

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

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INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF SCHOOL BOARD MEMBERS AND OFFICIALS
JUNE 30, 2019**

<u>SCHOOL BOARD MEMBERS</u>		<u>TERM EXPIRES</u>
Carnie Allex	Chairperson	2020
Ryan Lippert	Vice-Chairperson	2022
Liza Fagen	Clerk	2020
Maria Kramer	Treasurer	2020
Darin Bratsch	Director	2022
Dale Negen	Director	2022
Todd Terhaar	Director	2020
 <u>SCHOOL OFFICIAL</u>		
Michelle Mortensen	Superintendent of Schools	



PLLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
Fax 537 0696

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 5 to the financial statements, in 2019, the District adopted new accounting guidance, GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements. The introductory section, other supplementary information, and the uniform financial accounting and reporting standards compliance table listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table is the responsibility of management and was derived from and relates 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 uniform financial accounting and reporting standards compliance table is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and other supplementary information have 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 them.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2018 financial statements, and our report, dated November 8, 2018, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, on our consideration of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and compliance.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 7, 2019

REQUIRED SUPPLEMENTAL INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

As management of Independent School District No. 2890, Renville County West, Renville, Minnesota, we offer readers of Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements this narrative overview and analysis of the financial activities of Independent School District No. 2890, Renville County West, Renville, Minnesota for the fiscal year ended June 30, 2019.

FINANCIAL HIGHLIGHTS

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

- Net position in the Statement of Net Position increased \$2,566,904 from the prior year to \$(350,050). This increase was primarily the result of favorable changes in estimated discount rates and other assumptions used by Teacher Retirement Association relating to the calculation of the District's proportion of the State's Net Pension Liability. These changes are amortized over the average expected remaining service life of all members (six years). The increase in net position was also due to a decrease in capital assets, the decrease in District debt due to the scheduled principal payments on long-term debt, and overall positive operations in the funds.
- The General Fund fund balance increased \$236,028 to \$3,784,571. The unassigned fund balance decreased \$1,029,070 to \$1,663,306. This large decrease is mainly due to changes in the restricted and assigned categories of the General Fund. Most of this change comes from moving \$1,585,580 out of unassigned fund balance into assigned fund balance for the classroom addition project mentioned in the next bullet point. The combined total of the assigned and unassigned fund balance in the General Fund amounts to 43.3% of annual budgeted expenditures which meets the District's fund balance goal of a minimum of 10% of operating budget.
- In October 2019, the District approved to build a classroom addition. The cost of the project is estimated at \$2,302,580, with a \$717,000 capital lease and \$1,585,580 being paid with existing District funds. The construction is slated to begin in November 2019 and be completed by Fall 2020.
- The District completed an addition to and remodel of the existing bus garage in fiscal year 2019. The project was paid for by the General Fund with a total cost of the project of approximately \$366,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section),
- Basic financial statements, notes to financial statements, and
- Other supplementary information and other required reports and information.

The basic financial statements include two kinds of statements that present different views of the District:

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-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 fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or "major" funds – rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has two kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focuses 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 less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.
- **Fiduciary funds** – The District is the trustee, or fiduciary, for various funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
NET POSITION**

The District's combined net position was (\$350,050) on June 30, 2019. This was an increase 88.0% from the previous year total of (\$2,916,954), mainly due to the District recognizing pension expense (recovered) of (\$1,418,332) in pension expense, and thus, reflected in total net position. A summary of the District's net position is as follows:

Net Position – Governmental Activities			Percentage Change
	<u>6/30/2019</u>	<u>6/30/2018</u>	
Current and Other Assets	\$ 6,918,833	\$ 6,391,572	
Capital Assets	13,165,740	13,178,508	
Total Assets	<u>20,084,573</u>	<u>19,570,080</u>	2.6%
Related to OPEB	199,106	155,988	
Related to Pensions	<u>5,170,099</u>	<u>6,874,820</u>	
Total Deferred Outflows of Resources	<u>5,369,205</u>	<u>7,030,808</u>	(23.6%)
Current Liabilities	894,664	1,036,132	
Noncurrent Liabilities	<u>15,833,359</u>	<u>24,303,613</u>	
Total Liabilities	<u>16,728,023</u>	<u>25,339,745</u>	(34.0%)
Property Taxes Levied for Subsequent Year's Expenditures	2,308,044	2,044,981	
Related to Pensions	<u>6,767,761</u>	<u>2,133,116</u>	
Total Deferred Inflows of Resources	<u>9,075,805</u>	<u>4,178,097</u>	117.2%
Invested in Capital Assets	3,279,210	2,767,434	
Restricted	775,623	585,396	
Unrestricted	<u>(4,404,883)</u>	<u>(6,269,784)</u>	
Total Net Position	<u>\$ (350,050)</u>	<u>\$ (2,916,954)</u>	88.0%

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
(Cont'd)**

CHANGE IN NET POSITION

The change in net position occurs as a result of revenue being greater than expenses for the year ended June 30, 2019, mainly due to the District recognizing pension expense (recovered) of (\$1,418,332) in pension expense. This pension expense (recovered) (as required by GASB Statement No. 68) is allocated among all programs of the District. A summary of the District's revenues and expenses is as follows:

Change in Net Position – Governmental Activities			Percentage Change
	<u>6/30/2019</u>	<u>6/30/2018</u>	
Revenues			
Program Revenues			
Charges for Services	\$ 222,236	\$ 245,477	
Operating Grants and Contributions	1,986,437	1,873,583	
Capital Grants and Contributions	18,084	21,870	
General Revenues			
Property Taxes	2,052,465	2,092,580	
Unallocated Federal and State Aid	4,619,135	4,403,749	
Other	<u>93,303</u>	<u>74,184</u>	
Total Revenues	<u>8,991,660</u>	<u>8,711,443</u>	3.2%
Expenses			
District and School Administration	434,386	708,629	
District Support Services	343,095	458,597	
Regular Instruction	2,348,173	4,914,874	
Vocational Instruction	60,558	128,149	
Exceptional Instruction	923,144	1,361,245	
Community Education and Services	118,060	169,862	
Instructional Support Services	85,475	58,326	
Pupil Support Services	841,333	965,743	
Site, Buildings and Equipment	643,424	674,061	
Fiscal and Other Fixed Cost Programs	38,451	36,282	
Interest on Long-Term Debt	250,798	324,691	
Depreciation – Unallocated	337,859	330,905	
Loss on the Disposal of Equipment	<u>-</u>	<u>9,112</u>	
Total Expenses	<u>6,424,756</u>	<u>10,140,476</u>	(36.6%)
Increase (Decrease) in Net Position	<u>2,566,904</u>	<u>(1,429,033)</u>	
Beginning of Year Net Position,			
As Originally Stated	(2,916,954)	227,259	
Prior Period Adjustment (GASB 75)	<u>-</u>	<u>(1,715,180)</u>	
Beginning Net Position, as Restated	<u>(2,916,954)</u>	<u>(1,487,921)</u>	
End of Year Net Position	<u>\$ (350,050)</u>	<u>\$ (2,916,954)</u>	88.0%

The District's total revenues consisted of program revenues of \$2,226,757, property taxes of \$2,052,465, unallocated federal and state aids of \$4,619,135 and a small amount from interest and miscellaneous other sources. Expenses totaling \$6,424,756 consisted primarily of student instructional costs of \$3,331,875, student support services of \$926,808, administration costs of \$777,481, site, buildings and equipment costs of \$643,424, community education services of \$118,060 and minor other amounts.

The cost of all governmental activities this year was \$6,424,756.

- The users of the District's programs paid for 3.5%, or \$222,236, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$2,004,521 or 31.2% of the total costs.
- Most of the District's net cost of services (\$4,197,999), however, were paid for by state taxpayers based on the statewide education aid formula and by District taxpayers.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)
FUND BALANCE**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,349,889. This was up from \$4,051,960 at the end of the prior year, an increase of \$297,929. The General Fund increase of \$236,028 is due to an increase in state aids resulting from an increase in enrollment and an increase in the per student general education aid formula, an increase in the tax levy and increase in interest income, partially offset by an increase in salary and benefit costs. The Food Service Fund had an increase of \$29,417 due to higher student counts and more participation in the breakfast and summer food programs along with decreased expenditures for salaries and food costs. The Community Service Fund increased \$5,258 mainly due to a transfer from the General Fund to match the pool fundraisers/donations, partially offset by negative operations. The Debt Service Fund increased \$27,226 due to the required debt levy and state aid being greater than debt payments.

REVENUES AND EXPENDITURES

Revenues and other financing sources of the District's governmental funds totaled \$9,215,722. This was an increase of 5.6% from the previous year total of \$8,724,670. Total expenditures and other financing uses were \$8,917,793. This was an increase of 3.8% from the previous year total of \$8,590,526. A summary of the revenues, expenditures, and other sources (uses) reported on the governmental financial statements is as follows:

Revenues and Expenditures – Governmental Funds

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 8,024,684	\$ 7,778,785	\$ (9,871)	\$ 236,028
Food Service Fund	332,578	303,161	-	29,417
Community Service Fund	137,007	141,749	10,000	5,258
Debt Service Fund	<u>711,324</u>	<u>684,098</u>	<u>-</u>	<u>27,226</u>
Totals	<u>\$ 9,205,593</u>	<u>\$ 8,907,793</u>	<u>\$ 129</u>	<u>\$ 297,929</u>

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade twelve. Pupil transportation activities, capital purchases and major maintenance projects are also included in the General Fund.

The following schedule presents a summary of General Fund revenues and other financing sources:

	<u>Year Ended 6/30/2019</u>	<u>Year Ended 6/30/2018</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Revenues – General Fund				
Local Sources				
Property Taxes	\$ 1,520,317	\$ 1,380,475	\$ 139,842	10.1%
Tuition Contracts	10,808	14,958	(4,150)	(27.7%)
Other Local Sources	219,648	210,056	9,592	4.6%
State Sources	6,021,470	5,638,277	383,193	6.8%
Federal Sources	<u>252,441</u>	<u>290,537</u>	<u>(38,096)</u>	<u>(13.1%)</u>
Total Revenues	8,024,684	7,534,303	490,381	6.5%
Other Financing Sources				
Proceeds from Sale of Equipment	<u>129</u>	<u>5,548</u>	<u>(5,419)</u>	<u>(97.7%)</u>
Total Revenues and Other Financing Sources	<u>\$ 8,024,813</u>	<u>\$ 7,539,851</u>	<u>\$ 484,962</u>	6.4%

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
GENERAL FUND (Cont'd)**

The following schedule presents a summary of General Fund expenditures:

Expenditures – General Fund				
	Year Ended <u>6/30/2019</u>	Year Ended <u>6/30/2018</u>	Amount of Increase <u>(Decrease)</u>	Percent Increase <u>(Decrease)</u>
Salaries and Wages	\$ 4,571,552	\$ 4,514,347	\$ 57,205	1.3%
Employee Benefits	1,287,781	1,165,012	122,769	10.5%
Purchased Services	845,047	814,222	30,825	3.8%
Supplies and Materials	285,801	307,223	(21,422)	(7.0%)
Other Expenditures	24,459	23,604	855	3.6%
Capital Expenditures	642,304	360,721	281,583	78.1%
Debt Service Expenditures	<u>121,841</u>	<u>121,841</u>	-	0.0%
Total Expenditures	<u>7,778,785</u>	<u>7,306,970</u>	<u>471,815</u>	<u>6.5%</u>
Other Financing Uses				
Transfer Out to Other Funds	<u>10,000</u>	<u>10,000</u>	-	0.0%
Total Expenditures and Other Financing Uses	<u>\$ 7,788,785</u>	<u>\$ 7,316,970</u>	<u>\$ 471,815</u>	<u>6.4%</u>

In summary, the 2018-2019 General Fund revenues and other financing sources exceeded expenditures and other financing uses by \$236,028 resulting in the total fund balance increasing to \$3,784,571 at June 30, 2019. After deducting statutory and accounting standards restrictions and fund balance policy assignments, the unassigned fund balance decreased \$1,029,070 to \$1,663,306 at June 30, 2019. The District closely monitors the General Fund unassigned fund balance through its budgeting process throughout the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year ended June 30, 2019 the District revised its operating budget once. This revision was planned, and was necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, salary details, staffing levels, and other significant information items were not yet known. This revision was made in April to reflect significant changes in enrollment data, state funding adjustments, and unforeseen changes in revenue and expenditure categories.

The District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$255,465; the actual results for the year showed a surplus of \$236,028.

- Actual revenues were \$382,113, or 5.0 percent, more than budget. This was due mainly to a change in student count being used for general education budgeting purposes and more special education students served than anticipated.
- Actual expenditures were \$109,380, or 1.4 percent, less than budget. This was mainly due to the District paying less than expected for exceptional instruction wages due to snow days and unpaid days partly offset by wage increases and less than expected for purchased services for pupil support services and various other small positive variances, partially offset by more spent than expected for site, buildings, and equipment.

FOOD SERVICE FUND

The Food Service Fund revenue for 2018-2019 totaled \$332,578 and expenditures were \$303,161, resulting in a fund balance increase of \$29,417. The Food Service Fund increased due to increased student counts and participation in the breakfast and summer food programs along with decreased expenditures for salaries, food costs, and equipment. The June 30, 2019 Food Service Fund fund balance is \$55,276.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
COMMUNITY SERVICE FUND**

In 2018-2019, the total revenues and other financing sources for the Community Service Fund were \$147,007 and total expenditures were \$141,749, resulting in a fund balance increase of \$5,258. This is mainly due to a transfer from the General Fund for a donation for future pool operations, partially offset by negative operations from an increase in purchased services and supplies. The Community Service Fund fund balance as of June 30, 2019 is \$50,122.

DEBT SERVICE

In 2018-2019, total revenues were \$711,324 and total expenditures were \$684,098. This resulted in a total fund balance increase of \$27,226. The fund balance at June 30, 2019 is \$459,920.

TRUST FUND

The Trust Fund additions exceeded deductions by \$301 in 2018-2019. The net position of \$44,155 at June 30, 2019 is available for scholarships.

**CAPITAL ASSET AND DEBT ADMINISTRATION
CAPITAL ASSETS**

As of June 30, 2019, the District had net capital assets of \$13,165,740 representing a broad range of capital assets, including school buildings and improvements, computer and audio-visual equipment, and various other equipment for instructional support and administrative purposes. Total depreciation expense for the year was \$461,860. Information about the District's capital assets is shown below. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

	Capital Assets		Percentage
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
Land	\$ 10,350	\$ 10,350	0.0%
Construction in Progress	-	54,961	(100.0%)
Buildings and Improvements	17,108,644	16,742,641	2.2%
Equipment and Vehicles	1,769,915	1,700,231	4.1%
Less Accumulated Depreciation	<u>(5,723,169)</u>	<u>(5,329,675)</u>	7.4%
Net Capital Assets	<u>\$13,165,740</u>	<u>\$13,178,508</u>	(0.1%)

DEBT ADMINISTRATION

At year-end, the District had \$9,010,000 in general obligation bonds outstanding. The District also had various other long-term liabilities as detailed in Note 5 to the financial statements.

- The District continues to pay its scheduled debt payments, retiring \$522,893 of bonds and capital leases in the year ending June 30, 2019.

	Outstanding Debt		Percentage
	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>Change</u>
General Obligation Bonds	\$ 9,010,000	\$ 9,445,000	(4.6%)
Capital Lease Obligations	<u>860,374</u>	<u>948,267</u>	(9.3%)
Total	<u>\$ 9,870,374</u>	<u>\$ 10,393,267</u>	(5.0%)

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

FACTORS BEARING ON THE DISTRICT'S FUTURE

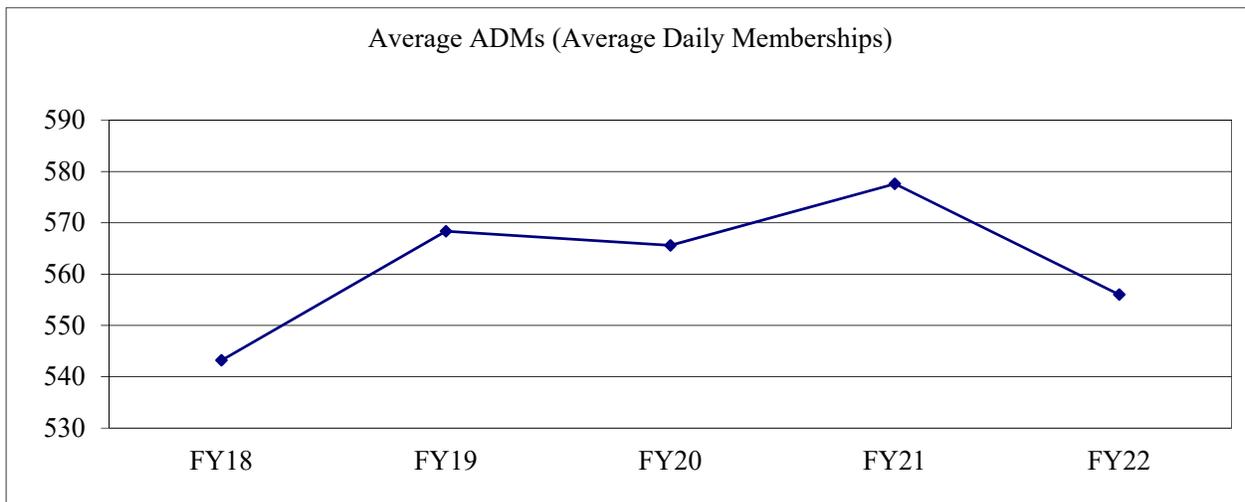
The Legislature approved foundation formula increases for both the 2019-2020 and 2020-2021 fiscal years. This has a very positive effect for school district operations and maintaining a balanced budget. Along with this, long-term facilities maintenance revenue was approved in the 2015 Legislature Session, began in 2016-2017, and will increase per pupil unit each year. This has a significant, positive effect for the District as the District has been working to maintain the facilities in the District. Economic conditions in Minnesota continue to get better and the Legislature will continue to have more options available to them in providing programs and support for K-12 education.

The District is a recipient of the funding for universal pre-school for all four-year old's beginning with the 2017-2018 fiscal year and now through the 2020-2021 fiscal year. This is bringing a significant change for school districts in Minnesota that were awarded grants. Continuation of the VPK program after 2020-2021 is still uncertain. The District also received significant funding for Pathways II beginning in 2017-2018, extended through 2020-2021. This has also brought significant revenue to the District.

On August 8, 2016 the District's voters supported renewing the expiring referendum revenue authorization of the District in the amount of \$1,558 per adjusted pupil unit which was scheduled to expire after taxes payable in 2016. This referendum is in effect for 10 years.

The majority of labor contracts are in effect for two-year periods. The contract with District certified teachers is in effect for the two-year period ending June 30, 2021. The contracts with other District personnel are currently in negotiations. The District tries to be fair with staff during the negotiations process, but always needs to balance that approach with the availability of resources, along with looking at the long-term financial well-being of the District. Negotiated settlements are always an area of financial challenge for the District. Labor costs and related benefits account for approximately 75% of the District's General Fund operating expenditures.

The District's future projections reflect an overall increase in enrollment. This impacts the District's funding since enrollment is what actually determines most of a school's funding components. Hence, if there was an increase in enrollment the District could anticipate an increase in revenues even if there were no increases to the formulas. Maintaining stability of the District's enrollment continues to be one of the District's goals. The District has experienced an increase in PreK and Kindergarten students, while graduating smaller classes. With the uncertainty that the Voluntary Pre-Kindergarten program will continue to be funded by the state, the District has taken the conservative approach to not include those numbers in its ADM's for FY22. This is the reason you will see a decline in FY22.



In October 2019, the District approved to build a classroom addition. The cost of the project is estimated at \$2,302,580, with a \$717,000 capital lease and \$1,585,580 being paid with existing District funds. The construction is slated to begin in November 2019 and be completed by Fall 2020.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the Business Office, Independent School District No. 2890, Renville County West, 301 NE 3rd St, Renville, MN 56284, visit the District website at rew.k12.mn.us, or call (320) 329-8362.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF NET POSITION
 JUNE 30, 2019
 (with Partial Comparative Information as of June 30, 2018)

	Governmental Activities	
	2019	2018
ASSETS		
Current Assets:		
Cash and Investments	\$ 4,583,209	\$ 4,381,985
Property Taxes Receivable-Net	1,334,827	1,202,940
Accounts and Interest Receivable	23,243	6,769
Due From State of Minnesota	718,356	672,625
Due From Federal Government	140,302	33,305
Due From Other Minnesota Districts	113,958	92,733
Inventory	4,938	1,215
Total Current Assets	6,918,833	6,391,572
Noncurrent Assets:		
Capital Assets:		
Land	10,350	10,350
Construction in Progress	-	54,961
Other Capital Assets, Net of Depreciation	13,155,390	13,113,197
Total Noncurrent Assets	13,165,740	13,178,508
TOTAL ASSETS	20,084,573	19,570,080
DEFERRED OUTFLOWS OF RESOURCES		
Related to OPEB	199,106	155,988
Related to Pensions	5,170,099	6,874,820
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,369,205	7,030,808
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 25,453,778	\$ 26,600,888
LIABILITIES		
Current Liabilities:		
Salaries Payable	\$ 17,601	\$ 24,247
Accounts and Interest Payable	188,259	270,969
Due to Other Governmental Units	5,200	6,015
Payroll Liabilities	70,468	62,437
Unearned Revenue	70,838	56,510
Current Portion of Long-Term Liabilities	542,298	615,954
Total Current Liabilities	894,664	1,036,132
Noncurrent Liabilities:		
Net Pension Liability	4,619,057	12,505,664
Total OPEB Liability	1,649,934	1,689,815
Noncurrent Portion of Long-Term Liabilities	9,564,368	10,108,134
Total Noncurrent Liabilities	15,833,359	24,303,613
TOTAL LIABILITIES	16,728,023	25,339,745
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year's Expenditures	2,308,044	2,044,981
Related to Pensions	6,767,761	2,133,116
TOTAL DEFERRED INFLOWS OF RESOURCES	9,075,805	4,178,097
NET POSITION		
Net Investment in Capital Assets	3,279,210	2,767,434
Restricted For:		
Capital Asset Acquisition	168,752	176,796
Debt Service	295,161	236,878
Food Service	55,276	25,859
Community Service	57,960	54,986
Other Activities	198,474	90,877
Unrestricted	(4,404,883)	(6,269,784)
TOTAL NET POSITION	(350,050)	(2,916,954)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 25,453,778	\$ 26,600,888

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019
(with Partial Comparative Information as of June 30, 2018)**

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2019	2018
ASSETS						
Cash and Investments	\$ 3,753,849	\$ 32,936	\$ 116,795	\$ 679,629	\$ 4,583,209	\$ 4,381,985
Current Property Taxes Receivable	843,101	-	26,319	440,551	1,309,971	1,186,131
Delinquent Property Taxes Receivable	20,957	-	659	3,240	24,856	16,809
Accounts and Interest Receivable	10,793	11,042	1,408	-	23,243	6,769
Due From State of Minnesota	689,125	-	4,128	25,103	718,356	672,625
Due From Federal Government	125,805	14,497	-	-	140,302	33,305
Due From Other Minnesota Districts	113,958	-	-	-	113,958	92,733
Inventory	-	4,938	-	-	4,938	1,215
TOTAL ASSETS	\$ 5,557,588	\$ 63,413	\$ 149,309	\$ 1,148,523	\$ 6,918,833	\$ 6,391,572
LIABILITIES						
Salaries Payable	\$ 12,133	\$ 844	\$ 4,624	\$ -	\$ 17,601	\$ 24,247
Accounts Payable	63,105	1,759	7,073	-	71,937	128,613
Due to Other Governmental Units	5,200	-	-	-	5,200	6,015
Payroll Liabilities	70,468	-	-	-	70,468	62,437
Unearned Revenue	34,000	5,534	31,304	-	70,838	56,510
TOTAL LIABILITIES	184,906	8,137	43,001	-	236,044	277,822
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Delinquent Property Taxes	20,957	-	659	3,240	24,856	16,809
Property Tax Levied for Subsequent Year's Expenditures	1,567,154	-	55,527	685,363	2,308,044	2,044,981
TOTAL DEFERRED INFLOWS OF RESOURCES	1,588,111	-	56,186	688,603	2,332,900	2,061,790
FUND BALANCES						
Nonspendable Fund Balance	-	4,938	-	-	4,938	1,215
Restricted Fund Balances	367,226	50,338	50,122	459,920	927,606	748,110
Assigned Fund Balances	1,754,039	-	-	-	1,754,039	610,259
Unassigned Fund Balances	1,663,306	-	-	-	1,663,306	2,692,376
TOTAL FUND BALANCES	3,784,571	55,276	50,122	459,920	4,349,889	4,051,960
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,557,588	\$ 63,413	\$ 149,309	\$ 1,148,523	\$ 6,918,833	\$ 6,391,572

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2019
(with Partial Comparative Information as of June 30, 2018)

	2019	2018
Total Fund Balances for Governmental Funds	\$ 4,349,889	\$ 4,051,960
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:</p>		
Land	10,350	10,350
Construction in Progress	-	54,961
Other Capital Assets, Net of \$5,723,169 of Accumulated Depreciation	13,155,390	13,113,197
<p>Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue in the funds.</p>		
	24,856	16,809
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(116,322)	(142,356)
<p>Deferred outflows and inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred Outflows of Resources Related to Pensions	5,170,099	6,874,820
Deferred Outflows of Resources Related to OPEB	199,106	155,988
Deferred Inflows of Resources Related to Pensions	(6,767,761)	(2,133,116)
<p>Long-term liabilities, including bonds payable and unamortized bond premium, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Bonds Payable	(9,010,000)	(9,445,000)
Lease Purchase Agreements	(860,374)	(948,267)
Other Post Employment Benefits Payable	(1,649,934)	(1,689,815)
Severance Benefits Payable	(168,459)	(256,774)
Pension Benefits Payable	(4,619,057)	(12,505,664)
Unamortized Bond Premiums	(67,833)	(74,047)
Total Net Position of Governmental Activities	\$ (350,050)	\$ (2,916,954)

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Partial Comparative Information for the Year Ended June 30, 2018)

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2019	2018
REVENUES						
Local Property Tax Levies	\$ 1,520,317		\$ 44,707	\$ 449,846	\$ 2,014,870	\$ 2,091,639
Other Local and County Revenues	229,507	\$ 672	61,521	10,448	302,148	287,107
Revenue From State Sources	6,021,470	23,205	30,779	251,030	6,326,484	5,725,214
Revenue From Federal Sources	252,441	206,046	-	-	458,487	490,952
Sales and Other Conversion of Assets	949	102,655	-	-	103,604	114,210
TOTAL REVENUES	8,024,684	332,578	137,007	711,324	9,205,593	8,709,122
EXPENDITURES						
Current:						
District and School Administration	601,181	-	-	-	601,181	560,287
District Support Services	345,155	-	-	-	345,155	404,084
Regular Instruction	3,611,305	-	-	-	3,611,305	3,497,523
Vocational Instruction	99,366	-	-	-	99,366	90,353
Exceptional Instruction	1,173,601	-	-	-	1,173,601	1,125,430
Community Education and Services	-	-	141,749	-	141,749	146,238
Instructional Support Services	86,390	-	-	-	86,390	57,506
Pupil Support Services	487,673	298,199	-	-	785,872	805,429
Site, Buildings and Equipment	571,518	-	-	-	571,518	562,627
Fiscal and Other Fixed Cost Programs	38,451	-	-	-	38,451	36,282
Capital Outlay:	642,304	4,962	-	-	647,266	500,528
Debt Service:						
Principal	87,893	-	-	435,000	522,893	499,819
Interest	33,948	-	-	249,098	283,046	294,420
TOTAL EXPENDITURES	7,778,785	303,161	141,749	684,098	8,907,793	8,580,526
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	245,899	29,417	(4,742)	27,226	297,800	128,596
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Equipment	129	-	-	-	129	5,548
Operating Transfers In (Out)	(10,000)	-	10,000	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,871)	-	10,000	-	129	5,548
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	236,028	29,417	5,258	27,226	297,929	134,144
FUND BALANCE BEGINNING OF YEAR	3,548,543	25,859	44,864	432,694	4,051,960	3,917,816
FUND BALANCE END OF YEAR	\$ 3,784,571	\$ 55,276	\$ 50,122	\$ 459,920	\$ 4,349,889	\$ 4,051,960

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019
(with Partial Comparative Information for the Year Ended June 30, 2018)**

	2019	2018
Total Net Change in Fund Balances - Governmental Funds	\$ 297,929	\$ 134,144
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceed depreciation expense in the period.		
Capital Outlays	474,347	244,933
Depreciation Expense	(461,860)	(458,632)
Proceeds from the sale/trade of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.	(25,255)	(14,660)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Position. In the current period these amounts consist of:		
Repayment of Bond Principal	435,000	415,000
Repayment of Capital Lease Principal	87,893	84,819
Interest on long-term debt 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. In addition, the amortization of bond premium decreases interest expense in the Statement of Activities.	32,248	(30,271)
Property taxes that will not be collected for several months after the District's fiscal year end are not considered available revenues in the governmental funds, and are instead considered unavailable tax revenues. They are, however, recorded as revenues in the Statement of Activities.	8,047	(18,855)
In the Statement of Activities, other post employment benefits are measured by the amounts actuarially accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of actual or implicit resources used.	82,999	40,269
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
State Aid Related to Pension Expense	(222,822)	21,176
Pension Expense	1,770,063	(1,794,005)
In the Statement of Activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	88,315	(52,951)
Change in Net Position of Governmental Activities	\$ 2,566,904	\$ (1,429,033)

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2019
(with Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>Private-Purpose Trust Fund</u>		<u>Agency Fund</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
ASSETS				
Cash and Investments	\$ 49,155	\$ 43,854	\$ 3,698	\$ 3,698
TOTAL ASSETS	<u>49,155</u>	<u>43,854</u>	<u>\$ 3,698</u>	<u>\$ 3,698</u>
LIABILITIES				
Scholarships Payable	5,000	-	\$ -	\$ -
Amounts Held in Trust for Others	<u>-</u>	<u>-</u>	<u>3,698</u>	<u>3,698</u>
TOTAL LIABILITIES	<u>5,000</u>	<u>-</u>	<u>\$ 3,698</u>	<u>\$ 3,698</u>
NET POSITION HELD IN TRUST FOR SCHOLARSHIPS	<u>\$ 44,155</u>	<u>\$ 43,854</u>		

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019
(with Comparative Actual Amounts for the Year Ended June 30, 2018)**

	Private-Purpose Trust Fund	
	2019	2018
ADDITIONS:		
Gifts and Bequests	\$ 10,000	\$ -
Investment Income:		
Interest	801	379
TOTAL ADDITIONS	10,801	379
DEDUCTIONS:		
Scholarship Awarded	10,500	500
TOTAL DEDUCTIONS	10,500	500
NET INCREASE (DECREASE)	301	(121)
NET POSITION BEGINNING OF YEAR	43,854	43,975
NET POSITION END OF YEAR	\$ 44,155	\$ 43,854

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

B. FINANCIAL REPORTING ENTITY

Independent School District No. 2890, Renville County West, Renville, Minnesota (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

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

C. BASIC FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. BASIC FINANCIAL STATEMENT PRESENTATION (Cont'd)

Separate fund financial statements are provided for governmental funds and fiduciary funds. Since the resources in the fiduciary fund cannot be used for District operations, they are not included in the government-wide statements. 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 district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

1. Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
2. Recording of Expenditures – Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the period in which they are incurred and become measurable.

Description of Funds

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

Governmental Funds

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

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Governmental Funds (Cont'd)

Food Service Fund – The Food Service Fund is used to account for food service revenues and expenditures.

Community Service Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services.

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

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for assets held by the District in a fiduciary capacity. Major sources of revenue include gifts, donations, and interest income. Expenditures are allowed for any purpose for which the original trust was created.

Agency Fund – The Agency Fund is used to account for assets held by the District in a fiduciary capacity as a fiscal agent for another organization. Revenues and expenditures are not reported in this fund.

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the General Fund and Debt Service Fund are major funds by definition, the District has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

E. BUDGETING

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

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent 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 School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are generally not recorded.

F. CASH AND INVESTMENTS

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Investments are reported at fair value.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. CASH AND INVESTMENTS (Cont'd)

Cash and investments at June 30, 2019 are comprised of deposits, certificates of deposit, and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and Minnesota Trust Investment. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The District has formal policies in place as of June 30, 2019 to address custodial credit risk for deposits. The District does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk for investments.

G. ACCOUNTS RECEIVABLES

Accounts receivable represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable, which are generally immaterial.

H. INVENTORIES

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

I. PREPAYMENTS

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.

J. PROPERTY TAXES

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Auditor/Treasurer and tax settlements are made to the District periodically throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2019 is recorded as a deferred inflow of resources (property tax levied for subsequent year's expenditures).

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

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RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. CAPITAL ASSETS

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

Capital assets are recorded in the government-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

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

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts will be deferred and amortized over the life of the bonds using the straight-line method. Bonds payable will be reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Principal payments are reported as debt service expenditures.

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

N. DEFERRED INFLOWS OF RESOURCES

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

O. DEFINED BENEFIT PENSION PLANS

The District recognized total pension expense (recovered) of \$(1,418,332) for the following statewide pension plans in which it participates.

Teachers Retirement Association

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

O. DEFINED BENEFIT PENSION PLANS (Cont'd)

Teachers Retirement Association (Cont'd)

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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 in 2015.

Public Employees Retirement Association

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. 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.

P. ACCRUED EMPLOYEE BENEFITS

Vacation Pay

Non-certified full-time employees are annually granted one to four weeks vacation depending on years of service; one week after one year, two weeks for between two and five years of service, three weeks between six and twelve years of service, and four weeks after thirteen years of service. Certified employees are not granted vacations.

Sick Pay

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of severance pay upon termination.

Severance Pay

The District has an early retirement plan for full time teachers, confidential employees and principals who have completed at least fifteen years of continuous full time service and are at least fifty-five years of age.

At June 30, 2019, a liability for severance pay totaling \$168,459 is included in long-term debt in the Statement of Net Position as described in Note 5.

The District also offers health insurance to teachers and principals who are at least fifty-five years old and have served the District for at least ten years at retirement. The health insurance for qualifying retirees will continue until they reach the age of sixty-five.

Matching Deferred Annuity Program

Matched deferred compensation is available to various groups of employees who are regularly employed at the District. The District will match the annual employee's contribution, based on years of service, to an approved 403(b) annuity as outlined in the master agreements of the various groups.

Q. RISK MANAGEMENT

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

There has been no significant reduction in insurance coverage from the previous year in any of the District's policies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

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RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. FUND BALANCE

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable – consists of amounts that cannot be spent because it is not in spendable form, such as inventory items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board itself or by an official to which the School Board delegates the authority. Pursuant to School Board resolution, the Finance Coordinator is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the School Board.

The District has formally adopted a fund balance policy. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 10% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned and unassigned fund balances.

S. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in the government-wide and fiduciary financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. All other net position items that do not meet the definition of "net investment in capital assets" or "restricted" are reported as unrestricted.

T. USE OF ESTIMATES

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

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

U. RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The total amount of the District's prior year fund balance did not change due to these reclassifications.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

At June 30, 2019, the District had no funds with negative fund balances.

3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk: For deposits, is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2019, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

B. INVESTMENTS

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments were not exposed to interest rate risk at June 30, 2019.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments were not exposed to credit risk at June 30, 2019.

Concentration of Credit Risk: Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no formal investment policy that places limits on the amount the District may invest in any one issuer. More than 5% of the District's investments are in MSDLAF, Minnesota Trust Investment Shares, and Minnesota Trust Term Series.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments were not exposed to custodial credit risk at June 30, 2019.

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

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	
Pooled Cash and Investments:				
Money Market Funds	N/A	N/A	19.8%	\$ 916,999
Minnesota Trust Investment Shares	N/A	N/A	36.7	1,701,617
Minnesota Trust Term Series	N/A	0.83 Months	27.0	1,250,000
Certificates of Deposit	N/A	4.76 Months	11.5	533,116
Checking Account	N/A	N/A	5.0	232,330
Petty Cash	N/A	N/A	0.0	<u>2,000</u>
Total Cash and Investments			100.0%	<u>\$ 4,636,062</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

Cash and Investments are presented in the June 30, 2019 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments \$ 4,583,209

Statement of Fiduciary Net Position:

Cash and Investments (Private-Purpose Trust Fund) 49,155

Cash and Investments (Agency Fund) 3,698

Total Cash and Investments \$ 4,636,062

C. FAIR VALUE MEASUREMENT

The District's cash and investments consist of checking accounts, petty cash, certificates of deposit, and shares in Minnesota's pooled investment accounts, none of which is subject to fair value measurement under GASB Statement No. 72.

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 10,350			\$ 10,350
Construction in Progress	<u>54,961</u>	\$ <u>311,042</u>	\$ <u>366,003</u>	<u>-</u>
Total Capital Assets, Not Being Depreciated	<u>65,311</u>	<u>311,042</u>	<u>366,003</u>	<u>10,350</u>
Capital Assets, Being Depreciated				
Land Improvements	552,562	-	-	552,562
Buildings and Improvements	16,190,079	366,003	-	16,556,082
Equipment and Transportation Vehicles	<u>1,700,231</u>	<u>163,305</u>	<u>93,621</u>	<u>1,769,915</u>
Total Capital Assets, Being Depreciated	<u>18,442,872</u>	<u>529,308</u>	<u>93,621</u>	<u>18,878,559</u>
Accumulated Depreciation for:				
Land Improvements	379,780	10,904	-	390,684
Buildings and Improvements	3,905,997	325,191	-	4,231,188
Equipment and Transportation Vehicles	<u>1,043,898</u>	<u>125,765</u>	<u>68,366</u>	<u>1,101,297</u>
Total Accumulated Depreciation	<u>5,329,675</u>	<u>461,860</u>	<u>68,366</u>	<u>5,723,169</u>
Total Capital Assets, Being Depreciated, Net	<u>13,113,197</u>	<u>67,448</u>	<u>25,255</u>	<u>13,155,390</u>
Governmental Activities Capital Assets, Net	<u>\$13,178,508</u>	<u>\$ 378,490</u>	<u>\$ 391,258</u>	<u>\$ 13,165,740</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

4. CAPITAL ASSETS (Cont'd)

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

Governmental Activities		
District and School Administration	\$	314
District Support Services		4,204
Regular Instruction		11,706
Vocational Instruction		303
Exceptional Instruction		258
Community Education and Services		860
Pupil Support Services		92,196
Site, Buildings and Equipment		14,160
Unallocated		<u>337,859</u>
Total Depreciation Expense, Governmental Activities	\$	<u>461,860</u>

5. LONG-TERM LIABILITIES

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in the current fiscal year. The primary objective of this Statement is to improve the information that is disclosed in the notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

A. DESCRIPTION OF LONG-TERM DEBT

Under the provisions of Minnesota Statute §475.53 subd. 4, the District's net debt may not exceed 15% of the estimated market value of all taxable property within the District. The District is in compliance with this provision.

Long-term debt is comprised of the following as of June 30, 2019:

Issue	Interest Rate	Original Amount	Maturity Date	Debt Outstanding
Alternative Facilities Bonds, Series 2012A	2.00 – 3.00%	\$6,120,000	2032	\$ 4,115,000
General Obligation School Building Bonds, Series 2015A	2.00 – 3.00%	5,360,000	2035	4,895,000
Capital Lease Payable	4.47%	620,202	2026	380,962
Capital Lease Payable	2.94%	774,000	2027	<u>479,412</u>
Total Outstanding Long-Term Debt				<u>\$ 9,870,374</u>

General Obligation Bonds

On May 24, 2012, the District issued \$6,120,000 of General Obligation Alternative Facilities Bonds, Series 2012A. The proceeds of this bond issue were used for ventilation, air handling and indoor air quality improvements to the existing facility. The District will levy property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2018-2019 was \$111,060.

On March 18, 2015, the District issued \$5,360,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of this bond issue were used for construction of new classrooms, weight room, and gymnasium. The District will levy property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2018-2019 was \$138,038.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. LONG-TERM LIABILITIES (Cont'd)

A. DESCRIPTION OF LONG-TERM DEBT (Cont'd)

Capital Lease Obligations

On September 23, 2011, the District entered into a fifteen-year lease agreement for \$620,202 with Green Campus Partners, LLC. The lease calls for fifteen annual payments of \$57,687 including principal and interest at a rate of 4.47%. The lease proceeds were used to make improvements to the school building and will be paid for from regular General Fund revenues. The total cost of the building improvements was \$620,202. Total accumulated depreciation on this asset was \$93,030 at June 30, 2019. Interest paid in 2018-2019 was \$18,769.

On October 9, 2012, the District entered into a fifteen-year lease agreement for \$774,000 with Kinetic Leasing, Inc. The lease calls for thirty semi-annual payments of \$32,077 including principal and interest at a rate of 2.94%. The lease proceeds were used for the new classroom building addition facility and will be paid for from regular General Fund revenues. The total cost of the new building was \$774,000. Total accumulated depreciation on this asset was \$100,638 at June 30, 2019. Interest paid in 2018-2019 was \$15,179.

These assets serve as collateral for the related capital lease and are being depreciated using a straight-line method over the life of the asset.

B. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments to retire general obligation bonds payable are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 445,000	\$ 240,398
2021	450,000	231,498
2022	460,000	222,497
2023	470,000	213,297
2024	480,000	203,898
2025 – 2029	2,670,000	840,265
2030 – 2034	3,310,000	412,200
2035	<u>725,000</u>	<u>21,750</u>
	<u>\$ 9,010,000</u>	<u>\$ 2,385,803</u>

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

Year Ending June 30	Building Improvements
	<u>Principal</u>
2020	\$ 121,841
2021	121,841
2022	121,841
2023	121,841
2024	121,841
2025-2027	<u>397,598</u>
Net Minimum Lease Payments	1,006,803
Less Amount Representing Interest	<u>(146,429)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 860,374</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

5. LONG-TERM LIABILITIES (Cont'd)

C. CHANGES IN LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2019 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Alternative Facilities Bonds,					
Series 2012A	\$ 4,385,000		\$ 270,000	\$ 4,115,000	\$ 275,000
General Obligation School					
Building Bonds, Series 2015A	5,060,000		165,000	4,895,000	170,000
Capital Lease Payable	419,880		38,918	380,962	40,658
Capital Lease Payable	528,387		48,975	479,412	50,426
Severance Pay Payable	256,774	\$ 29,493	117,808	168,459	-
Unamortized Premiums	74,047	-	6,214	67,833	6,214
	<u>\$10,724,088</u>	<u>\$ 29,493</u>	<u>\$ 646,915</u>	<u>\$10,106,666</u>	<u>\$ 542,298</u>

6. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District follows Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

A. GENERAL INFORMATION ABOUT THE OPEB PLAN

1. Plan Description

The District's defined benefit OPEB plan, Independent School District No. 2890, Renville County West, Renville, Minnesota's retirees' health insurance plan (the Plan), provides OPEB for certain retired employees of the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period.

No assets are accumulated in a trust that meets the criteria in Paragraph four of GASB Statement No. 75. OPEB benefits have historically been funded on a pay-as-you-go basis. For fiscal year 2019, the District paid benefits of \$199,106 from the General Fund.

2. Benefits Provided

The District provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. Minnesota Statute 471.61 subd 2b requires that government entities allow active employees who retire from the District when eligible to receive a retirement benefit from the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA) and do not participate in any other health benefits program providing similar coverage, continued coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retiree and District responsibility as to amount of premium covered are dependent upon employee classification at retirement. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

3. Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	10
Active employees	<u>98</u>
	<u><u>108</u></u>

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6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Cont'd)

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$1,649,934 was measured as of July 1, 2018, and was determined by an actuarial valuation as July 1, 2017. The "entry age with level percentage of pay" actuarial cost method as prescribed by GASB Statement No. 75 was used to roll forward the total OPEB liability to the measurement date of July 1, 2018.

1. Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.00%, average, including inflation
Discount rate	3.40%
Healthcare cost trend rate	6.25% in 2018 grading to 5.00% over 5 years

The discount rate was based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates were based on the RP-2014 White Collar Mortality Tables adjusted to 2006 with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2017 valuation (July 1, 2018 measurement) were made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. Assumptions were based on various rationale that included a variety of published sources of historical and projected future financial data and various studies or experience studies. The retirement and withdrawal assumptions used were similar to those used to value pension liabilities for Minnesota School District employees. The state pension plans used the most recent experience studies completed in 2015. The full list of assumptions and rationale are included in the District's OPEB plan report, which may be obtained by writing or calling the District.

C. CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balance at July 1, 2017 (reporting date June 30, 2018)	\$ <u>1,689,815</u>
Changes for the year:	
Service cost	59,268
Interest	56,839
Benefit payments	<u>(155,988)</u>
Net changes	<u>(39,881)</u>
Balance at July 1, 2018 (reporting date June 30, 2019)	\$ <u>1,649,934</u>

Changes in the benefit terms since the prior measurement date:

- None

Changes in actuarial assumptions since the prior measurement date:

- None

1. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

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6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Cont'd)

C. CHANGES IN THE TOTAL OPEB LIABILITY (Cont'd)

1. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate (Cont'd)

Total OPEB Liability		
1 percent decrease	Current	1 percent increase
(2.40%)	(3.40%)	(4.40%)
\$1,712,210	\$1,649,934	\$1,588,433

2. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Total OPEB Liability		
1 percent decrease	Current	1 percent increase
(5.25%	(6.25%	(7.25%
decreasing	decreasing	decreasing
to 4.00%	to 5.00%	to 6.00%
over 5 years)	over 5 years)	over 5 years)
\$1,575,598	\$1,649,934	\$1,734,210

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2019, the District recognized OPEB expense of \$116,107. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions or other inputs	-	-
Benefits paid subsequent to the measurement date	<u>199,106</u>	<u>-</u>
Total	<u>\$ 199,106</u>	<u>\$ -</u>

\$199,106 reported as deferred outflows of resources related to OPEB resulting from District benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	OPEB Expense Amount
2020	\$ -
2021	\$ -
2022	\$ -
2023	\$ -
2024	\$ -
Thereafter	\$ -

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7. FUND BALANCE CLASSIFICATION

At June 30, 2019, a summary of the governmental fund balance classifications is as follows:

	General Fund	Food Service Fund	Community Service Fund	Debt Service Fund	Total
Nonspendable:					
Inventory	\$ -	\$ 4,938	\$ -	\$ -	\$ 4,938
	<u>-</u>	<u>4,938</u>	<u>-</u>	<u>-</u>	<u>4,938</u>
Restricted for:					
Safe Schools – Crime	24,063	-	-	-	24,063
Operating Capital	168,752	-	-	-	168,752
Long-Term Facilities Maintenance	99,235	-	-	-	99,235
Staff Development	52,590	-	-	-	52,590
Basic Skills Extended Time	21,511	-	-	-	21,511
Medical Assistance	1,075	-	-	-	1,075
Food Service	-	50,338	-	-	50,338
Community Education	-	-	(7,179)	-	(7,179)
Community Service	-	-	13,935	-	13,935
Early Childhood Family Education	-	-	26,444	-	26,444
School Readiness	-	-	16,922	-	16,922
Debt Service	-	-	-	459,920	459,920
	<u>367,226</u>	<u>50,338</u>	<u>50,122</u>	<u>459,920</u>	<u>927,606</u>
Assigned for:					
Classroom Addition	1,585,580	-	-	-	1,585,580
Separation/Retirement Benefits	168,459	-	-	-	168,459
	<u>1,754,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,754,039</u>
Unassigned:					
	<u>1,663,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,663,306</u>
Total Fund Balance:	<u>\$ 3,784,571</u>	<u>\$ 55,276</u>	<u>\$ 50,122</u>	<u>\$ 459,920</u>	<u>\$ 4,349,889</u>

The District is reporting a negative restricted fund balance in Community Education at June 30, 2019. Minnesota Statutes require the District to report a deficit in the restricted fund balance, when applicable, in order to permit the statutory revenue formula calculations. This deficit will be offset with future operating tax levies.

8. PENSION PLANS

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

A. TEACHERS RETIREMENT ASSOCIATION

1. Plan Description

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

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided

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

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

Tier I:	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1 st ten years of service	2.20% per year
	All years after	2.70% per year
Coordinated	1 st ten years if service years are up to July 1, 2006	1.20% per year
	1 st ten years if service years are July 1, 2006 or after	1.40% per year
	All other years of service if service years are up to July 1, 2006	1.70% per year
	All other years of service if service years are July 1, 2006 or after	1.90% per year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.00% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II: For years of service prior to July 1, 2006, a level formula of 1.70% per year for coordinated members and 2.70% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90% per year for Coordinated members and 2.70% per year 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 benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

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

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

3. Contribution Rate

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

	June 30, 2017		June 30, 2018		June 30, 2019	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.50%	11.00%	11.71%
Coordinated	7.50%	7.50%	7.50%	7.50%	7.50%	7.71%

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

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.

The District's contributions to the TRA plan for the year ended June 30, 2019, were \$240,814. The District's contributions were equal to the required contributions as set by state statute.

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation Date	July 1, 2018
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% for 10 years and 3.25%, thereafter
Projected Salary increase	2.85 – 8.85% for 10 years and 3.25 – 9.25%, thereafter
Cost of Living Adjustment	1.00% for January 2019 through January 2023, then increasing 0.10% each year up to 1.50% annually

Mortality Assumptions

Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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

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

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8. PENSION PLANS (Cont'd)
A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)
4. Actuarial Assumptions (Cont'd)

Asset Class	Allocation as of June 30, 2018	Final Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.00%	36.00%	5.10%
International Equity	16.00%	17.00%	5.30%
Private Markets	25.00%	25.00%	5.90%
Fixed Income	16.00%	20.00%	0.75%
Treasuries	8.00%	0.00%	0.50%
Unallocated Cash	2.00%	2.00%	0.00%
Total	<u>100.00%</u>	<u>100.00%</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2018 is six years. The *Difference Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB Statement No. 68.

Changes in benefit and funding terms since the 2017 valuation:

The 2018 Omnibus Pension Bill contained a number of changes.

- The COLA was reduced from 2.00% each January 1 to 1.00%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10% each year until reaching the ultimate rate of 1.50% 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 2.50% 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 0.00% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00% to 3.00%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50% to 7.50%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six 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.

5. Discount Rate

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

6. Net Pension Liability

On June 30, 2019, the District reported a liability of \$3,526,182 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0561% at the end of the measurement period and 0.0559% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 3,526,182
State's proportionate share of the net pension liability associated with the District	<u>331,210</u>
Total	<u>\$ 3,857,392</u>

For the year ended June 30, 2019, the District recognized pension expense (recovered) of \$(1,475,638). This amount is inclusive of \$(231,163) which is recognized as pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,243	\$ 70,833
Changes in actuarial assumptions	4,540,475	6,003,709
Difference between projected and actual investment earnings	-	273,364
Changes in proportion	58,871	70,515
Contributions paid to TRA subsequent to the measurement date	<u>240,814</u>	<u>-</u>
Total	<u>\$ 4,877,403</u>	<u>\$ 6,418,421</u>

\$240,814 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2020	\$ 326,179
2021	\$ 191,427
2022	\$ (8,151)
2023	\$ (1,345,673)
2024	\$ (945,614)
Thereafter	\$ -

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NOTES TO FINANCIAL STATEMENTS
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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability of TRA calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

District proportionate share of NPL		
1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
\$5,596,036	\$3,526,182	\$1,818,565

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

8. Pension Plan Fiduciary Net Position

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

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of the District, 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. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.20% for each of the first ten years and 1.70% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70% 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.

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

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 1.00% increase. If the General Employees Plan is at least 90% funded for two consecutive years, the benefit increase will revert to 2.50%. If, after reverting to a 2.50% benefit increase, the funding ratio declines to less than 80% for one year or less than 85% for two consecutive years, the benefit increase will decrease to 1.00%. 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.

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2019, were \$103,971. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2019, the District reported a liability of \$1,092,875 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$35,767. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0197% at the end of the measurement period and 0.0211% for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,092,875
State's proportionate share of the net pension liability associated with the District	<u>35,767</u>
Total	<u>\$ 1,128,642</u>

For the year ended June 30, 2019, the District recognized pension expense of \$57,306 for its proportionate share of the General Employees Plan's pension expense. This amount is inclusive of \$8,341, which is recognized as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

4. Pension Costs (Cont'd)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 30,889	\$ 32,682
Changes in actuarial assumptions	107,047	128,769
Difference between projected and actual investment earnings	-	120,858
Changes in proportion	50,789	67,031
Contributions paid to PERA subsequent to the measurement date	<u>103,971</u>	<u>-</u>
Total	<u>\$ 292,696</u>	<u>\$ 349,340</u>

\$103,971 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2020	\$ 44,529
2021	\$ (67,518)
2022	\$ (114,815)
2023	\$ (22,811)
2024	\$ -
Thereafter	\$ -

5. Actuarial Assumptions

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

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

5. Actuarial Assumptions (Cont'd)

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

General Employees Fund

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% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36.00%	5.10%
International Stocks	17.00%	5.30%
Bonds (Fixed Income)	20.00%	0.75%
Alternative Assets (Private Markets)	25.00%	5.90%
Cash	<u>2.00%</u>	0.00%
Total	<u>100.00%</u>	

6. Discount Rate

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

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019**

8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

7. Pension Liability Sensitivity

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

District proportionate share of General Employees Fund NPL		
1 percent decrease	Current	1 percent increase
(6.50%)	(7.50%)	(8.50%)
\$1,776,062	\$1,092,875	\$528,924

8. Pension Plan Fiduciary Net Position

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

9. OPERATING LEASE AGREEMENT

Equipment Lease

The District entered into operating lease agreements for various pieces of equipment. These leases call for monthly payments ranging from \$104 to \$1,113 and end on various dates through July 1, 2022. Expenditures under these leases were \$14,585 for the year ended June 30, 2019.

Future minimum lease obligations under these agreements are as follows:

2020	\$ 13,353
2021	\$ 13,353
2022	\$ 13,353
2023	\$ -
2024	\$ -

10. TRANSFERS

During 2019, the following operating transfer was made:

<u>From</u>	<u>To</u>	<u>Purpose</u>	<u>Amount</u>
General Fund	Community Service Fund	To match pool fundraiser	<u>\$ 10,000</u>

11. GASB STANDARD ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 84, *Fiduciary Activities* establishes criteria for identifying fiduciary activities, with the focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Statement No. 84 is effective for implementation for the year ended June 30, 2020.

12. SUBSEQUENT EVENT

In October 2019, the District approved to build a classroom addition. The cost of the project is estimated at \$2,302,580, with \$717,000 capital lease and \$1,585,580 being paid with existing District funds. The construction is slated to begin in November 2019 and be completed by Fall 2020.

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2019**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Measurement Date	<u>7/1/2018</u>	<u>7/1/2017</u>
Total OPEB liability		
Service cost	\$ 59,268	\$ 57,542
Interest	56,839	58,177
Benefit payments	<u>(155,988)</u>	<u>(157,606)</u>
Net change in total OPEB liability	(39,881)	(41,887)
Total OPEB liability – beginning	<u>1,689,815</u>	<u>1,731,702</u>
Total OPEB liability – ending	<u>\$ 1,649,934</u>	<u>\$ 1,689,815</u>
Covered payroll	\$ 3,969,399	\$ 3,853,785
Total OPEB liability as a percentage of covered payroll	41.57%	43.85%

****Note:** The District implemented the provisions of GASB Statement No. 75 for the year ended June 30, 2018. The Schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting. Information prior to 2018 is not available. Additional years will be reported as they become available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraphs 170(a) and 170(b) of GASB Statement No. 75.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2019**

TEACHERS RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Measurement Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability (Asset) with the District	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share 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
6/30/18	0.0561%	\$ 3,526,182	\$ 331,210	\$ 3,857,392	\$3,101,729	124.4%	78.07%
6/30/17	0.0559	11,158,654	1,078,607	12,237,261	3,008,697	406.7	51.57
6/30/16	0.0560	13,357,336	1,340,272	14,697,608	2,981,851	492.9	44.88
6/30/15	0.0554	3,427,038	420,390	3,847,428	2,891,927	133.0	76.80
6/30/14	0.0585	2,695,638	189,588	2,855,226	2,730,347	104.6	81.50

**Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

TEACHERS RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/19	\$ 240,814	\$ 240,814	\$ -	\$ 3,124,649	7.71%
6/30/18	232,666	232,666	-	3,101,729	7.50
6/30/17	225,460	225,460	-	3,008,697	7.50
6/30/16	218,357	218,357	-	2,981,851	7.30
6/30/15	215,393	215,393	-	2,891,927	7.40

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS
FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2019**

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (*)
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Measurement Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability associated with the District	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share 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
6/30/18	0.0197%	\$1,092,875	\$ 35,767	\$ 1,128,642	\$1,321,919	85.4%	79.5%
6/30/17	0.0211	1,347,010	16,932	1,363,942	1,358,671	100.4	75.9
6/30/16	0.0202	1,640,140	21,459	1,661,599	1,234,545	134.6	68.9
6/30/15	0.0191	989,861	-	989,861	1,137,228	87.0	78.2
6/30/14	0.0204	958,290	-	958,920	1,098,702	87.3	78.7

* This schedule is for employers in the General Employees Plan to present their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

**Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/19	\$ 103,971	\$ 103,971	\$ -	\$1,384,070	7.5%
6/30/18	98,735	98,735	-	1,321,919	7.5
6/30/17	100,792	100,792	-	1,358,671	7.4
6/30/16	92,206	92,206	-	1,234,545	7.5
6/30/15	82,241	82,241	-	1,137,228	7.2

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 1,491,334	\$ 1,428,658	\$ 1,520,317	\$ 91,659	\$ 1,380,475	\$ 139,842
Other Local and County Revenues:						
County Apportionment	9,700	9,603	8,660	(943)	9,946	(1,286)
Other School Districts	4,640	8,769	10,808	2,039	14,958	(4,150)
Contributions	-	8,620	16,658	8,038	21,870	(5,212)
Admissions and Fees	54,300	67,697	72,904	5,207	72,620	284
Earnings From Investments	25,000	62,000	76,079	14,079	41,562	34,517
Rent for School Facilities	1,500	1,700	1,700	-	1,700	-
Miscellaneous Revenues	15,200	22,290	42,698	20,408	48,406	(5,708)
	<u>110,340</u>	<u>180,679</u>	<u>229,507</u>	<u>48,828</u>	<u>211,062</u>	<u>18,445</u>
Revenue From State Sources:						
Endowment Fund Apportionment	20,573	21,326	22,634	1,308	19,613	3,021
General Education Aid	5,006,783	5,166,159	5,248,535	82,376	4,910,545	337,990
Literacy Incentive Aid	25,741	23,384	23,383	(1)	25,741	(2,358)
Disparity Aid	10,651	10,313	10,313	-	10,651	(338)
Homestead/Agricultural Levy Credits	17,111	15,872	15,872	-	17,111	(1,239)
Special Education	477,151	477,151	622,602	145,451	573,684	48,918
Miscellaneous State Revenue	83,313	91,172	78,131	(13,041)	80,932	(2,801)
	<u>5,641,323</u>	<u>5,805,377</u>	<u>6,021,470</u>	<u>216,093</u>	<u>5,638,277</u>	<u>383,193</u>
Revenue From Federal Sources:						
Title I	125,000	98,415	99,137	722	125,908	(26,771)
Migrant Education	2,100	2,000	2,000	-	2,000	-
Title II	65,000	32,555	27,529	(5,026)	64,457	(36,928)
Federal Special Education	85,842	86,500	108,518	22,018	89,803	18,715
Other Federal Programs	7,684	7,684	15,257	7,573	8,369	6,888
	<u>285,626</u>	<u>227,154</u>	<u>252,441</u>	<u>25,287</u>	<u>290,537</u>	<u>(38,096)</u>
Sales and Other Conversion of Assets:						
Sales of Materials	450	703	949	246	797	152
Insurance Recovery	-	-	-	-	13,155	(13,155)
	<u>450</u>	<u>703</u>	<u>949</u>	<u>246</u>	<u>13,952</u>	<u>(13,003)</u>
TOTAL REVENUES	7,529,073	7,642,571	8,024,684	382,113	7,534,303	490,381
EXPENDITURES						
Current:						
District and School Administration:						
Salaries and Wages	388,858	396,984	393,582	3,402	383,780	9,802
Employee Benefits	132,391	165,042	158,157	6,885	129,272	28,885
Purchased Services	19,000	26,528	36,256	(9,728)	27,349	8,907
Supplies and Materials	11,600	11,100	4,310	6,790	11,365	(7,055)
Other Expenditures	8,575	8,876	8,876	-	8,521	355
	<u>560,424</u>	<u>608,530</u>	<u>601,181</u>	<u>7,349</u>	<u>560,287</u>	<u>40,894</u>
District Support Services:						
Salaries and Wages	216,841	179,765	162,042	17,723	198,555	(36,513)
Employee Benefits	70,630	57,117	44,497	12,620	65,194	(20,697)
Purchased Services	102,225	91,410	102,875	(11,465)	97,695	5,180
Supplies and Materials	19,000	22,932	25,301	(2,369)	32,292	(6,991)
Other Expenditures	10,400	10,440	10,440	-	10,348	92
	<u>419,096</u>	<u>361,664</u>	<u>345,155</u>	<u>16,509</u>	<u>404,084</u>	<u>(58,929)</u>
Regular Instruction:						
Salaries and Wages	2,980,557	2,564,624	2,550,787	13,837	2,511,380	39,407
Employee Benefits	836,255	782,218	767,203	15,015	659,790	107,413
Purchased Services	174,064	150,105	159,351	(9,246)	192,621	(33,270)
Supplies and Materials	124,412	129,174	130,443	(1,269)	130,663	(220)
Other Expenditures	4,435	3,136	3,521	(385)	3,069	452
	<u>4,119,723</u>	<u>3,629,257</u>	<u>3,611,305</u>	<u>17,952</u>	<u>3,497,523</u>	<u>113,782</u>
Vocational Instruction:						
Salaries and Wages	72,848	72,848	72,848	-	68,019	4,829
Employee Benefits	16,575	17,684	17,444	240	16,227	1,217
Supplies and Materials	10,000	10,470	9,074	1,396	6,107	2,967
	<u>99,423</u>	<u>101,002</u>	<u>99,366</u>	<u>1,636</u>	<u>90,353</u>	<u>9,013</u>
Exceptional Instruction:						
Salaries and Wages	413,972	827,042	797,600	29,442	761,740	35,860
Employee Benefits	106,359	188,031	179,659	8,372	172,491	7,168
Purchased Services	205,000	203,148	188,196	14,952	186,140	2,056
Supplies and Materials	10,000	10,000	8,146	1,854	5,059	3,087
	<u>735,331</u>	<u>1,228,221</u>	<u>1,173,601</u>	<u>54,620</u>	<u>1,125,430</u>	<u>48,171</u>

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Comparative Actual Amounts for the Year Ended June 30, 2018)

EXPENDITURES (Cont'd)	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual	Increase (Decrease) Actual
	Original	Final				
Current (Cont'd)						
Instructional Support Services:						
Salaries and Wages	\$ 8,500	\$ 7,200	\$ 3,294	\$ 3,906	\$ 6,722	\$ (3,428)
Employee Benefits	1,289	1,095	409	686	671	(262)
Purchased Services	64,830	81,575	81,177	398	48,318	32,859
Supplies and Materials	2,500	2,500	1,510	990	1,795	(285)
	<u>77,119</u>	<u>92,370</u>	<u>86,390</u>	<u>5,980</u>	<u>57,506</u>	<u>28,884</u>
Pupil Support Services:						
Salaries and Wages	332,215	346,798	336,752	10,046	330,765	5,987
Employee Benefits	63,786	61,343	59,138	2,205	58,473	665
Purchased Services	89,900	91,951	34,730	57,221	41,143	(6,413)
Supplies and Materials	52,683	62,957	57,053	5,904	59,935	(2,882)
	<u>538,584</u>	<u>563,049</u>	<u>487,673</u>	<u>75,376</u>	<u>490,316</u>	<u>(2,643)</u>
Site, Buildings and Equipment:						
Salaries and Wages	248,360	234,531	254,647	(20,116)	253,386	1,261
Employee Benefits	64,953	60,274	61,274	(1,000)	62,894	(1,620)
Purchased Services	138,555	166,515	204,011	(37,496)	184,674	19,337
Supplies and Materials	49,200	44,900	49,964	(5,064)	60,007	(10,043)
Other Expenditures	1,800	1,512	1,622	(110)	1,666	(44)
	<u>502,868</u>	<u>507,732</u>	<u>571,518</u>	<u>(63,786)</u>	<u>562,627</u>	<u>8,891</u>
Fiscal And Other Fixed Cost Programs:						
Purchased Services	<u>38,000</u>	<u>38,451</u>	<u>38,451</u>	<u>-</u>	<u>36,282</u>	<u>2,169</u>
Capital Outlay:						
District Support Services	15,000	17,449	25,340	(7,891)	3,324	22,016
Regular Instruction	165,203	136,954	132,934	4,020	188,303	(55,369)
Vocational Instruction	18,029	8,814	8,814	-	826	7,988
Pupil Support Services	87,887	93,285	93,267	18	4,069	89,198
Site, Buildings and Equipment	71,031	379,547	381,949	(2,402)	164,199	217,750
	<u>357,150</u>	<u>636,049</u>	<u>642,304</u>	<u>(6,255)</u>	<u>360,721</u>	<u>281,583</u>
Debt Service:						
Principal	87,893	87,893	87,893	-	84,819	3,074
Interest	33,947	33,947	33,948	(1)	37,022	(3,074)
	<u>121,840</u>	<u>121,840</u>	<u>121,841</u>	<u>(1)</u>	<u>121,841</u>	<u>-</u>
TOTAL EXPENDITURES	<u>7,569,558</u>	<u>7,888,165</u>	<u>7,778,785</u>	<u>109,380</u>	<u>7,306,970</u>	<u>471,815</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(40,485)</u>	<u>(245,594)</u>	<u>245,899</u>	<u>491,493</u>	<u>227,333</u>	<u>18,566</u>
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Equipment	-	129	129	-	5,548	(5,419)
Transfer Out to Other Funds	-	(10,000)	(10,000)	-	(10,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(9,871)</u>	<u>(9,871)</u>	<u>-</u>	<u>(4,452)</u>	<u>(5,419)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(40,485)</u>	<u>(255,465)</u>	<u>236,028</u>	<u>491,493</u>	<u>222,881</u>	<u>13,147</u>
FUND BALANCE BEGINNING OF YEAR	<u>3,548,543</u>	<u>3,548,543</u>	<u>3,548,543</u>	<u>-</u>	<u>3,325,662</u>	<u>222,881</u>
FUND BALANCE END OF YEAR	<u>\$ 3,508,058</u>	<u>\$ 3,293,078</u>	<u>\$ 3,784,571</u>	<u>\$ 491,493</u>	<u>\$ 3,548,543</u>	<u>\$ 236,028</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Gifted and Talented			\$ -		\$ 13,133	
Health and Safety			-		4,489	
Safe Schools - Crime			24,063		25,296	
Operating Capital			168,752		172,307	
Long-Term Facilities Maintenance			99,235		(21,765) **	
Staff Development			52,590		45,355	
Basic Skills Extended Time			21,511		7,093	
Medical Assistance			1,075		-	
TOTAL RESTRICTED FUND BALANCE			<u>367,226</u>		<u>245,908</u>	
ASSIGNED FUND BALANCE						
Projected Budget Deficit			-		40,485	
Classroom Addition			1,585,580		-	
Bus Garage Remodel			-		313,000	
Separation/Retirement Benefits			168,459		256,774	
TOTAL ASSIGNED FUND BALANCE			<u>1,754,039</u>		<u>610,259</u>	
UNASSIGNED FUND BALANCE			<u>1,663,306</u>		<u>2,692,376</u>	
TOTAL FUND BALANCE			<u>\$ 3,784,571</u>		<u>\$ 3,548,543</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local and County Revenues:						
Earnings From Investments	\$ 150	\$ 600	\$ 672	\$ 72	\$ 299	\$ 373
Revenue From State Sources:						
Breakfast Program Aid	6,500	14,000	10,396	(3,604)	8,935	1,461
Special Milk Program Aid	950	1,100	1,255	155	973	282
Lunch Program Aid	12,500	14,000	11,554	(2,446)	12,774	(1,220)
	<u>19,950</u>	<u>29,100</u>	<u>23,205</u>	<u>(5,895)</u>	<u>22,682</u>	<u>523</u>
Revenue From Federal Sources:						
School Lunch Aid	24,300	26,150	24,651	(1,499)	25,666	(1,015)
Free/Reduced Lunch Aid	95,000	110,000	96,638	(13,362)	101,317	(4,679)
School Breakfast Program	36,000	43,000	42,124	(876)	36,969	5,155
USDA Commodity Rebates	-	-	78	78	10	68
USDA Commodities	20,000	20,000	22,666	2,666	22,169	497
Summer Food Program	15,000	15,000	19,889	4,889	14,284	5,605
	<u>190,300</u>	<u>214,150</u>	<u>206,046</u>	<u>(8,104)</u>	<u>200,415</u>	<u>5,631</u>
Sales And Other Conversion Of Assets:						
Sale of Lunches and Other	107,000	103,300	102,655	(645)	100,258	2,397
	<u>107,000</u>	<u>103,300</u>	<u>102,655</u>	<u>(645)</u>	<u>100,258</u>	<u>2,397</u>
TOTAL REVENUES	317,400	347,150	332,578	(14,572)	323,654	8,924
EXPENDITURES						
Current:						
Pupil Support Services:						
Salaries and Wages	109,624	104,593	102,208	2,385	107,488	(5,280)
Employee Benefits	27,729	25,692	24,599	1,093	27,641	(3,042)
Purchased Services	13,950	2,950	2,476	474	4,027	(1,551)
Supplies and Materials	173,200	198,400	167,392	31,008	173,720	(6,328)
Other Expenditures	2,200	1,524	1,524	-	2,237	(713)
	<u>326,703</u>	<u>333,159</u>	<u>298,199</u>	<u>34,960</u>	<u>315,113</u>	<u>(16,914)</u>
Capital Outlay:						
Pupil Support Services	-	5,800	4,962	838	30,703	(25,741)
	<u>-</u>	<u>5,800</u>	<u>4,962</u>	<u>838</u>	<u>30,703</u>	<u>(25,741)</u>
TOTAL EXPENDITURES	326,703	338,959	303,161	35,798	345,816	(42,655)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,303)	8,191	29,417	21,226	(22,162)	51,579
FUND BALANCE BEGINNING OF YEAR	25,859	25,859	25,859	-	48,021	(22,162)
FUND BALANCE END OF YEAR	\$ 16,556	\$ 34,050	\$ 55,276	\$ 21,226	\$ 25,859	\$ 29,417
FUND BALANCE END OF YEAR NONSPENDABLE FUND BALANCE						
Inventory			\$ 4,938		\$ 1,215	
RESTRICTED FUND BALANCE						
Food Service			50,338		24,644	
FUND BALANCE END OF YEAR			\$ 55,276		\$ 25,859	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Community Service Levy	\$ 46,820	\$ 44,635	\$ 44,707	\$ 72	\$ 54,941	\$ (10,234)
Other Local And County Revenues:						
Tuition and Fees From Patrons	42,850	28,202	24,991	(3,211)	33,238	(8,247)
Earnings from Investments	200	1,800	1,931	131	845	1,086
Miscellaneous Local Revenue	31,000	30,000	34,599	4,599	35,984	(1,385)
	<u>74,050</u>	<u>60,002</u>	<u>61,521</u>	<u>1,519</u>	<u>70,067</u>	<u>(8,546)</u>
Revenue From State Sources:						
Disparity Aid	1,030	860	860	-	1,030	(170)
Homestead Market Value	1,654	1,324	1,324	-	1,654	(330)
Preschool Screening	1,000	1,278	2,445	1,167	3,505	(1,060)
Community Education	26,151	26,150	26,150	-	25,933	217
	<u>29,835</u>	<u>29,612</u>	<u>30,779</u>	<u>1,167</u>	<u>32,122</u>	<u>(1,343)</u>
TOTAL REVENUES	<u>150,705</u>	<u>134,249</u>	<u>137,007</u>	<u>2,758</u>	<u>157,130</u>	<u>(20,123)</u>
EXPENDITURES						
Current:						
Community Education And Services:						
Salaries and Wages	117,126	104,671	99,311	5,360	112,178	(12,867)
Employee Benefits	11,072	11,507	11,334	173	11,164	170
Purchased Services	2,050	994	5,463	(4,469)	5,250	213
Supplies and Materials	17,200	16,765	25,641	(8,876)	17,646	7,995
TOTAL EXPENDITURES	<u>147,448</u>	<u>133,937</u>	<u>141,749</u>	<u>(7,812)</u>	<u>146,238</u>	<u>(4,489)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,257</u>	<u>312</u>	<u>(4,742)</u>	<u>(5,054)</u>	<u>10,892</u>	<u>(15,634)</u>
OTHER FINANCING SOURCES						
Transfer In from Other Funds	-	10,000	10,000	-	10,000	-
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>3,257</u>	<u>10,312</u>	<u>5,258</u>	<u>(5,054)</u>	<u>20,892</u>	<u>(15,634)</u>
FUND BALANCE BEGINNING OF YEAR	<u>44,864</u>	<u>44,864</u>	<u>44,864</u>	<u>-</u>	<u>23,972</u>	<u>20,892</u>
FUND BALANCE END OF YEAR	<u>\$ 48,121</u>	<u>\$ 55,176</u>	<u>\$ 50,122</u>	<u>\$ (5,054)</u>	<u>\$ 44,864</u>	<u>\$ 5,258</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Community Education			\$ (7,179) **		\$ 9,175	
Community Service			13,935		12,118	
Early Childhood Family Education			26,444		33,239	
School Readiness			16,922		(9,668) **	
TOTAL RESTRICTED FUND BALANCE			<u>50,122</u>		<u>44,864</u>	
TOTAL FUND BALANCE			<u>\$ 50,122</u>		<u>\$ 44,864</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019

1. OTHER POST EMPLOYMENT BENEFITS

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

2018 Changes

Changes in Benefit Terms:

- None

Changes in Actuarial Assumptions:

- None

2. DEFINED BENEFIT PENSION PLANS

The following changes were reflected in the valuations performed on behalf of the following defined benefit pension plans for the fiscal years (measurement date) ending June 30:

Teachers Retirement Association

2018 Changes

Changes in Benefit and Funding Terms:

The 2018 Omnibus Pension Bill contained a number of changes.

- The COLA was reduced from 2.00% each January 1 to 1.00%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10% each year until reaching the ultimate rate of 1.50% 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 2.50% 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 0.00% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00% to 3.00%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50% to 7.50%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions:

- The COLA was assumed to increase from 2.00% annually to 2.50% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50%, but remain at 2.00% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40% to 0.00%, the vested inactive load increased from 4.00% to 7.00% and the non-vested inactive load increased from 4.00% to 9.00%.
- The investment return assumption was changed from 8.00% to 7.50%.
- The price inflation assumption was lowered from 2.75% to 2.50%.
- The payroll growth assumption was lowered from 3.50% to 3.00%.
- The general wage growth assumption was lowered from 3.50% to 2.85% for ten years followed by 3.25%, thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

2. DEFINED BENEFIT PENSION PLANS (Cont'd)

Teachers Retirement Association (Cont'd)

2016 Changes

Changes in Actuarial Assumptions:

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00% for all future years.
- The assumed investment return was changed from 8.00% to 4.66%. The single discount rate was changed from 8.00% to 4.66%.
- The price inflation assumption was lowered from 3.00% to 2.75%
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015 Changes

Changes in Benefit Terms:

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of \$14.377 million until the system becomes fully funded.

Changes in Actuarial Assumptions:

- The annual COLA for the June 30, 2015, valuation assumed 2.00%. The prior year valuation used 2.00% with an increase to 2.50% commencing in 2034. The discount rate used to measure the total pension liability was 8.00%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA CAFR.

Public Employees Retirement Association

General Employees Fund

2018 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

2. DEFINED BENEFIT PENSION PLANS (Cont'd)

Public Employees Retirement Association (Cont'd)

General Employees Fund (Cont'd)

2018 Changes (Cont'd)

Changes in Plan Provisions: (Cont'd)

- Post-retirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Change in Plan Provisions:

- The State's special funding contribution increased from \$6 million to \$16 million.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions:

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

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT SPENDING

The fiscal year 2019 budget approved by the School Board projected deficit spending in the following fund:

<u>Fund</u>	
General Fund	\$ 255,465

**INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2019**

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2019, the District had the following fund with expenditures exceeding the latest amended budget:

Fund	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Community Service Fund	\$ 133,937	\$ 141,749	\$ 7,812

Budget revisions were last approved in April of 2019. These excesses were realized since that time and are approved by the School Board upon acceptance of this report.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - BUILDING CONSTRUCTION FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local And County Revenues:						
Earnings From Investments	\$ -	\$ -	\$ -	\$ -	\$ 1,487	\$ (1,487)
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,487</u>	<u>(1,487)</u>
EXPENDITURES						
Capital Outlay:						
Site, Building and Equipment	-	-	-	-	109,104	(109,104)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>109,104</u>	<u>(109,104)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-	(107,617)	107,617
FUND BALANCE BEGINNING OF YEAR	-	-	-	-	411,573	(411,573)
RESIDUAL EQUITY TRANSFER	-	-	-	-	(303,956)	303,956
FUND BALANCE END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Building Construction			\$ -		\$ -	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2019
 (with Comparative Actual Amounts for the Year Ended June 30, 2018)

	2019 Budgeted Amounts		2019 Actual	Variance	2018 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 699,151	\$ 448,122	\$ 449,846	\$ 1,724	\$ 656,223	\$ (206,377)
Other Local And County Revenues:						
Earnings from Investments	-	5,600	10,448	4,848	4,192	6,256
	-	5,600	10,448	4,848	4,192	6,256
Revenue From State Sources:						
School Bond Agricultural Credit	-	218,439	218,439	-	-	218,439
Disparity Aid	12,328	12,836	12,836	-	12,328	508
Homestead Market Value	19,805	19,754	19,755	1	19,805	(50)
	32,133	251,029	251,030	1	32,133	218,897
TOTAL REVENUES	731,284	704,751	711,324	6,573	692,548	18,776
EXPENDITURES						
Debt Service:						
Principal	435,000	435,000	435,000	-	415,000	20,000
Interest	249,098	249,098	249,098	-	257,398	(8,300)
TOTAL EXPENDITURES	684,098	684,098	684,098	-	672,398	11,700
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	47,186	20,653	27,226	6,573	20,150	7,076
FUND BALANCE BEGINNING OF YEAR	432,694	432,694	432,694	-	108,588	324,106
RESIDUAL EQUITY TRANSFER	-	-	-	-	303,956	(303,956)
FUND BALANCE END OF YEAR	\$ 479,880	\$ 453,347	\$ 459,920	\$ 6,573	\$ 432,694	\$ 27,226
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Debt Service			\$ 459,920		\$ 432,694	

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - HISTORICAL ANALYSIS

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
REVENUES					
Local Property Tax Levies	\$ 1,300,244	\$ 1,489,283	\$ 1,483,534	\$ 1,380,475	\$ 1,520,317
Other Local and County Revenues	244,497	198,783	235,084	211,062	229,507
Revenue From State Sources	4,999,264	4,960,689	5,291,062	5,638,277	6,021,470
Revenue From Federal Sources	274,338	215,991	276,498	290,537	252,441
Sales and Other Conversion of Assets	49,345	2,887	761	13,952	949
Proceeds from Sale of Equipment	-	360	9,503	5,548	129
TOTAL REVENUES	<u>6,867,688</u>	<u>6,867,993</u>	<u>7,296,442</u>	<u>7,539,851</u>	<u>8,024,813</u>
EXPENDITURES - PROGRAMS					
District and School Administration	499,725	508,823	517,958	560,287	601,181
District Support Services	356,660	386,215	463,528	407,408	370,495
Regular Instruction	3,161,338	3,303,312	3,442,564	3,685,826	3,744,239
Vocational Instruction	79,321	81,759	85,476	91,179	108,180
Exceptional Instruction	1,005,404	1,081,321	1,108,101	1,125,430	1,173,601
Instructional Support Services	82,250	84,339	82,063	57,506	86,390
Pupil Support Services	655,139	482,715	570,033	494,385	580,940
Site, Buildings, and Equipment	1,111,904	628,373	674,292	726,826	953,467
Fiscal and Other Fixed Cost Programs	153,792	160,148	163,077	158,123	160,292
Transfers Out	-	-	-	10,000	10,000
TOTAL EXPENDITURES	<u>7,105,533</u>	<u>6,717,005</u>	<u>7,107,092</u>	<u>7,316,970</u>	<u>7,788,785</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(237,845)	150,988	189,350	222,881	236,028
FUND BALANCE BEGINNING OF YEAR	<u>3,223,169</u>	<u>2,985,324</u>	<u>3,136,312</u>	<u>3,325,662</u>	<u>3,548,543</u>
FUND BALANCE END OF YEAR	<u>\$ 2,985,324</u>	<u>\$ 3,136,312</u>	<u>\$ 3,325,662</u>	<u>\$ 3,548,543</u>	<u>\$ 3,784,571</u>
ADJUSTED CASH BALANCES	<u>\$ 3,359,022</u>	<u>\$ 3,264,212</u>	<u>\$ 3,255,697</u>	<u>\$ 3,593,471</u>	<u>\$ 3,753,849</u>
EXPENDITURES - OBJECT					
Salaries and Wages	\$ 3,935,491	\$ 4,121,640	\$ 4,357,972	\$ 4,514,347	\$ 4,571,552
Employee Benefits	1,014,327	1,069,938	1,093,121	1,165,012	1,287,781
Purchased Services	719,583	805,437	820,074	814,222	845,047
Supplies and Materials	298,292	227,452	332,411	307,223	285,801
Other Expenditures/Transfers	28,514	26,318	29,918	33,604	34,459
Capital Expenditures	987,485	344,380	351,755	360,721	642,304
Debt Service Expenditures	121,841	121,840	121,841	121,841	121,841
TOTAL EXPENDITURES	<u>\$ 7,105,533</u>	<u>\$ 6,717,005</u>	<u>\$ 7,107,092</u>	<u>\$ 7,316,970</u>	<u>\$ 7,788,785</u>

OTHER REQUIRED REPORTS

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2019**

**INTERNAL CONTROL OVER FINANCIAL REPORTING
PREVIOUSLY REPORTED ITEM NOT RESOLVED**

2019-001 Audit Adjustments

Condition: During our audit, we proposed an audit adjustment that resulted in significant changes to the District's financial statements. This finding was reported in the prior year audit as finding number 2018-001. The District's corrective action plan for the prior year audit filed with the Minnesota Department of Education stated that the District will review the prior year journal entries to determine training needs and will contract with the SW/WC Service Cooperative. The District has continued to work with the service cooperative to prepare the annual audit adjustments.

Effect: A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a misstatement in the financial statement not initially identified by the entity's internal controls. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The Service Cooperative prepared a majority of the year end entries, however all accounts were not reviewed for accuracy, requiring the auditors to propose a significant journal entry to unearned revenue.

Criteria: The District's accounting staff should prepare journal entries during the year, or at a minimum, at year end to convert the cash basis general ledger to a modified accrual basis general ledger. The external auditor's staff cannot be considered to be part of the District's internal control and should not be relied upon to propose a significant number of material audit adjustments.

Recommendation: We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

ITEMS ARISING IN CURRENT YEAR

2019-002 Payment of Contracts

Condition: During our audit, we noted that the District paid an employee but did not have a contract on file for that employee.

Effect: A control deficiency 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 missing wage contracts on a timely basis. This could affect the District's ability to initiate record, process and report financial data consistent with the assertion of management in the financial statements.

Cause: The employee was hired mid-year and District staff failed to obtain a signed contract.

Criteria: The District should have a review process in place for all contracts.

Recommendation: We recommend that the District implement a review process to ensure employees have signed contracts on file prior to being paid.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2019**

**INTERNAL CONTROL OVER FINANCIAL REPORTING
ITEMS ARISING IN CURRENT YEAR (Cont'd)**

2019-002 Payment of Contracts (Cont'd)

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

2019-003 Payment of Purchase Orders for Sporting Events and Officials

Condition: During our audit, we noted one disbursement of 25 sampled that did not have adequate supporting documentation on file for a volleyball official.

Effect: A control deficiency 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 payments when there is missing or insufficient appropriate documentation. This could affect the District's ability to initiate record, process and report financial data consistent with the assertion of management in the financial statements.

Cause: The purchase order was paid according to the contract listing sheet, but this was not printed to support the disbursement. When the contract listing sheet is updated, there is no permanent record of the prior approved amounts.

Criteria: The District should have a permanent contract listing sheet from the Activities Director on file for each sport for officials and event workers.

Recommendation: We recommend that the District implement a process for all payments made to sporting event workers. The amounts paid should correspond to the event workers and officials contract listing on file.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

**LEGAL COMPLIANCE
PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

2019-004 IC-134 Not Obtained

Condition: The District did not obtain an IC-134 (Withholding Affidavit for Contractors) with the contractors of various projects requiring employment of employees by contractor. This finding was reported in the prior year audit as finding number 2018-002. The District's corrective action plan for the prior year audit stated that the District would obtain an IC-134 before making final settlement with applicable contractors on any future projects.

Effect: This is a violation of Minnesota Statute §270C.66.

Cause: This item was overlooked prior to final payments to contractors in the current year, and thus, the District did not comply with the Statute.

Criteria: Minnesota Statute §270C.66 requires the District obtain an IC-134 before making final settlement with any contractor under a contract requiring the employment of employees.

Recommendation: We recommend that the District obtain an IC-134 before making final settlement with the contractor for any project completed by the District in which the contract requires the employment of employees.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2019**

LEGAL COMPLIANCE (Cont'd)

PREVIOUSLY REPORTED ITEMS NOT RESOLVED (Cont'd)

2019-004 IC-134 Not Obtained (Cont'd)

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendation will be adopted.

2019-005 Quotes Not Obtained for Assets and Projects Between \$25,000 and \$175,000

Condition: The District did not obtain quotes for required projects and purchases. This finding was reported in the prior year audit as finding 2018-005. The District's corrective action plan for the prior year audit stated that the District would obtain two or more quotes for purchases or projects between \$25,000 and \$100,000 when possible. The limits on quotes were updated from the prior year, and although there was one piece of equipment in the current year where the District obtained two quotes, there were other projects and items in which no quotes were obtained and/or kept on file.

Effect: This is a violation of Minnesota Statute §471.345 subd. 4.

Cause: The District overlooked the requirement to solicit or obtain two or more quotes when possible for all projects and purchases between \$25,000 and \$175,000.

Criteria: Minnesota Statute §471.345 subd. 4 requires the District to obtain two or more quotes if possible for purchases between \$25,000 and \$175,000.

Recommendation: We recommend that the District obtains two or more quotes for purchases or projects between \$25,000 and \$175,000 when possible.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendation will be adopted.

ITEM ARISING IN CURRENT YEAR

2019-006 Contracts for Fuel

Condition: The District did not give adequate published notice for requests of fuel contract quotations and did not keep written quotes received on file.

Effect: This is a violation of Minnesota Statute §123B.52 subd. 3.

Cause: The District requested quotations by published notice for two weeks before awarding the contract and there were no written quotes kept on file.

Criteria: Minnesota Statute §123B.52 subd. 3 requires the District to request fuel contract quotations by published notice at least 30 days before the contract is awarded and obtain and keep written quotes on file for at least one year.

Recommendation: We recommend that the District follow Minnesota Statute §123B.52 subd. 3 for fuel contracts.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendation will be adopted.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2019**

LEGAL COMPLIANCE (Cont'd)

PREVIOUSLY REPORTED ITEMS RESOLVED

Finding 2018-003: Contractor Performance and Payment Bonds not Obtained

The District did not obtain performance and payment bonds from the contractors for the parking lot project and bus garage remodel.

Resolution

The District did not have any contracts or equipment purchases over the bid requirement (which requires payment and performance bonds) in the current year, and thus, this finding was resolved.

Finding 2018-004: Bids were not solicited or Obtained for Contracts over \$100,000

The District did not solicit or obtain bids for contracts over the bid requirements.

Resolution

The District did not have any contracts or equipment purchases over the bid requirement in the current year, and thus, this finding was resolved.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
CORRECTIVE ACTION PLAN
JUNE 30, 2019

2019-001 Audit Adjustments

Auditor Recommendation

We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District still intends to follow the corrective action plan previously filed with the Minnesota Department of Education. The District will continue to contract with SW/WC Service Cooperative.
3. Official Responsible for Insuring CAP
The Superintendent is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented during the 2019-2020 fiscal year.
5. Plan to Monitor Completion of CAP
The Superintendent and the School Board will be monitoring this corrective action plan.

2019-002 Payment of Contracts

Auditor Recommendation

We recommend that the District implement a review process to ensure employees have signed contracts on file prior to being paid.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The Human Resources Coordinator will ensure signed contracts are on file for each employee being paid.
3. Official Responsible for Insuring CAP
The Superintendent and School Board are the officials responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented during the 2019-2020 fiscal year.
5. Plan to Monitor Completion of CAP
The Superintendent and the School Board will be monitoring this corrective action plan.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
CORRECTIVE ACTION PLAN
JUNE 30, 2019

2019-003 Payment of Purchase Orders for Sporting Events and Officials

Auditor Recommendation

We recommend that the District implement a process for all payments made to sporting event workers. The amounts paid should correspond to the event workers and officials contract listing on file.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The Finance Coordinator will review purchase orders against the corresponding contract listing sheet on file for propriety.
3. Official Responsible for Insuring CAP
The Superintendent and School Board are the officials responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented during the 2019-2020 fiscal year.
5. Plan to Monitor Completion of CAP
The Superintendent and the School Board will be monitoring this corrective action plan.

2019-004 IC-134 Not Obtained

Auditor Recommendation

We recommend that the District obtain an IC-134 before making final settlement with the contractor for any project completed by the District in which the contract requires the employment of employees.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will obtain an IC-134 before making final settlement with applicable contractors on any future projects.
3. Official Responsible for Insuring CAP
The Superintendent and School Board are the officials responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented the next time the District enters into a contract requiring the employment of employees.
5. Plan to Monitor Completion of CAP
The Superintendent and the School Board will be monitoring this corrective action plan.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
CORRECTIVE ACTION PLAN
JUNE 30, 2019

2019-005 Quotes Not Obtained for Assets and Projects Between \$25,000 and \$175,000

Auditor Recommendation

We recommend that the District obtains two or more quotes for purchases or projects between \$25,000 and \$175,000 when possible.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will obtain two or more quotes for purchases or projects between \$25,000 and \$175,000 when possible.
3. Official Responsible for Insuring CAP
The Superintendent and School Board are the officials responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented the next time a purchase or project by the District is expected to be between \$25,000 and \$175,000.
5. Plan to Monitor Completion of CAP
The Superintendent and the School Board will be monitoring this corrective action plan.

2019-006 Contracts for Fuel

Auditor Recommendation

We recommend that the District follow Minnesota Statute §123B.52 subd. 3 for fuel contracts.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will request fuel contract quotations by published notice at least 30 days before the contract is awarded and obtain and keep written quotes on file for at least one year.
3. Official Responsible for Insuring CAP
The Superintendent and School Board are the officials responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented the next time fuel contracts are requested.
5. Plan to Monitor Completion of CAP
The Superintendent and the School Board will be monitoring this corrective action plan.



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CERTIFIED PUBLIC ACCOUNTANTS

**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**

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements and have issued our report thereon dated November 7, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings on internal control structure and compliance, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings on internal control structure and compliance as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings on internal control structure and compliance as items 2019-002 and 2019-003 to be significant deficiencies.

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
Fax 537 0696

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*; however, we noted certain matters of compliance that are required to be reported under Minnesota Statutes. These items of noncompliance are described in the accompanying schedule of findings on internal control structure and compliance as items 2019-004 through 2019-006.

Independent School District No. 2890, Renville County West, Renville, Minnesota's Response to Findings

Independent School District No. 2890, Renville County West, Renville, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings on internal control structure and compliance corrective action plan. Independent School District No. 2890, Renville County West, Renville, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 7, 2019



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 7, 2019.

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2890, Renville County West, Renville, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, except as described in the schedule of findings on internal control structure and compliance as items 2019-004 through 2019-006. 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 Independent School District No. 2890, Renville County West, Renville, Minnesota's noncompliance regarding the above referenced provisions.

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

Hoffman & Brobst, PLLP

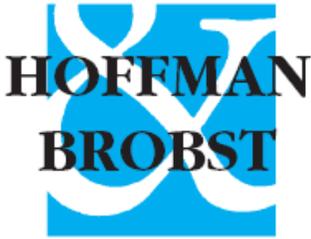
Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 7, 2019

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
Fax 537 0696

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**STUDENT ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT
ON THE STUDENT ACTIVITY FUNDS**

Members of the School Board, Advisors, and Students
Independent School District No. 2890
Renville County West
Renville, Minnesota

Report on the Financial Statement

We have audited the accompanying financial statement of the Student Activity Funds of Independent School District No. 2890, Renville County West, Renville, Minnesota, which comprises the statement of cash receipts and disbursements as of and for the year ended June 30, 2019, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Minnesota Department of Education as described in Note 1. Management is also responsible for 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 error or fraud.

Auditor's Responsibility

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

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

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

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

As described in Note 1, the financial statement is prepared by Independent School District No. 2890, Renville County West, Renville, Minnesota on the basis of the financial reporting provisions of the Minnesota Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting requirements of the Minnesota Department of Education.

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
Fax 537 0696

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Student Activity Funds of Independent School District No. 2890, Renville County West, Renville, Minnesota as of June 30, 2019, or changes in net position for the year then ended.

Basis for Qualified Opinion on Regulatory Basis of Accounting

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

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the possible effect of the matter discussed in the Basis for Qualified Opinion on Regulatory Basis paragraph, the financial statement referred to in the first paragraph presents fairly, in all material respects, the cash balances of the Student Activity Funds of Independent School District No. 2890, Renville County West, Renville, Minnesota as of June 30, 2019, and the receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Report on Other Legal and Regulatory Requirements

In accordance with Minnesota Statutes, we have also issued our report dated November 7, 2019, on our consideration of the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statute §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 7, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Activity Fund</u>	<u>7/1/2018 Balance</u>	<u>Receipts</u>	<u>Disburse- ments</u>	<u>6/30/2019 Balance</u>
TADA	\$ 1,234	\$ -	\$ -	\$ 1,234
FFA	-	21,185	19,486	1,699
High School Student Council	911	533	683	761
Annual	2,584	2,040	2,341	2,283
Senior High Drama Club	1,347	247	550	1,044
FFA Greenhouse Project	27,427	21,395	25,914	22,908
Music Trip	25,995	42,673	55,856	12,812
Travel Group	216	-	-	216
Football Group	5,235	9,949	9,283	5,901
Basketball Group	11	4,411	3,078	1,344
Robotics Group	-	533	386	147
Class of 2019	7,640	23,935	31,575	-
Class of 2020	-	13,285	2,017	11,268
Interest Earned	104	167	-	271
TOTALS	\$ <u>72,704</u>	\$ <u>140,353</u>	\$ <u>151,169</u>	\$ <u>61,888</u>

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE STUDENT ACTIVITY FUNDS FINANCIAL STATEMENT
JUNE 30, 2019

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

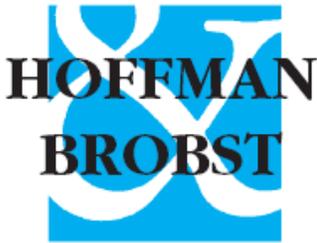
The accounts of the student activity funds are maintained, and the accompanying financial statement has been prepared, on the regulatory basis of accounting. Consequently, receipts are recognized when received rather than when earned, and disbursements are recognized when paid rather than when the obligations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

2. COLLATERAL

Cash balances are held in demand accounts. In accordance with Minnesota Statutes, the student activity funds maintain deposits at those depository banks authorized by the Board of Education.

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

As of June 30, 2019, the student activity funds' deposits were entirely covered by federal depository insurance.



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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS APPLICABLE TO THE STUDENT ACTIVITY FUNDS**

To the School Board, Advisers, and Students of
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited Independent School District No. 2890, Renville County West, Renville, Minnesota's compliance with the types of compliance requirements described in the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statute §123B.49 for the year ended June 30, 2019. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities.

Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, and the *Manual for Activity Fund Accounting*. Those standards and the *Manual for Activity Fund Accounting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the *Manual for Activity Fund Accounting*. Our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion

In our opinion, the District did not comply, in all material respects, with the compliance requirements referred to above that are applicable to the student activity funds for the year ended June 30, 2019. Findings pertaining to compliance with the *Manual for Activity Fund Accounting* are noted on pages 73 and 74. With respect to items not tested, nothing came to our attention that caused us to believe that the District had not complied, in all material respects, with those provisions.

903 East College Drive
P.O. Box 548
Marshall, MN 56258
www.hoffmanbrobst.com
507 532 5735
Fax 537 0696

Independent School District No. 2890, Renville County West, Renville, Minnesota's Response to Findings

Independent School District No. 2890, Renville County West, Renville, Minnesota's response to the findings identified in our audit of the student activity funds are described in the accompanying schedule of findings on student activity internal control structure and compliance and corrective action plan. Independent School District No. 2890, Renville County West, Renville, Minnesota's response was not subjected to the auditing procedures applied in the audit of the student activity funds and, accordingly, we express no opinion on it.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 7, 2019

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON STUDENT ACTIVITY INTERNAL CONTROL STRUCTURE AND
COMPLIANCE AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

2019-007 Lack of Compliance with Chapter 14 of the Uniform Financial Accounting and Reporting Standards (UFARS) Manual

Condition: During our audit, we noted several instances where the District did not comply with the guidelines provided in Chapter 14 of the UFARS Manual as provided by the Minnesota Department of Education. The following items of noncompliance were noted:

- 25 of 25 disbursements sampled were not adequately approved. 23 of the checks did not have the building principal or his/her designee approval on the check request and two did not have advisory approval. Two of the checks already mentioned were combined expenses for two different activities but only had approval by one of the activities.
- One of 25 checks sampled lacked dual signatures.
- One of 25 disbursements sampled was for a payment of a contract that should have been approved by the School Board and paid for by the District, thus, it was not an appropriate student activity expense.
- One of 13 student activity accounts did not have the advisor specified or contain the advisor's signature on the activity purpose form, and two of 13 accounts did not have the purpose of the activity defined on the activity purpose form on file.
- One of 13 student activity accounts was inactive for greater than one year and was not closed or did not have a signed plan on file for continuation of the student activity.

Effect: The District is not in compliance with the guidelines provided in Chapter 14 of the UFARS Manual.

Cause: The District's staff overlooked the applicable guidelines noted in Chapter 14 of the UFARS Manual.

Criteria: The District should ensure that the applicable guidelines noted in Chapter 14 of the UFARS Manual are being followed. The applicable guidelines for the above noted conditions are as follows:

- All disbursements must be approved by the advisor, student, and the building principal or his/her designee before the check is issued.
- Student activity checks must have dual signatures.
- All contracts are to be approved by the School Board and paid by the District; the student activity should reimburse the District.
- All student activity accounts should have a complete activity purpose form on file.
- Student activity accounts that are inactive for greater than one year should either be closed or have a signed plan on file for continuation.

Recommendation: Since the District will be implementing Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* as of July 1, 2019, we recommend that the District close the student activities account and follow the established accounting procedures for District funds.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District will be accounting for the student activity accounts in the General Fund effective July 1, 2019.
3. Official Responsible for Insuring CAP
The Finance Coordinator is the official responsible for insuring corrective action of the deficiency.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON STUDENT ACTIVITY INTERNAL CONTROL STRUCTURE AND
COMPLIANCE AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019**

2019-007 Lack of Compliance with Chapter 14 of the Uniform Financial Accounting and Reporting Standards (UFARS) Manual (Cont'd)

Corrective Action Plan (CAP) (Cont'd)

4. Planned Completion Date for CAP
The Finance Coordinator will account for the student activities accounts in the General Fund as of July 1, 2019.

5. Plan to Monitor Completion of CAP
The Superintendent will be monitoring this plan.



PLLP

CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2890, Renville County West, Renville, Minnesota, for the year ended June 30, 2019, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control and any related significant deficiencies and material weaknesses in our report dated November 7, 2019. This letter does not affect our report dated November 7, 2019, on the financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota.

- Due to the limited number of office personnel within Independent School District No. 2890, Renville County West, Renville, Minnesota, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. The District has responded to this deficiency by implementing various oversight controls by the School Board and Management. These oversight controls help to mitigate the risk to the organization created by the lack of segregation of duties within the accounting function. However, the risks that are created by the lack of segregation of duties can never be completely eliminated. The School Board and Management should continue to be diligent in their review of financial transactions, and document these procedures by initialing invoices, and approving expenditure reports.
- Official School Board minutes should be reviewed to ensure they include both the check range and total of checks, along with the total of ACH's being approved by the School Board. The check ranges presented to the School Board should also be reviewed for proper sequence to ensure that all disbursements are approved.
- The District should develop a policy to review overdue lunch accounts for potential write-off's at least annually. This should include those accounts sent to collections.

If you have any questions regarding these items, please contact us.

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 7, 2019

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Marshall, MN 56258
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507 532 5735
Fax 537 0696



**DEPARTMENT
OF EDUCATION**

Fiscal Compliance

Fiscal Compliance Report - 6/30/2019

Help Logoff

District: RENVILLE COUNTY WEST (2890-1) Back Print

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$8,024,684	<u>\$8,024,685</u>	(\$1)
Total Expenditures	\$7,778,785	<u>\$7,778,785</u>	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.03 Staff Development	\$52,590	<u>\$52,590</u>	<u>\$0</u>
4.06 Health and Safety	\$0	<u>\$0</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$168,752	<u>\$168,752</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$0</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$24,063	<u>\$24,063</u>	<u>\$0</u>
4.50 Pre-Kindergarten	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$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>
4.59 Basic Skills Extended Time	\$21,511	<u>\$21,511</u>	<u>\$0</u>
4.67 LTFM	\$99,235	<u>\$99,235</u>	<u>\$0</u>
4.72 Medical Assistance	\$1,075	<u>\$1,075</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$1,754,039	<u>\$1,754,040</u>	(\$1)
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$1,663,306	<u>\$1,663,306</u>	<u>\$0</u>
02 FOOD SERVICES			
Total Revenue	\$332,578	<u>\$332,577</u>	\$1

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
07 DEBT SERVICE			
Total Revenue	\$711,324	<u>\$711,323</u>	\$1
Total Expenditures	\$684,098	<u>\$684,098</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$459,920	<u>\$459,920</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
08 TRUST			
Total Revenue	\$10,801	<u>\$10,801</u>	<u>\$0</u>
Total Expenditures	\$10,500	<u>\$10,500</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$44,155	<u>\$44,155</u>	<u>\$0</u>
20 INTERNAL SERVICE			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
25 OPEB REVOCABLE TRUST			
Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
45 OPEB IRREVOCABLE TRUST			

Total Expenditures	\$303,161	<u>\$303,161</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$4,938	<u>\$4,938</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$50,338	<u>\$50,338</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

04 COMMUNITY SERVICE

Total Revenue	\$137,007	<u>\$137,006</u>	<u>\$1</u>
Total Expenditures	\$141,749	<u>\$141,749</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$7,179)	<u>(\$7,179)</u>	<u>\$0</u>
4.32 E.C.F.E	\$26,444	<u>\$26,444</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$16,922	<u>\$16,922</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>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$13,935	<u>\$13,936</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>