BASIS FINANCIAL ANALYSIS (Continued)**

General fund revenues were as follows:

	2019	2018	Increase/ (Decrease)
Other local sources	\$ 18,012	\$ 31,834	\$ (13,822)
Investment income	976	452	524
State sources	1,016,816	956,370	60,446
Federal sources	37,816	48,046	(10,230)
<b>Total General Fund Revenues</b>	<b>\$ 1,073,620</b>	<b>\$ 1,036,702</b>	<b>\$ 36,918</b>

Total General Fund expenditures increased \$19,342 from the previous year. The increase in the General Fund expenditures was due from increases allocated to all staff wages and salaries and from the purchasing of physical education equipment with donation and grant funding received in the prior year.

General fund expenditures were as follows:

	2019	2018	Increase/ (Decrease)
District and school administration	\$ 98,426	\$ 94,544	\$ 3,882
District support services	87,725	89,006	(1,281)
Regular instruction	417,685	403,436	14,249
Special education	197,379	196,452	927
Instructional support services	17,578	18,867	(1,289)
Pupil support services	12,595	16,344	(3,749)
Site, buildings, and equipment	203,834	197,487	6,347
Fiscal and other fixed cost programs	10,474	10,218	256
<b>Total General Fund Expenditures</b>	<b>\$ 1,045,696</b>	<b>\$ 1,026,354</b>	<b>\$ 19,342</b>

The total General Fund balance on June 30, 2019, is \$314,540 compared to \$291,569 on June 30, 2018 (increase of \$22,971). Of the amount, \$37,695 is nonspendable or restricted – leaving an amount of \$276,845 in the Unassigned General Fund Balance.

**Food Service Fund.** The Food Service Fund accounts for the activities related to providing child nutrition services to support K-5 academic programs. The goal for the food service fund is that the child nutrition services program is self-supporting and does not rely upon resources from K-5 instruction programs.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FUND BASIS FINANCIAL ANALYSIS (Continued)**

***Food Service Fund. (Continued)***

The Food Service revenue for 2018-2019 totaled \$64,769 compared to \$54,979 the previous year – an increase of \$9,790.

The Food Service expenditures for 2018-2019 totaled \$69,722 compared to \$59,270 the previous year – an increase in expenditures of \$10,452.

***Community Service Fund.*** The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and before and after school child care and enrichment programs. The fund operates on the goal of breaking even on a yearly basis so that it does not rely upon resources from K-5 instruction programs.

The Community Service Fund realized a decrease in the fund balance of \$1,848.

Community Service Fund revenues for 2018-2019 totaled \$96,955; compared to \$85,516 in the previous year. This was an increase of revenue of \$11,439 which is due to an increase in participation in all of the school's programs: Pre-Kindergarten, after school child care and enrichment, and the summer child care program.

Community Service Fund expenditures for 2018-2019 totaled \$98,803; compared to \$79,852 in the previous year. This was an increase of expenditures of \$18,951 from the previous year which is due to program staffing increases and increases in summer child care field trips.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The School provided a Revised 2018-2019 Budget in January of 2019 with a small revision done in May of 2019. The revenue was increased by \$23,092 due primarily from the increased state aid due to the increase in student enrollment from original projections.

The Actual 2019 revenue was \$14,609 more than the Revised Budget Revenue.

The Revised 2019 Budget stated expenditures at \$38,025 higher than the Original 2019 Budget. The Actual expenditures were \$35,879 less than projected.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2019, the School had invested \$1,513,490 (net of accumulated depreciation) in a broad range of capital assets, technology equipment, and other types of equipment. Capital assets are recorded in the School-wide financial statements, but are not reported in the Fund financial statements.

	Total, net of accumulated	
	2019	2018
<b>Ridgeway Community School</b>		
Land improvements	\$ 14,651	\$ 14,651
Equipment	305,175	298,887
<b>Ridgeway Community Association</b>		
Land	48,000	48,000
Construction in progress		17,504
Buildings and improvements	1,949,703	1,902,777
Total	<u>2,317,529</u>	<u>2,281,819</u>
Less: Accumulated depreciation	(804,039)	(721,563)
	<u>\$ 1,513,490</u>	<u>\$ 1,560,256</u>



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)**

**Long Term Liabilities.** As of June 30, 2019, the School had \$819,269 in building loan payable and \$51,362 in compensated absences payable outstanding. A summary of outstanding long-term liabilities as of June 30, 2019, is as follows:

	Total	
	2019	2018
<b>Ridgeway Community Association</b>		
Building loan payable	\$ 819,269	\$ 806,935
Loan discount		(12,594)
<b>Ridgeway Community School</b>		
Compensated absences payable	51,362	48,529
Total	<u>\$ 870,631</u>	<u>\$ 842,870</u>

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

The School is dependent on the State of Minnesota for its revenue authority. The School will continue to plan conservatively on budget projections and maintain an adequate fund balance to keep the School from having to incur operational loans.

The School will continue its commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the School Office, Ridgeway Community School, 35564 County Rd 12, Houston, Minnesota 55943.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
STATEMENT OF NET POSITION**

June 30, 2019

*With Comparative Data as of June 30, 2018*

	Governmental Activities	
	2019	2018
<b>Assets</b>		
Cash and investments	\$ 398,933	\$ 378,486
Other receivables	3,088	6,135
Due from other governmental units	131,509	117,038
Prepaid expenses	16,992	12,702
Capital Assets:		
Nondepreciable	48,000	65,504
Depreciable, net of accumulated depreciation	1,465,490	1,494,752
<b>TOTAL ASSETS</b>	<b>2,064,012</b>	<b>2,074,617</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflow from pension activities	778,398	690,924
<b>Liabilities</b>		
Accounts payable	4,774	2,902
Accrued liabilities	76,766	76,664
Due to other school districts	14,430	15,014
Due to other governmental units	411	505
Unearned revenue	1,198	1,092
Long-Term Liabilities:		
Due within one year	47,222	39,570
Due in more than one year	823,409	803,300
Net pension liability	632,623	1,580,841
<b>TOTAL LIABILITIES</b>	<b>1,600,833</b>	<b>2,519,888</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows from pension activities	915,740	67,346
<b>Net Position</b>		
Net investment in capital assets	694,221	753,321
Restricted:		
Community service	10,610	12,058
Building corporation	127,793	114,157
Other	20,703	30,058
Unrestricted:	(527,490)	(731,287)
<b>TOTAL NET POSITION</b>	<b>\$ 325,837</b>	<b>\$ 178,307</b>

**See Notes to Financial Statements**

**RIDGEWAY COMMUNITY SCHOOL**  
**HOUSTON, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019  
*With Partial Comparative Data for the Year Ended June 30, 2018*

	2019			
	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
District and school administration	\$ 79,438	\$	\$	\$
District support services	86,218			
Regular instruction	339,572		36,275	
Special education	168,069	17,812	181,270	
Community education and services	86,041	95,474	1,481	
Instruction support services	17,418			
Pupil support services	99,548	36,589	28,180	
Site, buildings, and equipment	264,160	130,760	41,408	20,933
Fiscal and other fixed cost programs	10,474			
Interest and other fiscal charges	95,844		114,582	
Total governmental activities	\$ 1,246,782	\$ 280,635	\$ 403,196	\$ 20,933

General Revenues:

State aid not restricted to specific purposes

Investment income

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

2019	2018
Net (Expense) Revenue and Changes in Net Position Total Governmental Activities	Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
\$ (79,438)	\$ (119,135)
(86,218)	(90,598)
(303,297)	(540,324)
31,013	(32,205)
10,914	(7,166)
(17,418)	(19,392)
(34,779)	43,515
(71,059)	(66,486)
(10,474)	(85,941)
18,738	52,424
(542,018)	(865,308)
688,473	644,722
1,075	487
689,548	645,209
147,530	(220,099)
178,307	398,406
\$ 325,837	\$ 178,307

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2019

*With Partial Comparative Data as of June 30, 2018*

	General	Food Service	Community Service
<b>Assets</b>			
Cash and investments	\$ 258,621	\$	\$ 12,519
Accounts receivable	256	1,344	1,488
Due from Minnesota Department of Education	120,217		
Due from Federal through Minnesota Department of Education	11,292		
Due from other funds	339		
Prepaid items	16,992		
<b>TOTAL ASSETS</b>	<u>\$ 407,717</u>	<u>\$ 1,344</u>	<u>\$ 14,007</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,387	\$ 599	\$ 1,788
Salaries and accrued liabilities payable	76,360	406	
Due to other school districts	14,430		
Due to other government units			411
Due to other funds		339	
Unearned revenue			1,198
<b>TOTAL LIABILITIES</b>	<u>93,177</u>	<u>1,344</u>	<u>3,397</u>
<b>Fund Balances</b>			
Nonspendable	16,992		
Restricted	20,703		10,610
Unassigned	276,845		
<b>TOTAL FUND BALANCES</b>	<u>314,540</u>		<u>10,610</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 407,717</u>	<u>\$ 1,344</u>	<u>\$ 14,007</u>

**See Notes to Financial Statements**

Building Corporation	Total Governmental Funds	
	2019	2018
\$ 127,793	\$ 398,933	\$ 378,486
	3,088	6,135
	120,217	111,216
	11,292	5,822
	339	450
	16,992	12,702
<u>\$ 127,793</u>	<u>\$ 550,861</u>	<u>\$ 514,811</u>

\$	\$ 4,774	\$ 2,902
	76,766	76,664
	14,430	15,014
	411	505
	339	450
	1,198	1,092
	<u>97,918</u>	<u>96,627</u>

	16,992	12,702
127,793	159,106	156,273
	276,845	249,209
<u>127,793</u>	<u>452,943</u>	<u>418,184</u>
<u>\$ 127,793</u>	<u>\$ 550,861</u>	<u>\$ 514,811</u>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019  
*With Partial Comparative Data for the Year Ended June 30, 2018*

	General	Food Service	Community Service
<b>Revenues</b>			
Local sources:			
Other local sources	\$ 18,012	\$ 36,589	\$ 96,955
Investment income	976		
State sources	1,016,816	3,911	
Federal sources	37,816	24,269	
<b>TOTAL REVENUES</b>	<u>1,073,620</u>	<u>64,769</u>	<u>96,955</u>
<b>Expenditures</b>			
District and school administration	98,426		
District support services	87,725		
Regular instruction	417,685		
Special education	197,379		
Community education and services			98,803
Instructional support services	17,578		
Pupil support services	12,595	69,722	
Site, buildings, and equipment	203,834		
Fiscal and other fixed cost programs	10,474		
Building corporation			
Principal			
Interest and other fiscal charges			
<b>TOTAL EXPENDITURES</b>	<u>1,045,696</u>	<u>69,722</u>	<u>98,803</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>27,924</u>	<u>(4,953)</u>	<u>(1,848)</u>
<b>Other Financing Sources (Uses)</b>			
Loan proceeds			
Payment on refunded loan			
Transfers in		4,953	
Transfers out	(4,953)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(4,953)</u>	<u>4,953</u>	
<b>NET CHANGE IN FUND BALANCES</b>	22,971		(1,848)
<b>FUND BALANCES - BEGINNING</b>	<u>291,569</u>		<u>12,458</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 314,540</u>	<u>\$</u>	<u>\$ 10,610</u>

See Notes to Financial Statements



Building Corporation	Total Governmental Funds	
	2019	2018
\$ 158,869	\$ 310,425	\$ 279,926
99	1,075	487
	1,020,727	959,774
	62,085	67,700
158,968	1,394,312	1,307,887
	98,426	94,544
	87,725	89,006
	417,685	403,436
	197,379	196,452
	98,803	79,852
	17,578	18,867
	82,317	75,614
61,822	265,656	219,913
	10,474	10,218
35,983	35,983	75,723
95,844	95,844	59,246
193,649	1,407,870	1,322,871
(34,681)	(13,558)	(14,984)
841,700	841,700	
(793,383)	(793,383)	
	4,953	4,291
	(4,953)	(4,291)
48,317	48,317	
13,636	34,759	(14,984)
114,157	418,184	433,168
\$ 127,793	\$ 452,943	\$ 418,184

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
RECONCILIATION OF NET POSITION IN THE  
SCHOOL-WIDE FINANCIAL STATEMENTS AND FUND BALANCES  
IN THE FUND BASIS FINANCIAL STATEMENTS  
June 30, 2019**

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

Total governmental fund balances (pages 16 and 17)		\$ 452,943
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 2,317,529	
Less: Accumulated depreciation	<u>804,039</u>	
		1,513,490
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Building loan payable	\$ (819,269)	
Compensated absences	(51,362)	
Net pension liability	<u>(769,965)</u>	
		<u>(1,640,596)</u>
Net position of governmental activities (page 13)		<u><u>\$ 325,837</u></u>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, 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**

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

Net change in fund balances - total governmental funds (pages 18 and 19)	\$ 34,759
Governmental funds reported capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$1,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlays	\$ 35,710
Depreciation expense	<u>(82,476)</u>
	(46,766)
The governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligations bonds and related items is as follows.	
Principal retirement on long-term debt	\$ 816,772
Issuance of loan payable	<u>(841,700)</u>
	(24,928)
In the statement of activities, certain operating expenses - net pension liability and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
Net pension liability	\$ 187,298
Compensated absences	<u>(2,833)</u>
	184,465
Change in net position of governmental activities (pages 14 and 15)	<u>\$ 147,530</u>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
GENERAL FUND**

For the Year Ended June 30, 2019  
*With Partial Comparative Data for the Year Ended June 30, 2018*

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
<b>Revenues</b>					
Local sources:					
Other local sources	\$ 10,335	\$ 18,335	\$ 18,012	\$ (323)	\$ 31,834
Investment income	575	1,000	976	(24)	452
State sources	973,975	999,331	1,016,816	17,485	956,370
Federal sources	51,034	40,345	37,816	(2,529)	48,046
<b>TOTAL REVENUES</b>	<b>1,035,919</b>	<b>1,059,011</b>	<b>1,073,620</b>	<b>14,609</b>	<b>1,036,702</b>
<b>Expenditures</b>					
District and school administration	93,005	98,530	98,426	(104)	94,544
District support services	87,831	84,332	87,725	3,393	89,006
Regular instruction	397,575	434,498	417,685	(16,813)	403,436
Special education	212,521	208,968	197,379	(11,589)	196,452
Instructional support services	23,465	22,876	17,578	(5,298)	18,867
Pupil support services	12,877	14,532	12,595	(1,937)	16,344
Site, buildings, and equipment	205,776	207,365	203,834	(3,531)	197,487
Fiscal and other fixed cost programs	10,500	10,474	10,474		10,218
<b>TOTAL EXPENDITURES</b>	<b>1,043,550</b>	<b>1,081,575</b>	<b>1,045,696</b>	<b>(35,879)</b>	<b>1,026,354</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,631)</b>	<b>(22,564)</b>	<b>27,924</b>	<b>50,488</b>	<b>10,348</b>
<b>Other Financing Sources (Uses)</b>					
Transfers out			(4,953)	(4,953)	(4,291)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(7,631)</b>	<b>(22,564)</b>	<b>22,971</b>	<b>45,535</b>	<b>6,057</b>
<b>FUND BALANCE - BEGINNING</b>	<b>291,569</b>	<b>291,569</b>	<b>291,569</b>		<b>285,512</b>
<b>FUND BALANCE - ENDING</b>	<b>\$ 283,938</b>	<b>\$ 269,005</b>	<b>\$ 314,540</b>	<b>\$ 45,535</b>	<b>\$ 291,569</b>

**See Notes to Financial Statements**

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOOD SERVICE FUND**

For the Year Ended June 30, 2019  
*With Partial Comparative Data for the Year Ended June 30, 2018*

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
<b>Revenues</b>					
Local sources:					
Other local sources	\$ 32,165	\$ 36,795	\$ 36,589	\$ (206)	\$ 31,921
State sources	3,000	4,000	3,911	(89)	3,404
Federal sources	19,434	24,834	24,269	(565)	19,654
<b>TOTAL REVENUES</b>	<u>54,599</u>	<u>65,629</u>	<u>64,769</u>	<u>(860)</u>	<u>54,979</u>
<b>Expenditures</b>					
Pupil support services	<u>54,715</u>	<u>65,891</u>	<u>69,722</u>	<u>3,831</u>	<u>59,270</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(116)	(262)	(4,953)	(4,691)	(4,291)
<b>Other Financing Sources</b>					
Transfers in			<u>4,953</u>	<u>4,953</u>	<u>4,291</u>
<b>NET CHANGE IN FUND BALANCE</b>	(116)	(262)		262	
<b>FUND BALANCE - BEGINNING</b>					
<b>FUND BALANCE - ENDING</b>	<u>\$ (116)</u>	<u>\$ (262)</u>	<u>\$</u>	<u>\$ 262</u>	<u>\$</u>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND**

For the Year Ended June 30, 2019  
With Partial Comparative Data for the Year Ended June 30, 2018

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
<b>Revenues</b>					
Local sources:					
Other local sources	\$ 75,800	\$ 98,142	\$ 96,955	\$ (1,187)	\$ 85,516
<b>TOTAL REVENUES</b>	75,800	98,142	96,955	(1,187)	85,516
<b>Expenditures</b>					
Community education and services	77,272	91,512	98,803	7,291	79,852
<b>NET CHANGE IN FUND BALANCE</b>	(1,472)	6,630	(1,848)	(8,478)	5,664
<b>FUND BALANCE - BEGINNING</b>	12,458	12,458	12,458		6,794
<b>FUND BALANCE - ENDING</b>	\$ 10,986	\$ 19,088	\$ 10,610	\$ (8,478)	\$ 12,458

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS**

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**1. Summary of Significant Accounting Policies**

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The financial statements of Ridgeway Community School have been prepared in conformity with U.S. generally accepted accounting principles (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. The GASB has issued codification of governmental accounting and financial reporting standards dated June 30, 2000. This codification and subsequent GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local government.

*Financial Reporting Entity*

Ridgeway Community School, Houston, Minnesota ("School") is a Charter School, and was formed August 29, 2001 through an agreement with Winona Area Public Schools School No. 861 in accordance with Minnesota Statutes and began operating September 17, 2001 pursuant to applicable Minnesota laws and statutes. The primary objective of the School is to prepare individuals for responsible, self-directed, lifelong learning, with an emphasis on traditional rural values of cooperation, respect, community service, and stewardship of the natural environment.

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

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds and account groups of the School.

Based on these criteria, there is one organization that is considered to be a component unit of the School. Ridgeway Community Association is a Minnesota non-profit corporation holding IRS classification as a 501 (C)(3) tax exempt organization which owns the real estate and building that is leased by the School for its operations. Ridgeway Community Association is governed by a separate board appointed by the board of the School. Although it is legally a separate from the School (as a blended component unit) because its sole purpose is to acquire, construct, and own an educational site, which is leased to the School. All long-term debt related to the purchase of the building and property and fixed assets related to the school site will be the responsibility of and will be under ownership of the Ridgeway Community Association.

*Basic Financial Statement Presentation*

The School-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 School.

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



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*Basic Financial Statement Presentation (Continued)*

The School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense, and is reported separately on the Statement of Activities.

Separate Fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Proprietary funds are used to report business-type activities carried on by a school. No activities of the School were determined to be of this nature, so no proprietary funds are present in the financial statements.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

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

The School-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State aids are recorded as revenue in the fiscal year for which the aids are designated by statute.

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

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

These methods are in accordance with the Uniform Financial Accounting and Reporting System (UFARS), which the School uses to prepare its financial statements.

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

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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

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

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

Description of Funds

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

The major funds of the School are presented as follows:

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

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

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

The *Building Corporation Fund* - Accounts for all activities of the Ridgeway Community Association. This includes accounting for the proceeds and uses of resources borrowed for the purpose of purchasing and building the school site, the receipt of lease payments from Ridgeway Community School, and the debt service payments required under the terms of the building loan.

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

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

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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Budgets and Budgetary Accounting

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

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

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

Cash and Investments

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

Investments are reported at cost, which approximates fair value. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Accounts Receivable

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

Prepaid Expenses

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

Use of Estimates

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

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The School maintains a capitalization threshold level of \$1,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

	Useful Life in Years
Buildings	50
Furniture and fixtures	5 - 15

Capital assets not being depreciated include land.

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

Unearned Revenue

Unearned revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Fund Balance

Fund balances of governmental fund types are classified in three separate categories. The general meaning is as follows:

- Nonspendable – Such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned)
- Restricted – Indicates that a portion of fund equity has been legally segregated for specific purposes.
- Unassigned Fund Balance – Indicates that portion of fund equity which is available for general expenditures in future periods.

Compensated Absences

Full-time 12-month employees of the School earn 12 days of personal leave each year, and student service-day employees earn 9 days of personal leave each year. This benefit vests to employees. At June 30, 2019, compensated absences totaling \$51,362 are recorded in the financial statements.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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Long-term Obligations

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the June 30, 2018 totals column have been reclassified to conform with the current year presentation.

Concentration of Credit Risk

Financial instruments which expose the School to a concentration of credit risk consist primarily of cash and investments. Credit risk is discussed in Note 3.

Net Position

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

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section of deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The School has one item which occurs related to revenue recognition. The deferred outflow of resources is pension related.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate financial statement element, 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 School has one type of item which occur related to revenue recognition. The deferred inflow of resources is pension related.

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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1. Summary of Significant Accounting Policies (Continued)

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Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Pension

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

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

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2. Stewardship and Accountability

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

Food Service Fund	\$	3,831
Community Service Fund		7,291

Excess expenditures were the result of planned processes.

The amounts due to and from other funds as of June 30, 2019, at the individual fund level are summarized below:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 339	\$
Food Service Fund		339

The School general utilizes interfund transfers and interfund balances for cash flow purposes.

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Cash and Investments

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Summary of Cash

As of June 30, 2019, the School's cash and cash equivalents consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$ 398,933
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Custodial Credit Risk

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

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

Credit Risk

The School has no investment policy that would limit its investment choices.

Concentration of Credit Risk

The School has no limit on the amount the School may invest in any one issuer.

Interest Rate Risk

The School 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.

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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3. Cash and Investments (Continued)

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Fair Value Measurement

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

*Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access

*Level 2* – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active market
- Quoted prices for identical assets or liabilities in inactive markets
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no assets measured at fair value on a recurring basis noted at the School.

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4. Due from Other Governmental Units

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

Fund	Minnesota Department of Education	Federal Government Through MDE	Total
General	\$ 120,217	\$ 11,292	\$ 131,509



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Capital Assets**

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

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b><i>Ridgeway Community Association</i></b>				
Capital assets, not being depreciated:				
Land	\$ 48,000	\$	\$	\$ 48,000
Construction in progress	17,504		17,504	
Total capital assets, not being depreciated	65,504		17,504	48,000
<b><i>Ridgeway Community School</i></b>				
Capital assets, being depreciated:				
Land improvements	14,651			14,651
Equipment	298,887	6,288		305,175
<b><i>Ridgeway Community Association</i></b>				
Capital assets, being depreciated:				
Buildings and improvements	1,902,777	46,926		1,949,703
Total capital assets, being depreciated	2,216,315	53,214		2,269,529
Less accumulated depreciation for:				
Land improvements	5,023	733		5,756
Equipment	162,717	26,316		189,033
Buildings and improvements	553,823	55,427		609,250
Total accumulated depreciation	721,563	82,476		804,039
Total capital assets, being depreciated, net	1,494,752	(29,262)		1,465,490
Governmental activities capital assets, net	\$ 1,560,256	\$ (29,262)	\$ 17,504	\$ 1,513,490

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
Regular instruction	\$ 46,821
Instructional support services	219
Pupil support services	6,537
Site, buildings and equipment	28,899
Total depreciation expense - governmental activities	\$ 82,476

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Long-Term Liabilities**

The long-term debt obligations outstanding and related maturities and interest rates are summarized in the following schedules. General Obligation Bonds are serviced by the Building Corporation Fund. They are backed by the full faith and credit of the School.

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

	Original Amount of Debt	Range of Interest Rates	Final Maturity	Balance June 30, 2019
Building Loan Payable				
Building Note C	\$ 841,700	5.00 - 5.50%	2034	\$ 819,269

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Building loan payable	\$ 806,935	\$ 841,700	\$ 829,366	\$ 819,269	\$ 39,518
Loan discount	(12,594)		(12,594)		
Compensated absences payable	48,529	10,112	7,279	51,362	7,704
Governmental Activities					
Long-term Liabilities	<u>\$ 842,870</u>	<u>\$ 851,812</u>	<u>\$ 824,051</u>	<u>\$ 870,631</u>	<u>\$ 47,222</u>

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

Years	Building Loan Payable		
	Principal	Interest	Total
<u>Governmental Activities</u>			
2020	\$ 39,518	\$ 40,734	\$ 80,252
2021	41,680	38,573	80,253
2022	43,843	36,410	80,253
2023	46,117	34,136	80,253
2024	49,539	31,813	81,352
2025-2029	293,973	116,719	410,692
2030-2034	304,599	33,561	338,160
Totals	<u>\$ 819,269</u>	<u>\$ 331,946</u>	<u>\$ 1,151,215</u>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**6. Long-Term Liabilities (Continued)**

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*Building Loan Payable*

Ridgeway Community Association obtained a construction loan on June 27, 2007 in the amount of \$1,100,000 to pay off the 2006 building loan and to finance construction which began after June 30, 2007. This project consisted of renovating the existing building as well as two additional classrooms and a library. The financing bank issued two separate loans as follows: \$1,045,000 with a term of twenty-five years and \$55,000 with a term of ten years. From the time of issuance until the conversion date interest is a "floating rate" set on the first of each month at three percent above the base interest rate. Upon reaching the conversion date, December 26, 2007, the interest rates became fixed at 6.93% and 7.5%, respectively. Issuance costs related to the loan amounted to \$22,487. The loans are guaranteed by Ridgeway Community School. The \$55,000 loan was paid in full during fiscal year 2018 and the \$1,045,000 loan was paid in full during fiscal year 2019.

On November 11, 2018 Ridgeway Community Association issued a new building loan from Merchant's Bank for \$841,700 with a term of fifteen years. For the first five years the interest rate is set at 5% and every five years later, an additional 0.25% will be included.

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**7. Inter-fund Transfers**

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Ridgeway Community School had one inter-fund transfer during the year, \$4,953 was transferred from the General Fund to replenish the deficit in the Food Service Fund.

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**8. Operating Lease**

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Ridgeway Community School incurs expenditures under an operating lease for rent of facilities. This lease agreement is cancelable and has a term of twenty-five years. The lease agreement was amended and effective July 1, 2018, Ridgeway Community School annual rent increased to \$130,560 compared to previously \$128,000. The following is a schedule of future minimum lease payments required under the operating lease:

Year ending June 30,	
2020	\$ 130,560
2021	130,560
2022	130,560
2023	130,560
2024	130,560
2025-2029	652,800
2030-2032	391,680
Total Minimum Lease Payments	<u>\$ 1,697,280</u>

The School's lease expense for the year ended June 30, 2019 was \$130,560.

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**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**9. Fund Equity**

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School classifies governmental fund balances as follows:

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.
- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained to due constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year end.
- Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed.
- Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

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

The School has a formal minimum fund balance policy for the General Fund Unassigned Fund Balance to be at least twenty-five percent of the prior year's expenditures.

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

Medical Assistance – Represents available resources to be used for medical assistance expenditures.

The following is a summary of fund balances as of June 30, 2019 with comparative totals for June 30, 2018:

	General	Food Service	Community Service	Building Corporation	2019 Totals	2018 Totals
Nonspendable						
Prepaid expenses	\$ 16,992	\$	\$	\$	\$ 16,992	\$ 12,702
Restricted						
Medical assistance	476				476	2,913
Contributors	20,227				20,227	27,145
Community service			10,610		10,610	12,058
Debt service				127,793	127,793	114,157
Total restricted	20,703		10,610	127,793	159,106	156,273
Unassigned	276,845				276,845	249,209
Total Fund Balance	\$ 314,540	\$	\$ 10,610	\$ 127,793	\$ 452,943	\$ 418,184

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Fund Equity (Continued)

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

	<u>GASB Balance</u>	<u>Reconciling Balance</u>	<u>UFARS Balance June 30, 2019</u>	<u>UFARS Balance June 30, 2018</u>
Nonspendable				
Prepaid expenses	\$ 16,992	\$	\$ 16,992	\$ 12,702
Total nonspendable	<u>16,992</u>		<u>16,992</u>	<u>12,702</u>
Restricted				
Medical assistance	476		476	2,913
Contributors	20,227		20,227	27,145
Community service	10,610		10,610	12,058
Debt service	127,793		127,793	114,157
Total restricted	<u>159,106</u>		<u>159,106</u>	<u>156,273</u>
Unassigned	<u>276,845</u>		<u>276,845</u>	<u>249,209</u>
Total Fund Balance	<u>\$ 452,943</u>	<u>\$</u>	<u>\$ 452,943</u>	<u>\$ 418,184</u>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**10. Defined Benefit Pension Plans – Statewide**

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

Plan Description

1. General Employees Retirement Plan

PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

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

2. Teachers Retirement Association Fund (TRA)

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

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

Benefits Provided

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

1. General Employees Plan Benefits

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

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

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

2. TRA Benefits

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

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

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

With these provisions:

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

or

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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10. Defined Benefit Pension Plans – Statewide (Continued)

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Tier II: 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 five plans that have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is also eligible for a refund of their employee contributions plus interest.

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

Contributions

1. General Employees Fund Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the School was required to contribute 7.50 percent for Coordinated Plan members. The School's contributions to the General Employees Fund for the year ended June 30, 2019 were \$17,565. The School's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

Per *Minnesota Statutes*, Chapter 354 sets the rates for the employee and employer contributions. Rates for each fiscal year ended were:

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

The School's contributions to the TRA Fund for the year ended June 30, 2019 was \$28,926. The School's contributions were equal to the required contributions for each year as set by state statute.



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**10. Defined Benefit Pension Plans – Statewide (Continued)**

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

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

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

**Pension Costs**

**1. General Employees Fund Pension Costs**

At June 30, 2019, the School reported a liability of \$194,166 for its proportionate share of the General Employees fund's net pension liability. The School'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 School totaled \$6,343. 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 School's proportion of the net pension liability was based on the School's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the School's proportion was 0.0035 percent which did not change from its proportion measured as of June 30, 2017.

School's proportionate share of net pension liability	\$ 194,166
State's proportionate share of the net pension liability associated with the district	\$ 6,343

For the year ended June 30, 2018 the School recognized pension expense of \$10,965 for its proportionate share of the General Employees Plan's pension expense. In addition, the School recognized an additional \$1,479 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans – Statewide (Continued)**

At June 30, 2019, the School reported its proportionate share of General Employee Retirement Fund's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 5,139	\$ 4,854
Difference between projected and actual investment earnings		22,369
Changes in actuarial assumptions	15,898	21,816
Changes in proportion	20,299	6,478
Contributions paid to PERA subsequent to the measurement date	18,092	
Total	<u>\$ 59,428</u>	<u>\$ 55,517</u>

\$18,092 reported as deferred outflows of resources related to pensions resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

Year ending June 30:	Pension Expense Amount
2020	\$ 7,174
2021	(1,684)
2022	(15,620)
2023	(4,051)

**2. TRA Pension Costs**

At June 30, 2019, the School reported a liability of \$438,457 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 School's proportion of the net pension liability was based on the School's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The School's proportionate share was 0.0070% at the end of the measurement period and 0.0068% for the beginning of the period.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans – Statewide (Continued)**

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the school 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 School were as follows:

School's proportionate share of net pension liability	\$ 438,457
State's proportionate share of the net pension liability associated with the district	\$ 40,997

For the year ended June 30, 2019, the School recognized pension expense of \$176,333. It also recognized \$2,491 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	\$ 4,953	\$ 8,643
Difference between projected and actual investment earnings		32,631
Changes in actuarial assumptions	602,328	743,581
Changes in proportion	78,976	75,368
Contributions paid to TRA subsequent to the measurement date	32,713	
Total	\$ 718,970	\$ 860,223

\$32,713 reported as deferred outflows of resources related to pensions resulting from School contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2020	\$ 56,821
2021	40,251
2022	16,917
2023	(176,113)
2024	(111,842)

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**10. Defined Benefit Pension Plans – Statewide (Continued)**

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

General Employees Retirement Fund	\$	12,444
TRA		178,824
Total	\$	<u>191,268</u>

**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:

**1. General Employees Fund Actuarial Assumptions**

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

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

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

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

**Changes in Actuarial Assumptions:**

- The 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.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**10. Defined Benefit Pension Plans – Statewide (Continued)**

**2. TRA Actuarial Assumptions**

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

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Valuation Date	July 1, 2018
Experience Study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% for 10 years and 3.25%, thereafter
Projected Salary Increases	2.85 to 8.85% for 10 years and 3.25 to 9.25%, thereafter
Cost of Living Adjustment	1% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions:	
Pre-Retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projections uses the MP-2015 scale.
Post-Retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustment of the rates. Generational projection uses the MP-2015 scale
Post-Disability:	RP-2014 disabled retiree 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 rates of return by the target asset allocation percentage and by adding expected inflation.

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.

RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Defined Benefit Pension Plans – Statewide (Continued)

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

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

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

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

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

Discount Rate

1. General Employees Fund Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates specified in Minnesota Statutes. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**10. Defined Benefit Pension Plans – Statewide (Continued)**

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**2. TRA Discount Rate**

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

*Pension Liability Sensitivity*

The following table presents the School'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 School's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
General Employees Retirement Fund Discount Rate	6.50%	7.50%	8.50%
School's proportionate share of the General Employees Retirement Fund net pension liability	\$ 315,544	\$ 194,166	\$ 93,971
TRA Discount Rate	6.50%	7.50%	8.50%
School's proportionate share of the TRA net pension liability	\$ 695,830	\$ 438,457	\$ 226,127

*Pension Plan Fiduciary Net Position*

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

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

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**11. Risk Management**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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**12. Commitments and Contingencies**

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Federal and State Programs

Amounts received or receivable from federal and state agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount, if any, of funds, which, may be disallowed by the agencies, cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Lease Commitment and Terms - School Site - Ridgeway Association

The School leases its educational site from Ridgeway Community Association (a blended component unit). Under the terms of the lease agreement, the lease term is for the period beginning April 1, 2011 and ending June 30, 2032.

The net annual base rent for the term of the lease agreement is directly tied to the debt service requirements of the Ridgeway Community Association. In addition, the School is responsible for all utility costs.

The total amount of rent paid by the School to Ridgeway Community Association under the terms of the lease agreement was \$130,560 for fiscal 2019. Future amounts to be requested for state lease aid from the Minnesota Department of Education may vary due to financing arrangements, which are subject to change.

The School's ability to make payment under this lease agreement is dependent on its revenues which are in turn, largely dependent on sufficient enrollments being served at the School and on sufficient state aids per student being authorized and received from the State of Minnesota. The School believes that its enrollments and aid entitlements will be sufficient to meet the lease obligations as they become due.

In addition, the School is responsible for reasonable repairs and maintenance costs applicable to a tenant, as well as all custodial and utility costs.

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**13. Student Activity Accounts**

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The School has no student activity accounts as of June 30, 2019. If the School does have any student activity accounts established, they will be under school board control.



**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**REQUIRED SUPPLEMENTAL INFORMATION**

**JUNE 30, 2019**

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**Schedule of School's Contributions  
General Employees Retirement Funds  
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	PERA	\$ 14,259	\$ 14,259	\$	\$ 190,120	7.50%
2016	PERA	15,113	15,113		201,507	7.50%
2017	PERA	13,923	13,923		185,640	7.50%
2018	PERA	17,044	17,044		227,253	7.50%
2019	PERA	17,565	17,565		234,200	7.50%
2020						
2021						
2022						
2023						
2024						

**Schedule of School's Contributions  
TRA Retirement Funds  
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	Pension Plan	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	School Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	TRA	\$ 23,846	\$ 23,846	\$	\$ 317,947	7.50%
2016	TRA	22,996	22,996		306,613	7.50%
2017	TRA	27,930	27,930		372,400	7.50%
2018	TRA	27,650	27,650		368,667	7.50%
2019	TRA	28,926	28,926		385,680	7.50%
2020						
2021						
2022						
2023						
2024						

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**Schedule of School's and Non-Employer Proportionate Share of Net Pension Liability  
PERA General Employees Retirement Fund  
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	School's Proportionate (Percentage) of the Net Pension Liability (Asset)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the School (b)	School's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the School (a+b)	School's Covered Payroll (c)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0037%	\$ 173,807	\$	\$ 173,807	\$ 190,120	91.4%	78.70%
2015	0.0035%	181,388		181,388	201,507	90.0%	78.20%
2016	0.0030%	243,585	3,140	246,725	185,640	132.9%	68.90%
2017	0.0035%	223,438	2,832	226,270	227,253	99.6%	75.90%
2018	0.0035%	194,166	6,343	200,509	234,200	85.6%	79.53%
2019							
2020							
2021							
2022							
2023							

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

Fiscal Year Ended June 30	School's Proportionate (Percentage) of the Net Pension Liability (Asset)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the School (b)	School's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the School (a+b)	School's Covered Payroll (c)	School's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0075%	\$ 345,595	\$ 24,228	\$ 369,823	\$ 317,947	116%	81.5%
2015	0.0060%	371,159	45,283	416,442	306,613	136%	76.8%
2016	0.0072%	1,717,372	171,886	1,889,258	372,400	507%	44.9%
2017	0.0068%	1,357,403	131,967	1,489,370	368,667	404%	51.6%
2018	0.0070%	438,457	40,997	479,454	385,680	124%	78.1%
2019							
2020							
2021							
2022							
2023							

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**SUPPLEMENTAL INFORMATION**

**JUNE 30, 2019**

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
COMPARATIVE BALANCE SHEET  
GENERAL FUND  
June 30, 2019 and 2018**

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 258,621	\$ 245,170
Accounts receivable	256	4,118
Due from Minnesota Department of Education	120,217	111,216
Due from Federal through Minnesota Department of Education	11,292	5,822
Due from other funds	339	450
Prepaid items	16,992	12,302
<b>TOTAL ASSETS</b>	<b>\$ 407,717</b>	<b>\$ 379,078</b>
<b>Liabilities</b>		
Accounts payable	\$ 2,387	\$ 1,183
Salaries and accrued liabilities payable	76,360	71,312
Due to other school districts	14,430	15,014
<b>TOTAL LIABILITIES</b>	<b>93,177</b>	<b>87,509</b>
<b>Fund Balances</b>		
Nonspendable	16,992	12,302
Restricted	20,703	30,058
Unassigned	276,845	249,209
<b>TOTAL FUND BALANCES</b>	<b>314,540</b>	<b>291,569</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 407,717</b>	<b>\$ 379,078</b>

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL**

**BUILDING CORPORATION FUND**

For the Year Ended June 30, 2019

With Partial Comparative Data for the Year Ended June 30, 2018

	Budgeted Amounts		2019	Over (Under)	2018
	Original	Final	Actual	Final Budget	Actual
<b>Revenues</b>					
Local sources:					
Other local sources	\$ 130,560	\$ 130,570	\$ 158,869	\$ 28,299	\$ 130,655
Investment income	40	70	99	29	35
<b>TOTAL REVENUES</b>	<u>130,600</u>	<u>130,640</u>	<u>158,968</u>	<u>28,328</u>	<u>130,690</u>
<b>Expenditures</b>					
Sites, buildings, and equipment	53,856	58,833	61,822	2,989	22,426
Principal	33,191	33,191	35,983	2,792	75,723
Interest and other fiscal charges	54,879	54,879	95,844	40,965	59,246
<b>TOTAL EXPENDITURES</b>	<u>141,926</u>	<u>146,903</u>	<u>193,649</u>	<u>46,746</u>	<u>157,395</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(11,326)	(16,263)	(34,681)	(18,418)	(26,705)
<b>Other Financing Sources (Uses)</b>					
Loan proceeds			841,700	841,700	
Payment on refunded loan			(793,383)	(793,383)	
<b>Total Other Financing Sources (Uses)</b>			<u>48,317</u>	<u>48,317</u>	
<b>NET CHANGE IN FUND BALANCE</b>	(11,326)	(16,263)	13,636	29,899	(26,705)
<b>FUND BALANCE - BEGINNING</b>	<u>114,157</u>	<u>114,157</u>	<u>114,157</u>		<u>140,862</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 102,831</u>	<u>\$ 97,894</u>	<u>\$ 127,793</u>	<u>\$ 29,899</u>	<u>\$ 114,157</u>

**RIDGEWAY COMMUNITY SCHOOL**  
**HOUSTON, MINNESOTA**  
**SUPPLEMENTAL COST SCHEDULES**  
For the Fiscal Years Ended June 30, 2019 and 2018  
(Unaudited)

	2018 - 2019 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
<b>Fiscal Year Ended June 30, 2019</b>		
District and school administration	\$ 98,426	\$ 978
District support services	87,725	871
Regular instruction	417,685	4,149
Special education	197,379	1,960
Community education and services	98,803	981
Instructional support services	17,578	175
Pupil support services	82,317	818
Site, buildings, and equipment	265,656	2,639
Fiscal and other fixed cost programs	10,474	104
<b>TOTALS</b>	<b>\$ 1,276,043</b>	<b>\$ 12,674</b>

2018 - 2019 Adjusted Average Daily Membership - 100.68

	2017 - 2018 Expenditures	Cost Per Adjusted Average Daily Membership (All Funds)
<b>Fiscal Year Ended June 30, 2018</b>		
District and school administration	\$ 94,544	\$ 991
District support services	89,006	933
Regular instruction	403,436	4,228
Special education	196,452	2,059
Community education and services	79,852	837
Instructional support services	18,867	198
Pupil support services	75,614	793
Site, buildings, and equipment	219,913	2,305
Fiscal and other fixed cost programs	10,218	107
<b>TOTALS</b>	<b>\$ 1,187,902</b>	<b>\$ 12,450</b>

2017 - 2018 Adjusted Average Daily Membership - 95.41

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**OTHER REQUIRED REPORTS**

**JUNE 30, 2019**



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

To the Board of Education  
Ridgeway Community School  
Houston, Minnesota 55943

We have audited the financial statements of the governmental activities and each major fund of Ridgeway Community School, Houston, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprises the School's basic financial statements, and have issued our report thereon dated September 12, 2019. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65.

**Internal Control over Financial Reporting**

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

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

Our consideration of 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses as Finding 2018-001 that we consider to be a significant deficiency.

**Compliance and Other Matters**

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

To the Board of Education  
Ridgeway Community School  
Houston, Minnesota 55943  
Page Two

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Charter Schools*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains two categories of compliance to be tested in audits of charter schools: uniform financial accounting and reporting standards, and charter schools.

In connection with our audit, nothing came to our attention that caused us to believe that the School failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Charter Schools*. 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 School's noncompliance with the above referenced provisions.

### **Other Matter**

School's response to internal control and legal compliance findings identified in our audit has been included in the Schedule of Findings and Responses. The School's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

*Smith, Schepf and Associates, Ltd.*

Rochester, Minnesota  
September 12, 2019

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**SCHEDULE OF FINDINGS**

**JUNE 30, 2019**



35564 Cty Rd 12, HOUSTON, MN 55943  
507-454-9566 voice 507-454-9567 fax

**SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2019**

**FINDING 2018-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

Condition:	The School does have a control in place for the review of the drafted financial statements. However, the School does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements. The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the School's internal controls.
Criteria:	The School should have controls in place to prevent or detect the omission of a material disclosure in the annual financial statements.
Questioned Costs:	None.
Context:	The School has informed us they will continue to rely upon the audit firm to prepare the financial statements and related footnote disclosures, and will review and approve these prior to the issuance of the financial statements.
Effect:	No effect on the financial statements.
Cause:	The School does not have the expertise to draft the notes to the financial statements; however, they have reviewed and approved the annual financial statements as prepared by the audit firm.
Recommendation:	We recommend the School continue to evaluate their internal staff and expertise to determine if further controls over the annual financial reporting are beneficial.

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Findings:**

There is no disagreement with the audit findings.

**Actions Planned in Response to Findings:**

The School Coordinator and Business Manager review the drafted financial statements and notes. The School does not have the expertise to ensure all disclosures required by GAAP are included in the financial statements. Accordingly, the School will rely upon the auditors for completeness of the disclosures. However, the business manager will review the notes for accuracy and compare the balances to UFARS and other School reports prior to issuance of the statements.

**Official Responsible for Ensuring CAP:**

Mary Feathergill, Business Manager, is the official responsible for ensuring the planned responses.

**Planned Completion Date for CAP:**

Not applicable as the School is willing to accept this risk at this time and will continue to evaluate the recommendation.

**Plan to Monitor Completion of CAP:**

Jodi Dansingburg, School Coordinator, will ensure the review by the Business Manager has been completed. She will do this through discussion with the Business Manager and reviewing the draft of the financial statements.

**RIDGEWAY COMMUNITY SCHOOL  
HOUSTON, MINNESOTA**

**COMPLIANCE TABLE**

**JUNE 30, 2019**

**Fiscal Compliance Report - 6/30/2019**  
**District: RIDGEWAY COMMUNITY SCHOO (4083-7)**

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$1,073,620	<u>\$1,073,621</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,045,696	<u>\$1,045,698</u>	(\$2)	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$16,992	<u>\$16,992</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Restricted / Reserved:				Restricted / Reserved:			
4.03 Staff Development	\$0	<u>\$0</u>	<u>\$0</u>	4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>	4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>				
4.24 Operating Capital	\$0	<u>\$0</u>	<u>\$0</u>	<b>07 DEBT SERVICE</b>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>	Non Spendable:			
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>	Restricted / Reserved:			
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>	4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.72 Medical Assistance	\$476	<u>\$476</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
Restricted:							
4.64 Restricted Fund Balance	\$20,227	<u>\$20,227</u>	<u>\$0</u>	<b>20 INTERNAL SERVICE</b>			
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Committed:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>				
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	<b>25 OPEB REVOCABLE TRUST</b>			
Assigned:				Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.62 Assigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Unassigned:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance	\$276,845	<u>\$276,846</u>	(\$1)				
<b>02 FOOD SERVICES</b>				<b>45 OPEB IRREVOCABLE TRUST</b>			
Total Revenue	\$64,769	<u>\$64,770</u>	(\$1)	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$69,722	<u>\$69,723</u>	(\$1)	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
Non Spendable:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
Restricted / Reserved:				<b>47 OPEB DEBT SERVICE</b>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Restricted:				Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Non Spendable:			
Unassigned:				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>	Restricted:			
<b>04 COMMUNITY SERVICE</b>				4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
Total Revenue	\$96,955	<u>\$96,955</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$98,803	<u>\$98,803</u>	<u>\$0</u>	Unassigned:			
Non Spendable:				4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
Restricted / Reserved:							
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>				
4.31 Community Education	\$0	<u>\$0</u>	<u>\$0</u>				
4.32 E.C.F.E	\$0	<u>\$0</u>	<u>\$0</u>				
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>				
4.44 School Readiness	\$0	<u>\$0</u>	<u>\$0</u>				
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>				
Restricted:							
4.64 Restricted Fund Balance	\$10,610	<u>\$10,610</u>	<u>\$0</u>				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				