

INDEPENDENT AUDITOR'S REPORT
INDEPENDENT SCHOOL DISTRICT NO. 2169
SLAYTON, MINNESOTA 56172
FOR THE YEAR ENDING JUNE 30, 2021

Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
P.O. Box 707
Pipestone, Minnesota 56164

CONTENTS OF REPORT

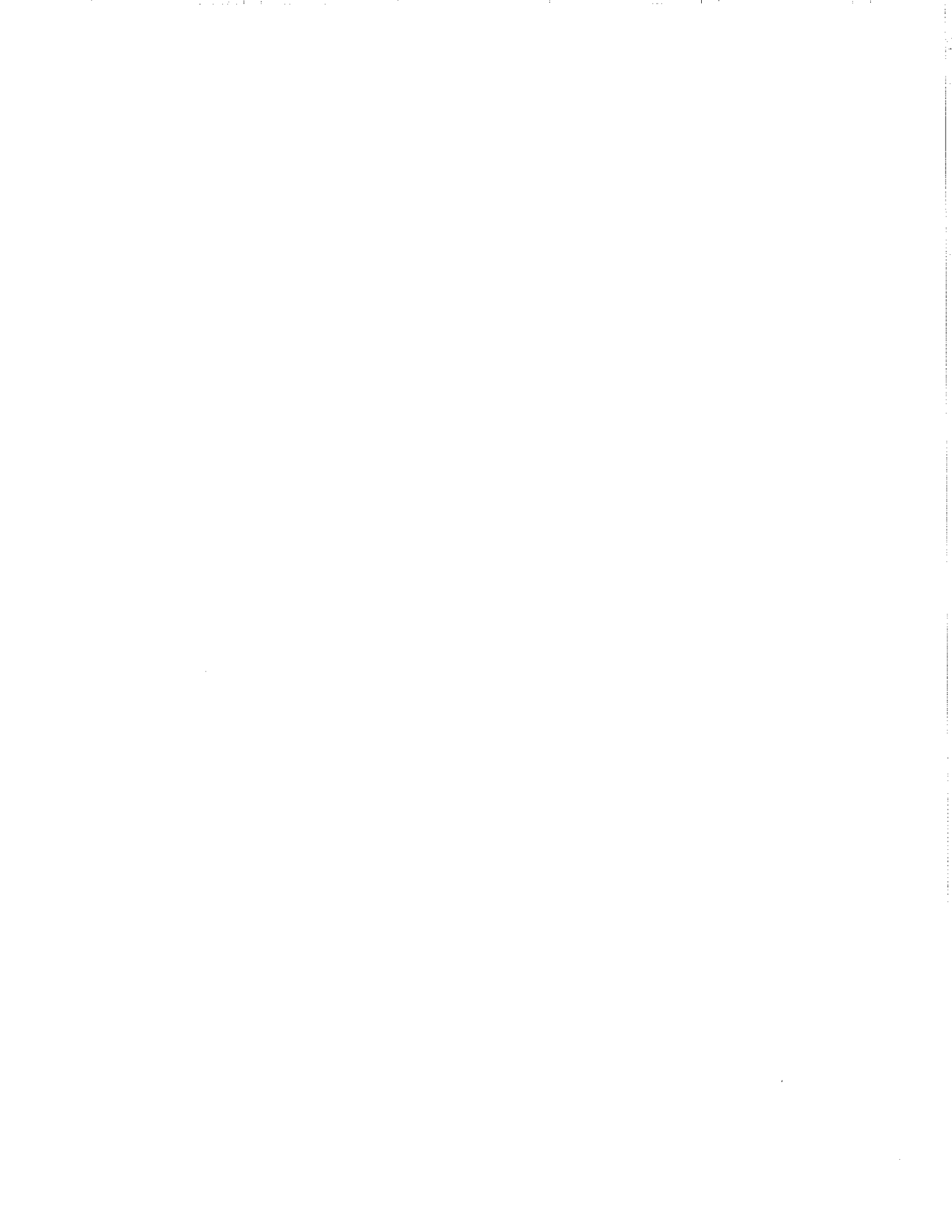
| | <u>PAGE</u> |
|---|--------------------|
| BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL | 1 |
| FINANCIAL SECTION | |
| INDEPENDENT AUDITOR'S REPORT | 3 - 5 |
| MANAGEMENT'S DISCUSSION AND ANALYSIS | 6 - 12 |
| BASIC FINANCIAL STATEMENTS: | |
| EXHIBIT A Statement of Net Position | 13 |
| EXHIBIT B Statement of Activities | 14 |
| EXHIBIT C Governmental Funds Balance Sheet | 15 |
| EXHIBIT D Reconciliation of Governmental Fund Balances To Net Position of Governmental Activities | 16 |
| EXHIBIT E Statement of Revenues, Expenditures and Changes in Fund Balance | 17 |
| EXHIBIT F Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 18 |
| EXHIBIT G Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund | 19 |
| EXHIBIT H Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Food Service Fund | 20 |
| EXHIBIT I Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Community Service Fund | 21 |
| EXHIBIT J Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects Fund | 22 |

CONTENTS OF REPORT
-Continued-

| | <u>PAGE</u> |
|--|--------------------|
| EXHIBIT K Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund | 23 |
| Notes to the Financial Statements | 24 – 64 |
| REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A | |
| Schedule of District’s Proportionate Share of Net Pension Liability | 66 |
| Schedule of District’s Contributions for Defined Benefit Pension Plans | 67 |
| Schedule of Changes in the District’s Net OPEB Liability and Related Ratios | 68 |
| Notes to Required Supplementary Information Other Than MD & A | 69 – 74 |
| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES: | |
| Schedule 1 General Fund Balance Sheet | 75 |
| Schedule 2 General Fund Statement of Revenues, Expenditures and Changes in Fund Balance | 76 – 80 |
| Schedule 3 All Special Revenue Funds Combining Balance Sheet | 81 |
| Schedule 4 Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balance | 82 |
| Schedule 5 Food Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance | 83 |
| Schedule 6 Community Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance | 84 |

CONTENTS OF REPORT
-Continued-

| | <u>PAGE</u> |
|---|--------------------|
| Schedule 7 Capital Projects Fund Statement of Revenues, Expenditures and Changes in Fund Balance | 85 |
| Schedule 8 Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance | 86 |
| OTHER SCHEDULES | |
| Schedule 9 Uniform Financial Accounting and Reporting Standards Compliance Table | 87 |
| Schedule 10 Schedule of Expenditures of Federal Awards | 88 |
| Notes to the Schedule of Expenditures of Federal Awards | 89 |
| 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 | 91 – 93 |
| REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE | 95 – 97 |
| Schedule 11 Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance | 98 – 102 |



Independent School District No. 2169
Slayton, Minnesota

BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2021

BOARD OF EDUCATION

| | |
|------------------|------------------|
| Dan Woldt | Chairperson |
| Tony Clarke | Vice-Chairperson |
| Sue Streff | Treasurer |
| Lauren Biegler | Clerk |
| Robin Gilbertson | Director |
| Maddy Robinson | Director |

ADMINISTRATIVE PERSONNEL

| | |
|-----------------|----------------------|
| Joe Meyer | Superintendent |
| Jacob Scandrett | Secondary Principal |
| Todd Burlingame | Elementary Principal |
| Lisa Rademacher | Finance Officer |

THIS
PAGE
LEFT
BLANK
INTENTIONALLY

MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

PO Box 685
109 S Freeman Avenue
Luverne, Minnesota 56156
507 283-4055 Fax 507 283-4076
contactl@mtcocpa.com

PO Box 707
216 East Main
Pipestone, Minnesota 56164
507 825-4288 Fax 507 825-4280
contactp@mtcocpa.com

Tyler, Minnesota 56178
507 247-3939
Lake Wilson, Minnesota 56151
507 879-3538
Marshall, Minnesota 56258
507 337-0501

PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Independent School District No. 2169
Slayton, Minnesota 56172

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 2169, Slayton, Minnesota, as of and for the year ended June 30, 2021, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independent School District No. 2169, Slayton, Minnesota as of June 30, 2021, the respective changes in financial position, and the respective budgetary comparison for the General Fund, the Major Special Revenue Funds (Food Service Fund and Community Service Fund), the Capital Projects Fund, and Debt Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis which follows this report letter and Required Supplementary Information other than MD & A as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

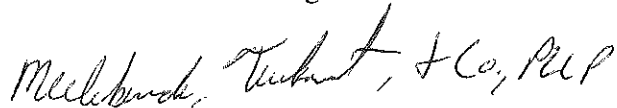
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2169's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Meulebroeck, Taubert Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 27, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2021

This section of the Independent School District No. 2169's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*.

Financial Highlights

Key financial highlights for the 2020-2021 fiscal year include the following:

- Net position decreased by 827,152 or 36.1% over June 30, 2020 mainly due to a decrease in Deferred Outflows of Resources relating to pensions.
- Fund Balance increased by \$182,689, or 7.0% over June 30, 2020 mainly due to an increase in revenue from taxes and federal sources.
- Total governmental revenues increased by \$326,845 or 3.2% in comparison to fiscal year 2020 mainly due to federal aid, while expenditures also increased by \$22,204, or 0.2% in comparison to fiscal year 2020, mainly due to pupil support services.

Overview of the Financial Statements

The financial section of the annual report consists of four parts -- Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include District-wide financial statements and fund financial statements and the notes to the financial statements.

District-Wide Statements

The District-wide statements (statement of net position and statement of activities) 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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how they have changed. Net position -- the difference between the District's assets and liabilities -- is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. You also need to consider other nonfinancial factors, however, such as changes in the District's property tax base, pupil enrollment, and the condition of school facilities.

Independent School District No. 2169
Slayton, Minnesota

Fund Financial Statements

The fund financial statements include more detailed information about a District's individual funds.

The District maintains only one type of fund:

Governmental Funds - The District's services are included in this type of fund, 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 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 activities. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Financial Analysis of the District As A Whole/Financial Analysis of the District's Funds (District-Wide Statements)

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 2169, liabilities exceeded assets by (\$3,116,255) at the close of the most recent fiscal year. This was an increase of \$827,152 or 36.1% from the previous year total of (\$2,289,103).

Table 1 is a summarized view of the District's Statement of Net Position.

| Table 1 | |
|---|---------------------------|
| Statement of Net Position | |
| As of June 30, 2021 | |
| <u>Assets</u> | |
| Current and other assets | 4,642,451 |
| Capital assets, net of depreciation | <u>7,553,737</u> |
| Total Assets | 12,196,188 |
| <u>Deferred Outflows of Resources</u> | |
| Related to OPEB | 142,035 |
| Related to Pensions | <u>2,243,630</u> |
| Total Deferred Outflows of Resources | <u>2,385,665</u> |
| Total Assets and Deferred Outflows of Resources | <u>14,581,853</u> |
| <u>Liabilities</u> | |
| Current and other liabilities | 265,773 |
| Long-term liabilities, including due within one year | <u>12,217,240</u> |
| Total Liabilities | 12,483,013 |
| <u>Deferred Inflows of Resources</u> | |
| Property Taxes Levied for Subsequent Year | 1,616,017 |
| Related to OPEB | 46,152 |
| Related to Pensions | <u>3,552,926</u> |
| Total Deferred Inflows of Resources | 5,215,095 |
| <u>Net Position</u> | |
| Net Investment in Capital Assets | 3,300,216 |
| Restricted | 470,323 |
| Unrestricted | <u>(6,886,794)</u> |
| Total Net Position | <u>(3,116,255)</u> |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | <u>14,581,853</u> |

The District's financial position is the product of numerous factors. Therefore, it is important to view the net position balance as a starting point to evaluate future years' results, rather than to just focus on the current balance.

Table 2 presents a condensed version of the change in net position of the District.

Table 2
Change in Net Position
For the year ended June 30, 2021

Revenues

| | |
|------------------------------------|-------------------|
| Program Revenues | |
| Charges for Services | 179,130 |
| Operating Grants and Contributions | 2,782,722 |
| Capital Grants and Contributions | 59,822 |
| General Revenues | |
| Property Taxes | 1,632,585 |
| Unrestricted Federal and State Aid | 6,122,484 |
| Earnings on Investments | 1,967 |
| Other | <u>252,980</u> |
| Total Revenues | 11,031,690 |

Expenses

| | |
|--------------------------------------|-------------------|
| District and School Administration | 648,085 |
| District Support Services | 233,274 |
| Regular Instruction | 5,221,850 |
| Vocational Instruction | 311,342 |
| Exceptional Instruction | 1,221,692 |
| Instructional Support Services | 472,198 |
| Pupil Support Services | 1,306,180 |
| Site, Buildings, and Equipment | 1,494,561 |
| Fiscal and Other Fixed Cost Programs | 42,477 |
| Food Service | 483,785 |
| Community Service | 302,643 |
| Interest and Fiscal Charges on | |
| Long-term Liabilities | <u>120,755</u> |
| Total Expenses | 11,858,842 |

| | |
|-------------------------------|--------------------|
| Change in Net Position | (827,152) |
| Beginning Net Position | <u>(2,289,103)</u> |
| Ending Net Position | <u>(3,116,255)</u> |

Independent School District No. 2169

Slayton, Minnesota

The district's total revenue consisted of program revenues of \$3,021,674, property taxes of \$1,632,585, federal and state aid not restricted to specific purposes of \$6,122,484, investment earnings of \$1,967, and other revenues of \$252,980.

The cost of all governmental activities this year was \$11,858,842.

- The users of the district programs paid for \$179,130 or 1.5% of the total costs.
- Operating and Capital grants and contributions consisting of federal and state aids restricted for specific purposes totaled \$2,842,544 or 23.97% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$6,122,484 or 51.6% of total costs.

Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

Figure A - Sources of Revenues for Fiscal Year 2021

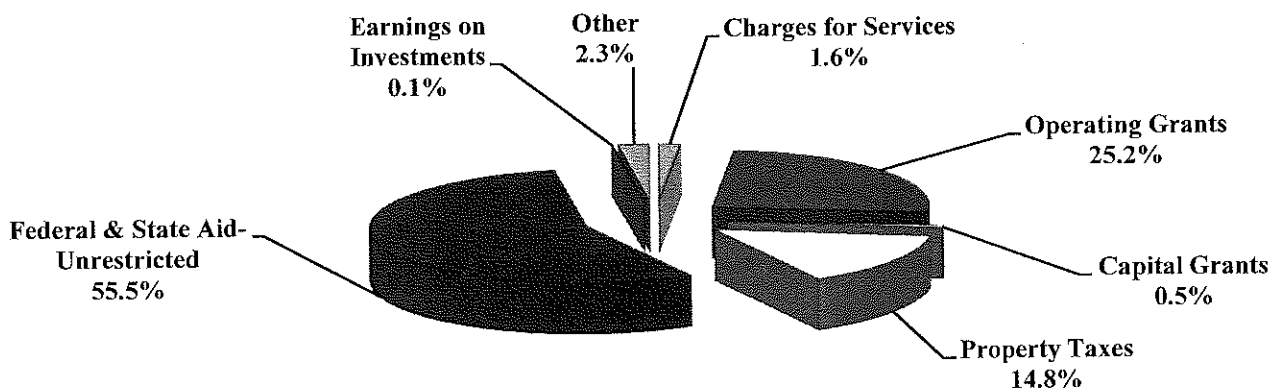
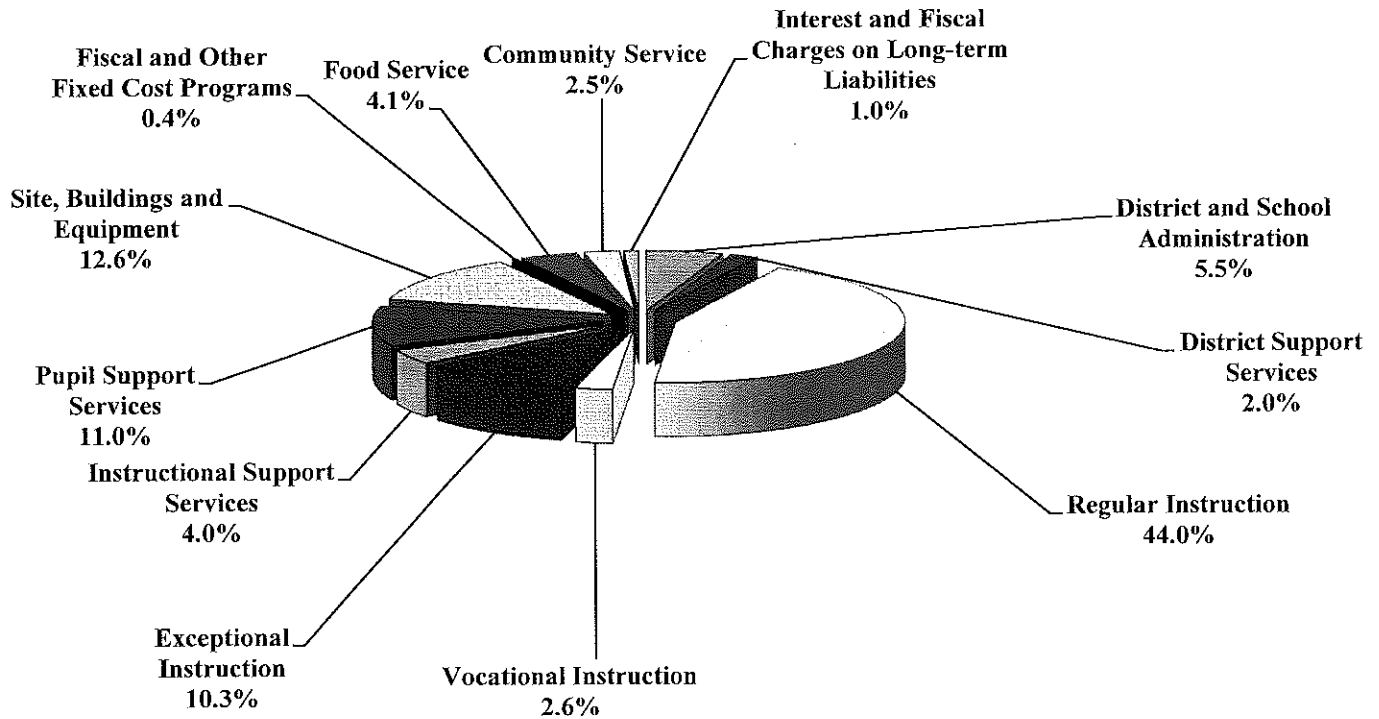


Figure B - Expenses for Fiscal Year 2021



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, the governmental funds reported a combined fund balance of \$2,800,362, which is an increase of \$182,689 over the prior year fund balance of \$2,617,673. The General Fund had an increase of \$117,389. The Food Service Fund had an increase of \$104,479. The Community Service Fund had an increase of \$15,846. The Capital Projects Fund had a decrease of \$62,290. The Debt Service Fund had an increase of \$7,265.

Revenues and Expenditures/Expenses

Revenues of the district's governmental funds totaled \$10,704,775 while total expenditures were \$10,855,360. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

| | Revenue | Expenditures | Other Financing Sources (Uses) | Fund Balance Increase (Decrease) |
|------------------------|-------------------|-------------------|--------------------------------|----------------------------------|
| General Fund | 9,800,712 | 9,703,968 | 20,645 | 117,389 |
| Food Service Fund | 588,264 | 483,785 | -0- | 104,479 |
| Community Service Fund | 315,799 | 302,643 | 2,690 | 15,846 |
| Capital Projects Fund | 24 | 62,314 | -0- | (62,290) |
| Debt Service Fund | 309,915 | 302,650 | -0- | 7,265 |
| Total | 10,704,775 | 10,855,360 | 23,335 | 182,689 |

General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. During fiscal year 2021, the District revised the budget. The district's revised budget anticipated that expenditures would exceed revenues and other financing sources (uses) by &630,890). The actual results for the year showed an increase of \$117,389.

- Actual general fund revenues were over budget by \$402,203 primarily due to differences in revenue from federal sources.
- Actual general fund expenditures were under budget by \$325,431 primarily due to regular instruction.

Capital Assets

Table 3 shows the District's capital assets and the total depreciation expense for fiscal year ending June 30, 2021. More detailed information about the District's Capital Assets is presented in Note 6.

**Table 3
 Capital Assets**

| | <u>2021</u> | <u>Increase (Decrease)</u> |
|--------------------------------|---------------------|--------------------------------|
| Land | 38,333 | |
| Land Improvements | 457,289 | 51,500 |
| Buildings and Improvements | 14,879,769 | 45,634 |
| Equipment | 2,396,665 | 33,500 |
| Pupil Transportation Vehicles | 121,465 | |
| Less: Accumulated Depreciation | <u>(10,339,784)</u> | <u>(758,144)</u> |
| Total | <u>7,553,737</u> | <u>(627,510)</u> |
| Depreciation Expense | <u>758,144</u> | <u>2,668</u> |

Long-Term Liabilities

A capital Lease was entered into during fiscal year 2020 for \$19,500. In fiscal year 2021 the district made lease principal and interest payments of \$29,599 and \$384, respectively. Net OPEB liability increased by \$125,562 and the net pension liability increased by \$1,428,317 during fiscal year 2021. More detailed information about the District's Long-Term Liabilities is presented in Note 9.

Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Independent School District No. 2169 2420 28th St., Slayton, Minnesota 56172.

STATEMENT OF NET POSITION
JUNE 30, 2021

Assets and Deferred Outflows of Resources

Assets

Current Assets

| | |
|---|-------------------|
| Cash and Investments | 2,591,878 |
| Receivables: | |
| Property Taxes | 859,279 |
| Governmental Units | 1,109,927 |
| Other | 7,050 |
| Inventory | 19,489 |
| Prepaid Items | 54,828 |
| Capital Assets: | |
| Non-Depreciable | 38,333 |
| Depreciable - Net of Accumulated Depreciation | 7,515,404 |
| Total Assets | <u>12,196,188</u> |

Deferred Outflows of Resources

| | |
|--|-------------------|
| Related to OPEB | 142,035 |
| Related to Pensions | 2,243,630 |
| Total Deferred Outflows of Resources | <u>2,385,665</u> |
| Total Assets and Deferred Outflows of Resources | <u>14,581,853</u> |

Liabilities, Deferred Inflows of Resources and Net Position

Liabilities

| | |
|-----------------------------------|-------------------|
| Payables: | |
| Salaries Payable | 10,815 |
| Payroll Deductions | 18,249 |
| Accounts Payable | 114,781 |
| Governmental Units | 36,149 |
| Accrued Interest Payable | 47,094 |
| Unearned Revenue | 38,685 |
| Long Term Liabilities: | |
| Portion Due Within One Year | 203,900 |
| Portion Due in More Than One Year | 4,326,271 |
| Pension Benefits Payable | 5,892,068 |
| Net OPEB Liability | 1,795,001 |
| Total Liabilities | <u>12,483,013</u> |

Deferred Inflows of Resources

| | |
|--|------------------|
| Property Taxes Levied for Subsequent Year | 1,616,017 |
| Related to OPEB | 46,152 |
| Related to Pensions | 3,552,926 |
| Total Deferred Inflows of Resources | <u>5,215,095</u> |

Net Position

| | |
|--|--------------------|
| Net Investment in Capital Assets | 3,300,216 |
| Restricted for: | |
| General Fund State Mandated Purposes | 358,325 |
| Food Service | 104,479 |
| Community Service | 7,519 |
| Unrestricted | (6,886,794) |
| Total Net Position | <u>(3,116,255)</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>14,581,853</u> |

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

| Functions | Expenses | Program Revenues | | Net (Expense) | |
|--------------------------------------|-------------------|-------------------------|----------------------|----------------------|---------------------|
| | | Charges | Operating | Capital | Revenue and |
| | | For Services | Grants and | Grants and | Changes in |
| | | | Contributions | Contributions | Net Position |
| | | | | | Total |
| | | | | | Government |
| | | | | | Activities |
| Governmental Activities | | | | | |
| District and School Administration | 648,085 | | | | (648,085) |
| District Support Services | 233,274 | | | | (233,274) |
| Regular Instruction | 5,221,850 | 49,216 | 1,023,057 | | (4,149,577) |
| Vocational Instruction | 311,342 | | | | (311,342) |
| Exceptional Instruction | 1,221,692 | | 885,976 | | (335,716) |
| Instructional Support Services | 472,198 | | 101,211 | | (370,987) |
| Pupil Support Services | 1,306,180 | | 46,614 | | (1,259,566) |
| Site, Buildings and Equipment | 1,494,561 | | 24,198 | 59,822 | (1,410,541) |
| Fiscal and Other Fixed Cost Programs | 42,477 | | | | (42,477) |
| Food Service | 483,785 | 30,454 | 557,761 | | 104,430 |
| Community Service | 302,643 | 99,460 | 143,905 | | (59,278) |
| Interest and Fiscal Charges on | | | | | |
| Long-term Liabilities | 120,755 | | | | (120,755) |
| Total | <u>11,858,842</u> | <u>179,130</u> | <u>2,782,722</u> | <u>59,822</u> | <u>(8,837,168)</u> |

General Revenues

| | |
|---|--------------------|
| Property Taxes Levied for: | |
| General Purposes | 1,384,090 |
| Community Service | 71,664 |
| Debt Service | 176,831 |
| Federal and State Aid Not Restricted to Specific Purposes | 6,122,484 |
| Earnings on Investments | 1,967 |
| Miscellaneous | 252,980 |
| Total General Revenues | <u>8,010,016</u> |
| Change in Net Position | (827,152) |
| Net Position - Beginning | <u>(2,289,103)</u> |
| Net Position - Ending | <u>(3,116,255)</u> |

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

| | <u>Major Funds</u> | | | | <u>Total</u> |
|---|--------------------|---------------------|--------------------------|---------------------|---------------------------|
| | <u>General</u> | <u>Food Service</u> | <u>Community Service</u> | <u>Debt Service</u> | <u>Governmental Funds</u> |
| <u>Assets</u> | | | | | |
| Cash | 2,360,614 | 43,208 | 57,383 | 130,673 | 2,591,878 |
| Interest Receivable | 192 | | | | 192 |
| Current Property Taxes Receivable | 591,615 | | 34,792 | 225,479 | 851,886 |
| Delinquent Property Taxes Receivable | 7,475 | | 149 | (231) | 7,393 |
| Accounts Receivable | 5,078 | 1,780 | | | 6,858 |
| Due From Department of Education | 806,609 | | 4,147 | 13,292 | 824,048 |
| Due From Federal Government Through the Department of Education | 184,619 | 66,825 | | | 251,444 |
| Due From Other Minnesota Districts | 7,705 | | | | 7,705 |
| Due From Other Governments | 26,730 | | | | 26,730 |
| Inventory | | 19,489 | | | 19,489 |
| Prepaid Items | 53,475 | 1,353 | | | 54,828 |
| Total Assets | 4,044,112 | 132,655 | 96,471 | 369,213 | 4,642,451 |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | | | | | |
| <u>Liabilities</u> | | | | | |
| Salaries Payable | 7,743 | 3,072 | | | 10,815 |
| Payroll Deductions | 18,249 | | | | 18,249 |
| Accounts Payable | 113,314 | 1,019 | 448 | | 114,781 |
| Due To Other Minnesota School Districts | 36,149 | | | | 36,149 |
| Unearned Revenue-Other | 2,600 | 24,085 | 12,000 | | 38,685 |
| Total Liabilities | 178,055 | 28,176 | 12,448 | -0- | 218,679 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| Unearned Revenue-Delinquent Taxes | 7,475 | | 149 | (231) | 7,393 |
| Property Taxes Levied for Subsequent Years | 1,210,985 | | 76,355 | 328,677 | 1,616,017 |
| Total Deferred Inflows of Resources | 1,218,460 | -0- | 76,504 | 328,446 | 1,623,410 |
| <u>Fund Balance</u> | | | | | |
| Fund Balance-Nonspendable | 53,475 | 20,842 | | | 74,317 |
| Fund Balance-Restricted | 303,033 | 83,637 | 7,519 | 40,767 | 434,956 |
| Fund Balance-Assigned | 1,817 | | | | 1,817 |
| Fund Balance-Unassigned | 2,289,272 | | | | 2,289,272 |
| Total Fund Balance | 2,647,597 | 104,479 | 7,519 | 40,767 | 2,800,362 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 4,044,112 | 132,655 | 96,471 | 369,213 | 4,642,451 |

See accompanying notes to the financial statements.

RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

| | | |
|----------------------------------|--|-----------|
| Total Governmental Fund Balances | | 2,800,362 |
|----------------------------------|--|-----------|

Amounts reported in Governmental Activities in The Statement of Net Position are Different Because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds

| | | |
|--------------------------------|---------------------|-----------|
| Cost of Capital Assets | 17,893,521 | |
| Less: Accumulated Depreciation | <u>(10,339,784)</u> | 7,553,737 |

| | | |
|--|--|-------|
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue. | | 7,393 |
|--|--|-------|

| | | |
|---|--|----------|
| Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. | | (47,094) |
|---|--|----------|

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

| | | |
|--|--------------------|-------------|
| Deferred Outflows of Resources - OPEB | 142,035 | |
| Deferred Inflows of Resources - OPEB | (46,152) | |
| Deferred Outflows of Resources related to Pensions | 2,243,630 | |
| Deferred Inflows of Resources related to Pensions | <u>(3,552,926)</u> | (1,213,413) |

Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

| | | |
|------------------------------|-----------------|--------------|
| Bonds Payable | (4,145,000) | |
| Bond Premium | (92,921) | |
| Capital Lease Obligations | (15,600) | |
| Pension Benefits Payable | (5,892,068) | |
| Net OPEB Liability | (1,795,001) | |
| Severance Payable | (259,514) | |
| Compensated Absences Payable | <u>(17,136)</u> | (12,217,240) |

| | | |
|---|--|--------------------|
| Net Position of Governmental Activities | | <u>(3,116,255)</u> |
|---|--|--------------------|

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Major Funds</u> | | | | | <u>Total Governmental Funds</u> |
|---|--------------------|-------------------------|------------------------------|-----------------------------|-------------------------|---|
| | <u>General</u> | <u>Food Service</u> | <u>Community Service</u> | <u>Capital Projects</u> | <u>Debt Service</u> | |
| <u>Revenues</u> | | | | | | |
| Local Property Tax Levies | 1,376,701 | | 71,571 | | 176,920 | 1,625,192 |
| Other Local and County Revenues | 282,966 | 49 | 100,323 | 24 | 70 | 383,432 |
| Revenue from State Sources | 7,379,670 | 1,008 | 135,890 | | 132,925 | 7,649,493 |
| Revenue from Federal Sources | 750,767 | 556,753 | 8,015 | | | 1,315,535 |
| Other | 10,608 | 30,454 | | | | 41,062 |
| Total Revenues | 9,800,712 | 588,264 | 315,799 | 24 | 309,915 | 10,704,775 |
| <u>Expenditures</u> | | | | | | |
| District and School Administration | 648,085 | | | | | 648,085 |
| District Support Services | 232,319 | | | | | 232,319 |
| Regular Instruction | 4,627,430 | | | | | 4,627,430 |
| Vocational Instruction | 309,761 | | | | | 309,761 |
| Exceptional Instruction | 1,218,992 | | | | | 1,218,992 |
| Community Education and Services | | | 302,643 | | | 302,643 |
| Instructional Support Services | 472,198 | | | | | 472,198 |
| Pupil Support Services | 1,306,068 | 483,785 | | | | 1,789,853 |
| Site, Buildings and Equipment | 846,638 | | | 62,314 | | 908,952 |
| Fiscal and Other Fixed Cost Programs | 42,477 | | | | 302,650 | 345,127 |
| Total Expenditures | 9,703,968 | 483,785 | 302,643 | 62,314 | 302,650 | 10,855,360 |
| Excess Revenues (Expenditures) | 96,744 | 104,479 | 13,156 | (62,290) | 7,265 | 159,354 |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Capital Lease Proceeds | 19,500 | | | | | 19,500 |
| Sale of Property | 3,835 | | | | | 3,835 |
| Transfers In | | | 2,690 | | | 2,690 |
| Transfers Out | (2,690) | | | | | (2,690) |
| Total Other Financing Sources (Uses) | 20,645 | -0- | 2,690 | -0- | -0- | 23,335 |
| Excess Revenues and Other Financing Sources Over Expenditures and Other Uses | 117,389 | 104,479 | 15,846 | (62,290) | 7,265 | 182,689 |
| Fund Balance-Beginning | 2,530,208 | -0- | (8,327) | 62,290 | 33,502 | 2,617,673 |
| Fund Balance-Ending | <u>2,647,597</u> | <u>104,479</u> | <u>7,519</u> | <u>-0-</u> | <u>40,767</u> | <u>2,800,362</u> |

See accompanying notes to the financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021**

Net Change in Governmental Fund Balances 182,689

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

Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$1,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

| | | |
|----------------------|------------------|-----------|
| Capital Outlay | 130,634 | |
| Depreciation Expense | <u>(758,144)</u> | (627,510) |

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:

| | | |
|------------------------------|-----------------|---------|
| Accrued Interest | 2,279 | |
| Amortization of Bond Premium | 5,748 | |
| Repayment of Bond Principal | 180,000 | |
| Capital Lease Payments | 29,599 | |
| Capital Lease Proceeds | <u>(19,500)</u> | 198,126 |

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, are therefore deferred in the funds. 7,393

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 actually paid). 971,210

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

| | | |
|--|----------------|-------------|
| Change in Pension Benefits Payable | (1,428,317) | |
| Increase in OPEB liability | (125,562) | |
| Change in Severance Payable | 1,733 | |
| Change in Compensated Absences Payable | <u>(6,914)</u> | (1,559,060) |

Change in Net Position of Governmental Activities (827,152)

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with</u> |
|--|-------------------------|-------------------|------------------|----------------------|
| | <u>Original</u> | <u>Final</u> | <u>Amounts</u> | <u>Final Budget</u> |
| <u>Revenues</u> | | | | |
| Local Property Tax Levies | 1,372,863 | 1,339,378 | 1,376,701 | 37,323 |
| Other Local and County Revenues | 262,060 | 239,320 | 282,966 | 43,646 |
| Revenue from State Sources | 7,240,362 | 7,312,748 | 7,379,670 | 66,922 |
| Revenue from Federal Sources | 163,607 | 496,863 | 750,767 | 253,904 |
| Other | 3,700 | 10,200 | 10,608 | 408 |
| Total Revenues | <u>9,042,592</u> | <u>9,398,509</u> | <u>9,800,712</u> | <u>402,203</u> |
| <u>Expenditures</u> | | | | |
| District and School Administration | 668,587 | 671,943 | 648,085 | (23,858) |
| District Support Services | 242,123 | 247,099 | 232,319 | (14,780) |
| Regular Instruction | 4,754,440 | 4,785,272 | 4,627,430 | (157,842) |
| Vocational Instruction | 318,113 | 318,162 | 309,761 | (8,401) |
| Exceptional Instruction | 1,215,437 | 1,273,148 | 1,218,992 | (54,156) |
| Instructional Support Services | 320,909 | 505,011 | 472,198 | (32,813) |
| Pupil Support Services | 1,155,671 | 1,283,278 | 1,306,068 | 22,790 |
| Site, Building and Equipment | 795,635 | 863,651 | 846,638 | (17,013) |
| Fiscal and Other Fixed Cost Programs | 128,060 | 81,835 | 42,477 | (39,358) |
| Total Expenditures | <u>9,598,975</u> | <u>10,029,399</u> | <u>9,703,968</u> | <u>(325,431)</u> |
| Excess Revenues (Expenditures) | (556,383) | (630,890) | 96,744 | 727,634 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Capital Lease Proceeds | | | 19,500 | 19,500 |
| Sale of Property | | | 3,835 | 3,835 |
| Transfers Out | | | (2,690) | (2,690) |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>-0-</u> | <u>20,645</u> | <u>20,645</u> |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>(556,383)</u> | <u>(630,890)</u> | 117,389 | <u>748,279</u> |
| Fund Balance-Beginning | | | 2,530,208 | |
| Fund Balance-Ending | | | <u>2,647,597</u> | |

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|----------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Other Local and County Revenues | 500 | 515 | 49 | (466) |
| Revenue from State Sources | 29,125 | 1,125 | 1,008 | (117) |
| Revenue from Federal Sources | 223,750 | 470,750 | 556,753 | 86,003 |
| Other | 168,100 | 36,850 | 30,454 | (6,396) |
| Total Revenues | <u>421,475</u> | <u>509,240</u> | <u>588,264</u> | <u>79,024</u> |
| <u>Expenditures</u> | | | | |
| Pupil Support Services | 494,856 | 470,420 | 483,785 | 13,365 |
| Total Expenditures | <u>494,856</u> | <u>470,420</u> | <u>483,785</u> | <u>13,365</u> |
| Net Change in Fund Balance | <u>(73,381)</u> | <u>38,820</u> | 104,479 | <u>65,659</u> |
| Fund Balance-Beginning | | | -0- | |
| Fund Balance-Ending | | | <u>104,479</u> | |

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> |
|--|-------------------------|-----------------|---------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Local Property Tax Levies | 76,346 | 71,706 | 71,571 | (135) |
| Other Local and County Revenues | 77,600 | 70,754 | 100,323 | 29,569 |
| Revenue from Federal Sources | | 300 | 8,015 | 7,715 |
| Revenue from State Sources | 52,812 | 41,469 | 135,890 | 94,421 |
| Total Revenues | <u>206,758</u> | <u>184,229</u> | <u>315,799</u> | <u>131,570</u> |
| <u>Expenditures</u> | | | | |
| Community Education and Services | 242,937 | 272,261 | 302,643 | 30,382 |
| Total Expenditures | <u>242,937</u> | <u>272,261</u> | <u>302,643</u> | <u>30,382</u> |
| Excess Revenues (Expenditures) | (36,179) | (88,032) | 13,156 | 101,188 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | | | 2,690 | 2,690 |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>-0-</u> | <u>2,690</u> | <u>2,690</u> |
| Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses | <u>(36,179)</u> | <u>(88,032)</u> | 15,846 | <u>103,878</u> |
| Fund Balance-Beginning | | | <u>(8,327)</u> | |
| Fund Balance-Ending | | | <u><u>7,519</u></u> | |

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|---------------------------------|-------------------------|--------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Other Local and County Revenues | | | 24 | 24 |
| Total Revenues | -0- | -0- | 24 | 24 |
| <u>Expenditures</u> | | | | |
| Site, Building and Equipment | | | 62,314 | 62,314 |
| Total Expenditures | -0- | -0- | 62,314 | 62,314 |
| Net Change in Fund Balance | <u>-0-</u> | <u>-0-</u> | (62,290) | <u>(62,290)</u> |
| Fund Balance-Beginning | | | 62,290 | |
| Fund Balance-Ending | | | <u>-0-</u> | |

See accompanying notes to the financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--------------------------------------|-------------------------|----------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| <u>Revenues</u> | | | | |
| Local Property Tax Levies | 309,890 | 176,965 | 176,920 | (45) |
| Other Local and County Revenues | 1,000 | 101 | 70 | (31) |
| Revenue from State Sources | | 132,925 | 132,925 | |
| Total Revenues | <u>310,890</u> | <u>309,991</u> | <u>309,915</u> | <u>(76)</u> |
| <u>Expenditures</u> | | | | |
| Fiscal and Other Fixed Cost Programs | <u>299,225</u> | <u>298,975</u> | <u>302,650</u> | <u>3,675</u> |
| Total Expenditures | <u>299,225</u> | <u>298,975</u> | <u>302,650</u> | <u>3,675</u> |
| Net Change in Fund Balance | <u>11,665</u> | <u>11,016</u> | 7,265 | <u>(3,751)</u> |
| Fund Balance-Beginning | | | <u>33,502</u> | |
| Fund Balance-Ending | | | <u>40,767</u> | |

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies**

A. **Basis of Presentation**

The financial statements of Independent School District No. 2169 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. **Financial Reporting Entity**

Independent School District No. 2169 was formed and operates pursuant to applicable Minnesota laws and statutes. The Slayton District operates under an elected six-member Board of Education form of government. The Board has control over all activities related to the public-school education in the Slayton District.

As required by generally accepted accounting principles, these financial statements present the District and its component units, entities for which the government is considered to be financially accountable.

Component units are legally separate entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit include whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. Based on these criteria, there are no organizations considered to be component units of the District.

As of July 1, 2019, the student activity accounts of the District have been taken under board control and will not be reported separately.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies - continued**

C. **Basic Financial Statement Presentation**

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

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net assets are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material inter-fund activity has been removed from the District-wide financial statements.

Separate fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: expendable trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies - continued**

D. **Basis of Accounting and Measurement Focus**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-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 recognized as revenues in the year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

All major revenues are susceptible to accrual. Property tax revenues for all funds, which are payable by property owners on a calendar-year basis, are recognized as revenues in the fiscal years for which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies - continued**

D. **Basis of Accounting and Measurement Focus - continued**

The District reports unavailable revenue on its balance sheet. Unavailable revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unavailable revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurring qualified expenditures. In subsequent periods, when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unavailable revenue is removed and revenue is recognized.

Description of Funds

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

Governmental Funds

General Fund

The General Fund includes all financial transactions relating to the administration, instruction, maintenance, transportation, and capital expenditures of the District which are not accounted for in other funds.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds. The Food Service fund is used to account for food service revenues and expenditures. The Community Service fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adult or early childhood programs, or other similar services.

Capital Projects Fund

Capital Projects Fund is used to record the District’s building construction or major improvement projects.

Debt Service Fund

Debt Service Funds account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies – continued**

E. **Budgets and Budgetary Accounting**

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process or in the regular district accounting.

Once a budget is approved, it can be amended by school personnel with approval by the school board. Amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual amendments were not material in relation to the original appropriations. All budget appropriations lapse at year-end.

F. **Cash and Temporary Investments**

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

Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

The school District uses the average cash balance method of allocating investment income to the various funds.

G. **Accounts Receivable**

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

H. Inventories

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly, inventory items on hand at the school are not included in inventory. Inventory of the Food Service Fund is recorded as expenditure when items are used. United States Department of Agriculture (USDA) commodities received are recorded at cost determined using the USDA standard price list and are included in the Food Service Fund inventory when received. Revenue is recognized and the expenditure is recorded when commodities are used.

I. Prepaid Items

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 expenditure at the time of consumption.

J. Property Tax Recognition

The levy certification is made in December of each year. The tax levy is collectible as of January 2nd of the following year and the taxes are due to the county treasurer in May and October of each year. The taxes levied during the fall of the year are recognized in the subsequent fiscal year for the school district.

Current taxes receivable includes the amount of Education Homestead Credit Aid, Homestead/ Agricultural Credit Aid, Disparity Reduction Aid and School Bond Ag Credit to be received after July 1, 2021, and will be recognized as revenue during the fiscal year ending June 30, 2022. The delinquent taxes receivable is reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies - continued**

K. **Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$5,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

L. **Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies - continued**

M. **Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types, Related to Pensions and Related to OPEB Obligation, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types, Property Taxes Levied for Subsequent Years, Related to Pensions and Related to OPEB, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category. Accordingly, the items, unavailable revenue, are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

N. **Accrued Employee Benefits**

Compensated Absences Payable – Vacation Pay

Employees earn vacation pay at various rates dependent on each employee group labor contract. Employees are reimbursed for any unused vacation upon termination. As of June 30, 2021, an accrual has been recorded in the Government-Wide financial statements for the earned but unused vacation pay in the amount of \$17,136. Vacation pay is accrued in the governmental fund financial statements only when it has matured due to employee termination or similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

N. Accrued Employee Benefits - continued

Severance Payable

The District maintains various retirement/severance payment plans for its employee groups. Each employee group plan contains benefit formulas that are based on years of service and/or minimum age requirements. The benefits are generally paid in a lump sum upon retirement. Retirement/severance payments for licensed teaching staff is included with the OPEB liability explained alter. The liability recorded in the Government-Wide financial statements is based on the benefits earned and payable to those who have met the age and years fo service vesting requirements.

Employees earn sick pay at various rates dependent on each employee group labor contract. For teaching staff, these compensated absences are termed Days-out-of-District (DOOD). Unused sick/DOOD pay enters into the calculation of retirement/severance payments and is payable only if employees have met applicable service length requirements. Accordingly, the liability for this benefit has been recorded with other vested severance/retirement benefits payable. At June 30, 2021, the amount anticipated to be paid to employees who have met the eligibility requirements upon retirement is \$259,514.

O. Fund Balance

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. Following are the five fund balance categories used by the District:

Non-Spendable Fund Balance

Fund balance amounts that are not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance

Fund balance amounts that can be spent only for specific purposes imposed by laws or regulations, external resource providers, constitutional provisions or enabling legislation.

Committed Fund Balance

Fund balance amounts that can be used only for the specific purpose determined by a formal action of the government's highest level of decision-making authority.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

O. Fund Balance - continued

The District's highest level of decision-making authority is the district school board. In order to establish, modify or rescind a committed fund balance amount, the school board would need to approve the action at a school board meeting.

Assigned Fund Balance

Fund balance amounts that are intended to be used by the government for a specific purpose, but do not meet the criteria to be classified as restricted or committed.

The District school board has delegated the authority to assign fund balance amounts to the business manager and/or superintendent. Assigned amounts or changes to assigned amounts are presented to the school board for review.

Unassigned Fund Balance

Fund balance amounts that are available for any purpose. These amounts represent the remaining fund balance in the General Fund that has not been classified as non-spendable, restricted, committed or assigned. Also, for funds other than the general fund, unassigned fund balance is used to report a deficit fund balance.

P. Net Position

Net position represents the difference between assets and liabilities in the District-wide and Fiduciary Fund financial statements. Net investment in capital assets, net of related debt 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 District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 **Summary of Significant Accounting Policies - continued**

Q. Pensions

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

R. Postemployment Benefits Other Than Pensions (OPEB)

For the purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the District's benefit plan and additions to/deductions from the District's benefit plan fiduciary net position have been determined on the same basis as they are reported by the District benefit plan. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

T. Subsequent Events

Subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were available to be issued.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 Deposits and Investments

A. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorize the District to designate a depository for public funds and to invest in certificates of deposit. Minnesota Stat. 118A.03 requires that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's bank balance of \$403,199 was 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 in the District's name.

B. Investments

Minnesota Stat. 118A.04 and 118A.05 generally authorize the following types of investments as available to the District:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota Stat. 118A.04, subd. 6;

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 Deposits and Investments

B. Investments - continued

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The District's investments are potentially subject to various risks including the following:

Custodial Credit Risk

The risk that in the event of a failure of the counter party to an investment transaction, a district will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Credit Risk

The risk that an issuer or other counter party to an investment will not fulfill its obligations to the holder of the investment.

Concentration of Credit Risk

The risk of loss that may be caused by the District's investment in a single issuer.

Interest Rate Risk

The risk that changes in the market interest rates will adversely affect the fair value of an investment.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 Cash and Investments - continued

B. Investments - continued

The District has no internal policies that limit deposits on investment choices or address these potential risks beyond the statutory limitations described above.

| <u>Credit Risk</u> | <u>Concentration Risk</u> | <u>Interest Rate Risk</u> | <u>Carrying Value</u> |
|----------------------|-----------------------------|---------------------------|-----------------------|
| <u>Credit Rating</u> | <u>Over 5% of Portfolio</u> | <u>Maturity Date</u> | |
| <u>Agency</u> | | | |

Investment Pools:

Minnesota School District Liquid Asset Fund Plus

| | | | | | |
|--|------|-------|---------|-----|------------------|
| Liquid Class | AAAm | S & P | 0.003% | N/A | 67 |
| MAX Class | AAAm | S & P | 99.997% | N/A | <u>2,072,197</u> |
| Total Minnesota School District Liquid Asset Fund Plus | | | | | <u>2,072,264</u> |
| Total Investments | | | | | 2,072,264 |
| Checking Accounts | | | | | <u>519,614</u> |
| Total Cash and Investments | | | | | <u>2,591,878</u> |

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

The Minnesota School District Liquid Asset Fund issues a publicly available financial report. That report may be obtained on the Internet at www.msdlaf.org.

Note 3 Due From Other Minnesota School Districts

The amounts due from other Minnesota School Districts are as follows:

| | <u>June 30</u> |
|----------------------------|--------------------|
| <u>General Fund</u> | <u>2021</u> |
| ISD No. 991 - SWWC | 1,159 |
| ISD No. 505 - Fulda | 2,301 |
| ISD No. 640 - Wabasso | <u>4,245</u> |
| Total General Fund | <u>7,705</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 4 **Due From Department of Education**

Amounts due from the Department of Education are aids and reimbursements receivable for the fiscal years as follows:

| | June 30 |
|--------------------------------------|--------------------|
| <u>General Fund</u> | <u>2021</u> |
| General Education Aid | 622,256 |
| Special Education | 103,333 |
| Other State Credits | <u>81,020</u> |
| Total General Fund | 806,609 |
| | |
| <u>Special Revenue Funds</u> | |
| <u>Community Service Fund</u> | |
| School Readiness | 2,717 |
| ECFE | 704 |
| Other State Credits | <u>726</u> |
| Total Community Services | <u>4,147</u> |
| Total Special Revenue Funds | 4,147 |
| | |
| <u>Debt Service Fund</u> | |
| School Bond Ag Credit | 11,410 |
| Other State Credits | <u>1,882</u> |
| Total Debt Service Fund | <u>13,292</u> |
| Total All Funds | <u>824,048</u> |

Note 5 **Due From Federal Government Through the MDE**

Amounts due from the federal government through the Department of Education are as follows:

| | June 30 |
|-------------------------------------|--------------------|
| <u>General Fund</u> | <u>2021</u> |
| Federal Program - ESSER II | 180,300 |
| - Other | <u>4,319</u> |
| Total General Fund | 184,619 |
| | |
| <u>Special Revenue Funds</u> | |
| <u>Food Service Fund</u> | |
| Summer Food Service Program | 62,577 |
| Federal Program – ESSER II | <u>4,248</u> |
| Total Food Service Fund | <u>66,825</u> |
| Total All Funds | <u>251,444</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 6 Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

| | <u>Balance</u> <u>7/01/20</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>6/30/21</u> |
|--|--|-------------------------|---------------------------|--|
| Capital Assets Not Depreciated | | | | |
| Land | 38,333 | | | 38,333 |
| Capital Assets Depreciated | | | | |
| Land Improvements | 405,789 | 51,500 | | 457,289 |
| Buildings | 14,834,135 | 45,634 | | 14,879,769 |
| Equipment | 2,363,165 | 33,500 | | 2,396,665 |
| Eligible Pupil | | | | |
| Transportation Vehicles | <u>121,465</u> | <u> </u> | <u> </u> | <u>121,465</u> |
| Total Capital Assets | | | | |
| Depreciated | 17,724,554 | 130,634 | -0- | 17,855,188 |
| Less Accumulated Depreciation for | | | | |
| Land Improvements | (194,393) | (19,047) | | (213,440) |
| Buildings | (7,600,411) | (647,266) | | (8,247,677) |
| Equipment | (1,736,750) | (80,497) | | (1,817,247) |
| Eligible Pupil | | | | |
| Trans. Vehicles | <u>(50,086)</u> | <u>(11,334)</u> | <u> </u> | <u>(61,420)</u> |
| Total Accum. Depr. | <u>(9,581,640)</u> | <u>(758,144)</u> | <u>-0-</u> | <u>(10,339,784)</u> |
| Total Capital Assets | | | | |
| Depreciated-Net | <u>8,142,914</u> | <u>(627,510)</u> | <u>-0-</u> | <u>7,515,404</u> |
| Net Capital Assets | <u>8,181,247</u> | <u>(627,510)</u> | <u>-0-</u> | <u>7,553,737</u> |

Depreciation expense of \$758,144 for the year ended June 30, 2021 was charged to the following governmental functions:

| | |
|-------------------------------|----------------|
| District Support | 955 |
| Regular Instruction | 29,970 |
| Vocational Instruction | 1,581 |
| Special Education Instruction | 2,700 |
| Instructional Support | 112 |
| Pupil Support | 4,394 |
| Operations | <u>718,432</u> |
| | <u>758,144</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7 **Due To Other Minnesota School Districts**

The amounts due to other Minnesota School Districts are as follows:

| | June 30 |
|---------------------------------------|--------------------|
| <u>General Fund</u> | <u>2021</u> |
| ISD No. 177 – Windom | 360 |
| ISD No. 330 – Heron Lake Okabena | 360 |
| ISD No. 511 – Adrian | 720 |
| ISD No. 505 – Fulda | 7,594 |
| ISD No. 581 – Edgerton | 360 |
| ISD No. 640 – Wabasso | 720 |
| ISD No. 671 – Hills Beaver Creek | 720 |
| ISD No. 891 – Canby | 360 |
| ISD No. 991 – SW/WC | 18,459 |
| ISD No. 2167 – Lakeview | 360 |
| ISD No. 2184 – Luverne | 4,336 |
| ISD No. 2689 – Pipestone Area | 360 |
| ISD No. 2884 – Red Rock Central | 360 |
| ISD No. 2895 – Jackson County Central | 360 |
| ISD No. 2902 – RTR | 360 |
| ISD No. 2904 – Tracy | 360 |
| Total General Fund | <u>36,149</u> |
| Total All Funds | <u>36,149</u> |

Note 8 **Unearned Revenues**

Unearned revenues are as follows:

| | June 30 |
|--|--------------------|
| <u>General Fund</u> | <u>2021</u> |
| Expanded Summer Program | <u>2,600</u> |
| Total General Fund | 2,600 |
| <u>Special Revenue Funds</u> | |
| <u>Food Service Fund</u> | |
| Student/Adult Lunch Account Balances | 24,085 |
| <u>Community Service Fund</u> | |
| Summer Preschool Fees | <u>12,000</u> |
| Total Special Revenue | <u>36,085</u> |
| Total All Funds | <u>38,685</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9 Long-Term Liabilities

A. Severance Payable

B. General Obligation Bonds

The District has outstanding the following general obligation school building bonds:

| | <u>Balance</u> <u>June 30, 2021</u> |
|--|--|
| General Obligation School Building Bonds, Series 2017A. Semi-Annual payments due with interest at 2% – 3.25%. Final maturity date of February 1, 2038. | 4,145,000 |

The annual requirements to amortize the bonds outstanding as of June 30, 2021, including interest payments are listed below:

| <u>Year Ended</u> | <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------|-----------------------|-------------------------|------------------------|---------------------|
| 2022 | 200,000 | 113,025 | 313,025 | |
| 2023 | 205,000 | 109,025 | 314,025 | |
| 2024 | 210,000 | 104,925 | 314,925 | |
| 2025 | 210,000 | 100,725 | 310,725 | |
| 2026 | 215,000 | 96,525 | 311,525 | |
| 2027-2031 | 1,160,000 | 398,513 | 1,558,513 | |
| 2032-2036 | 1,345,000 | 217,112 | 1,562,112 | |
| 2037-2038 | <u>600,000</u> | <u>28,675</u> | <u>628,675</u> | |
| Total | <u>4,145,000</u> | <u>1,168,525</u> | <u>5,313,525</u> | |

C. Capital Leases

Assets under capital lease totaled \$15,600 at June 30, 2021. The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2021.

| | <u>June 30</u> | <u>Payment Amount</u> |
|---|-----------------------|------------------------------|
| 2022 | | 3,900 |
| 2023 | | 3,900 |
| 2024 | | 3,900 |
| 2025 | | <u>3,900</u> |
| Minimum Lease Payments | | 15,600 |
| Less: Amount representing interest at the School's incremental borrowing rate of interest | | <u>0</u> |
| Present Value of Minimum Lease Payments | | <u>15,600</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 9 Long-Term Liabilities - continued

B. Changes in Long-Term Liabilities

The following is a schedule of the changes in Long-Term Liabilities:

| | Balance | | | Balance | Due Within |
|----------------------|-----------------------|-------------------------|---------------------------|-----------------------|------------------------|
| | <u>7/01/20</u> | <u>Additions</u> | <u>Retirements</u> | <u>6/30/21</u> | <u>One Year</u> |
| Bonds Payable | 4,325,000 | | 180,000 | 4,145,000 | 200,000 |
| Premium on Bonds | 98,669 | | 5,748 | 92,921 | |
| Capital Lease | 25,699 | 19,500 | 29,599 | 15,600 | 3,900 |
| Severance Payable | 261,247 | | 1,733 | 259,514 | |
| Compensated Absences | <u>10,222</u> | <u>6,914</u> | | <u>17,136</u> | |
| Total | <u>4,720,837</u> | <u>26,414</u> | <u>217,080</u> | <u>4,530,171</u> | <u>203,900</u> |

Note 10 Fund Balances

Non-Spendable Fund Balance

The District has the following non-spendable fund balances as of June 30, 2021:

General Fund

| | |
|--------------------|---------------|
| Prepaid Expenses | <u>53,475</u> |
| Total General Fund | <u>53,475</u> |

Special Revenue Funds

Food Service

| | |
|-----------------------------|---------------|
| Inventory | 19,489 |
| Prepaid Expenses | <u>1,353</u> |
| Total Food Service Fund | <u>20,842</u> |
| Total Special Revenue Funds | <u>20,842</u> |
| Total All Funds | <u>74,317</u> |

Restricted Fund Balance

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2021:

General Fund

| | |
|----------------------------------|------------------|
| Student Activities | 251,103 |
| Scholarships | 159,894 |
| Safe Schools | 32,043 |
| Long-Term Facilities Maintenance | <u>(140,007)</u> |
| Total General Fund | <u>303,033</u> |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 10 Fund Balances – continued

Restricted Fund Balance – continued

Special Revenue Funds

Food Service

| | |
|------------|--------|
| Restricted | 83,637 |
|------------|--------|

Community Service

| | |
|---------------------|--------------|
| Community Education | <u>7,519</u> |
|---------------------|--------------|

| | |
|------------------------------|--------------|
| Total Community Service Fund | <u>7,519</u> |
|------------------------------|--------------|

| | |
|-----------------------------|---------------|
| Total Special Revenue Funds | <u>91,156</u> |
|-----------------------------|---------------|

Debt Service Fund

| | |
|-----------------|---------------|
| Total All Funds | <u>40,767</u> |
|-----------------|---------------|

| | |
|--|----------------|
| | <u>434,956</u> |
|--|----------------|

Committed Fund Balance

The District has no committed fund balances as of June 30, 2021.

Assigned Fund Balance

The District has the following assigned fund balances as of June 30, 2021:

General Fund

| | |
|----------|--------------|
| Assigned | <u>1,817</u> |
|----------|--------------|

| | |
|-----------------|--------------|
| Total All Funds | <u>1,817</u> |
|-----------------|--------------|

Unassigned Fund Balance

The District has the following unassigned fund balances as of June 30, 2021:

General Fund

| | |
|------------|------------------|
| Unassigned | <u>2,289,272</u> |
|------------|------------------|

| | |
|-----------------|------------------|
| Total All Funds | <u>2,289,272</u> |
|-----------------|------------------|

Stabilization Amounts

Amounts formally set aside by the governmental unit for use in emergency situations such as revenue shortages or budgetary imbalances.

The District has no stabilization amounts as of June 30, 2021.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans

A. Public Employees Retirement Association (PERA)

1. Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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 (GERF)

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

2. Benefits Provided-continued

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

3. Contributions

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

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were \$99,225. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

At June 30, 2021, the District reported a liability of \$1,097,169 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 \$33,897. The net pension liability was measured as of June 30, 2020,

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0183 percent at the end of the measurement period and 0.0174 percent for the beginning of the period.

District's proportionate share of the net pension liability \$1,097,169

| | |
|---|--------------------|
| State of Minnesota's proportionate share of the net pension | |
| Liability associated with the District | <u>\$ 33,897</u> |
| Total | <u>\$1,131,066</u> |

For the year ended June 30, 2021, the District recognized pension expense of (\$33,897) for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$(2,950) as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2021, 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 | \$9,520 | \$4,151 |
| Changes in actuarial assumptions | | \$39,808 |
| Net collective difference between projected and actual investment earnings | \$20,685 | |
| Changes in proportion | \$42,107 | \$36,060 |
| Contributions paid to PERA subsequent to the measurement date | \$99,225 | |
| Total | \$171,537 | \$80,019 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

The \$99,225 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, 2022. 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 |
|---------------------|---------------------------|
| 2021 | (\$61,351) |
| 2022 | (\$6,083) |
| 2023 | \$33,219 |
| 2024 | \$26,508 |

5. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

| | |
|------------------------------|-----------------------|
| Inflation | 2.25 percent per year |
| Active Member Payroll Growth | 3.00 percent per year |
| Investment Rate of Return | 7.50 percent |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees is assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions - continued

The following changes in actuarial assumptions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%
- The payroll growth assumption was decreased from 3.25% to 3.00%
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions - continued

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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 | 35.5% | 5.10% |
| International Stocks | 17.5% | 5.30% |
| Bonds (Fixed Income) | 20.0% | 0.75% |
| Alternative Assets (Private Markets) | 25.0% | 5.90% |
| Cash | 2.0% | 0.00% |
| Total | 100% | |

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

7. Pension Liability Sensitivity

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

| Sensitivity Analysis | | |
|---|------------------------|-----------|
| Net Pension Liability (Asset) at Different Discount Rates | | |
| | General Employees Fund | |
| 1% Lower | 6.50% | 1,758,381 |
| Current Discount Rate | 7.50% | 1,097,169 |
| 1% Higher | 8.50% | 551,722 |

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. 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 school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State Colleges and Universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Define Contribution Plan (DCR) administered by Minnesota State.

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued
B. Teachers Retirement Association - continued
2. Benefits Provided - continued
Tier I Benefits

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

With these provisions:

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

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7 percent per year for coordinated members and 2.7 percent per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 percent 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

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.

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 Statute, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021 were:

| | June 30, 2019 | | June 30, 2020 | | June 30, 2021 | |
|--------------------|---------------|----------|---------------|----------|---------------|----------|
| | Employee | Employer | Employee | Employer | Employee | Employer |
| Basic | 11.00% | 11.71% | 11.00% | 11.92% | 11.00% | 12.13% |
| Coordinated | 7.50% | 7.71% | 7.50% | 7.92% | 7.50% | 8.13% |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

3. Contribution Rate - continued

The following is a reconciliation of employer contributions in TRA's fiscal year 2020 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 | \$425,223 |
| Add employer contributions not related to future contribution efforts | (56) |
| Deduct TRA's contributions not included in allocations | <u>(508)</u> |
| Total employer contributions | \$424,659 |
| Total non-employer contributions | <u>35,587</u> |
| Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i> | <u>\$460,246</u> |

Amounts reported in the allocation schedules may not precisely agree with the 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

4. Actuarial Assumptions

The total pension liability in the June 30, 2020 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, 2020 |
| Experience Study | June 5, 2015 November 6, 2017 (economic assumptions) |
| Actuarial Cost Method | Entry Age Normal |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.5% |
| Price Inflation | 2.50% |
| Wage growth rate | 2.85% before July 1, 2028 and 3.25% after June 30, 2028 |
| Projected Salary Increase | 2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028 |
| Cost of living adjustment | 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |
| Mortality Assumptions | |
| Pre-Retirement | RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale. |
| Post-Retirement | RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale. |
| Post-Disability | RP-2014 disabled retiree mortality table, without adjustment. |

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

4. Actuarial Assumptions - continued

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

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return (Geometric Mean) |
|----------------------|-------------------|---|
| Domestic Equity | 35.5% | 5.10% |
| International Equity | 17.5% | 5.30% |
| Private Markets | 25.0% | 5.90% |
| Fixed Income | 20.0% | 0.75% |
| Unallocated Cash | <u>2.0%</u> | 0.00% |
| Total | <u>100%</u> | |

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The “*Difference between expected and actual experience,*” “*Changes of Assumptions,*” and “*Changes in Proportion*” use the amortization period of six years in the schedule presented. The amortization period for “*Net difference between projected and actual investment earnings on pension plan investments*” is five years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0% effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions - continued

- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. This was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

6. Net Pension Liability

On June 30, 2021, the District reported a liability of \$4,794,899 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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 0.0649% at the end of the measurement period and 0.0660% 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 | \$4,794,899 |
| State's proportionate share of the net pension Liability associated with the District | \$401,605 |

For the year ended June 30, 2021, the District recognized pension expense of \$463,038. It also recognized \$36,790 as an increase to pension expense for the support provided by direct aid.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

6. Net Pension Liability - continued

On June 30, 2020 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 | \$80,131 | \$61,945 |
| Net difference between projected and actual investment earnings on pension plan investments | \$53,852 | |
| Change of assumptions | \$1,314,639 | \$3,410,962 |
| Changes in proportion | \$324,836 | |
| Contributions paid to TRA subsequent to measurement date | \$298,635 | |
| Total | \$2,072,093 | \$3,472,907 |

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

| | |
|------|---------------|
| 2021 | \$119,355 |
| 2022 | (\$1,026,510) |
| 2023 | (\$877,800) |
| 2024 | \$78,616 |
| 2025 | \$6,890 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

7. Pension Liability Sensitivity

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

| Sensitivity of Net Pension Liability (NPL) to Changes in the Discount Rate | | |
|--|--------------------|-------------------------------|
| 1 percent decrease (6.50%) | Current (7.50%) | 1 percent increase (8.50%) |
| \$7,340,940 | \$4,794,899 | \$2,697,090 |

The Employer'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, 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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 12 Other Postemployment Benefits

The District has implemented Governmental Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

General Information about the OPEB Plan

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses.

Benefits Provided

The plan offers medical insurance benefits. Benefits are provided through a third-party insurer. Retirees and their spouses contribute to the healthcare plan at the same cost as District employees.

Employees covered by benefit terms

At June 30, 2021, the following employees were covered by the benefit terms:

| | |
|--|-----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 4 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | <u>82</u> |
| | <u>86</u> |

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. The required contributions are based on projected pay-as-you-go financing requirements. For the year ended June 30, 2021, the District contributed \$82,869 to the plan.

Net OPEB Liability

The District's net OPEB liability was measured as of July 1, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2019.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 12 Other Postemployment Benefits - continued

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.
- These changes decreased the liability \$0.

Changes in the Net OPEB Liability

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a)-(b) |
|--|---|--|---|
| Balances at 6/30/2020 | 1,632,372 | -0- | 1,632,372 |
| Changes for the year | | | |
| Service cost | 119,233 | | 19,233 |
| Interest cost | 53,110 | | 53,110 |
| Assumption Changes | 67,619 | | 67,619 |
| Differences between Expected and Actual Experience | | | |
| Benefit Payment | (77,333) | | (77,333) |
| Net changes | 162,629 | -0- | 162,629 |
| Balances at 6/30/2021 | 1,795,001 | -0- | 1,795,001 |

Sensitivity of the net OPEB liability to changes in discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.4 percent) or 1-percentage-point higher (3.4 percent) than the current discount rate:

| | 1% Decrease (1.4%) | Discount Rate (2.4%) | 1% Increase (3.4%) |
|--------------------|-----------------------|-------------------------|-----------------------|
| Net OPEB Liability | 1,911,620 | 1,795,001 | 1,679,403 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 12 Other Postemployment Benefits - continued

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates
 The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.25 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

| | 1% Decrease (5.25% decreasing to 4.0) | Healthcare Cost Trend Rates (6.25% decreasing to 5.0%) | 1% Increase (7.25% decreasing to 6.0%) |
|--------------------|--|--|---|
| Net OPEB Liability | 1,566,943 | 1,795,001 | 2,068,687 |

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$173,103. At June 30, 2021, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Liability Gain or Loss | | \$1,481 |
| Changes in Actuarial Assumptions | \$56,166 | \$44,671 |
| Contributions paid to plan subsequent to measurement date | \$82,869 | |
| Total | \$142,035 | \$46,152 |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| | |
|---------------|---------|
| June 30, 2022 | \$760 |
| June 30, 2023 | \$760 |
| June 30, 2024 | \$760 |
| June 30, 2025 | 760 |
| June 30, 2026 | \$760 |
| Thereafter | \$9,214 |

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 13 Vacation and Sick Leave

Management, administrative, and hourly staff vacation and sick pay accrue based on different employment levels within the District. The accruals along with payouts are individually listed among the contracts for each personnel respectively.

Teachers earn 15 days of Days-Out-Of-District (DOOD) pay per year. Days earned for part-time staff is prorated. DOOD pay is intended to replace previous policies which included sick pay and personal leave pay. Teachers will be compensated for unused DOOD pay, up to a maximum accumulation of 135 days, at the rate of 20% of the teacher's daily rate of pay upon their retirement or resignation from the District after having served for ten consecutive years or more. Any dollars earned will be deposited into the individual's VEBA savings account. In the absence of a VEBA Plan, the compensation shall be deposited into the Minnesota State Post-Retirement Health Care Savings Plan.

Note 14 Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years. The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

Note 15 Excess of Expenditures over Appropriations

The following governmental funds had excess expenditures over budget appropriations:

| | |
|------------------------|--------|
| Food Service Fund | 13,365 |
| Community Service Fund | 30,382 |
| Debt Service Fund | 3,675 |

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2021

| Actuarial Valuation Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b) | Total (a+b) | Employer's Covered-Employee Payroll (d) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------------------------|--|---|---|-------------|---|---|--|
| PERA | | | | | | | |
| June 30, 2014 | 0.0201% | 944,645 | | 944,645 | 1,053,578 | 89.7% | 78.7% |
| June 30, 2015 | 0.0173% | 896,576 | | 896,576 | 1,053,578 | 85.1% | 78.2% |
| June 30, 2016 | 0.0181% | 1,469,630 | 19,261 | 1,488,891 | 1,001,973 | 146.7% | 68.9% |
| June 30, 2017 | 0.0180% | 1,149,108 | 14,481 | 1,163,589 | 1,126,544 | 102.0% | 75.9% |
| June 30, 2018 | 0.0178% | 987,471 | 32,419 | 1,019,890 | 1,196,347 | 82.5% | 79.5% |
| June 30, 2019 | 0.0174% | 962,007 | 29,832 | 991,839 | 1,230,832 | 78.2% | 80.2% |
| June 30, 2020 | 0.0183% | 1,097,169 | 33,897 | 1,131,066 | 1,306,912 | 84.0% | 79.0% |
| TRA | | | | | | | |
| June 30, 2014 | 0.0664% | 3,059,573 | 215,331 | 3,274,904 | 3,042,629 | 100.6% | 81.5% |
| June 30, 2015 | 0.0621% | 3,841,499 | 471,081 | 4,312,580 | 3,142,720 | 122.2% | 76.8% |
| June 30, 2016 | 0.0595% | 14,178,286 | 1,425,127 | 15,603,413 | 3,223,771 | 439.8% | 44.9% |
| June 30, 2017 | 0.0007% | 12,631,470 | 1,289,753 | 13,921,223 | 3,636,383 | 347.4% | 51.6% |
| June 30, 2018 | 0.0658% | 3,427,069 | 388,391 | 3,815,460 | 3,744,330 | 91.5% | 78.1% |
| June 30, 2019 | 0.0660% | 3,501,744 | 372,082 | 3,873,826 | 3,770,614 | 92.9% | 78.1% |
| June 30, 2020 | 0.0649% | 4,794,899 | 401,605 | 5,196,504 | 3,770,644 | 127.2% | 75.5% |

See Note 11, Defined Benefit Pension Plans, for more information

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
DEFINED BENEFIT PENSION PLANS
JUNE 30, 2021

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a - b) | Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (b/d) |
|-----------------------|--|---|---|-------------------------------------|--|
| PERA | | | | | |
| June 30, 2015 | 76,385 | 76,385 | -0- | 1,053,578 | 7.5% |
| June 30, 2016 | 75,148 | 75,148 | -0- | 1,001,973 | 7.5% |
| June 30, 2017 | 84,491 | 84,491 | -0- | 1,126,544 | 7.5% |
| June 30, 2018 | 89,726 | 89,726 | -0- | 1,196,347 | 7.5% |
| June 30, 2019 | 92,025 | 92,025 | -0- | 1,230,832 | 7.5% |
| June 30, 2020 | 97,603 | 97,603 | -0- | 1,306,912 | 7.5% |
| June 30, 2021 | 99,225 | 99,225 | -0- | 1,322,999 | 7.5% |
| TRA | | | | | |
| June 30, 2015 | 212,984 | 212,984 | -0- | 3,042,629 | 7.0% |
| June 30, 2016 | 235,704 | 235,704 | -0- | 3,142,720 | 7.5% |
| June 30, 2017 | 241,783 | 241,783 | -0- | 3,223,771 | 7.5% |
| June 30, 2018 | 272,729 | 272,729 | -0- | 3,636,383 | 7.5% |
| June 30, 2019 | 288,668 | 288,668 | -0- | 3,744,330 | 7.5% |
| June 30, 2020 | 298,932 | 298,932 | -0- | 3,770,614 | 7.7% |
| June 30, 2021 | 298,635 | 298,635 | -0- | 3,770,644 | 7.9% |

See Note 11, Defined Benefit Pension Plans, for more information

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021

| | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>June 30, 2019</u> | <u>June 30, 2018</u> |
|--|----------------------|----------------------|----------------------|----------------------|
| Total OPEB liability | | | | |
| Service Cost | 119,233 | 103,041 | 88,441 | 85,865 |
| Interest Cost | 53,110 | 56,908 | 54,079 | 52,394 |
| Assumption Changes | 67,619 | (59,563) | | |
| Differences in Expected and Actual Experience | | (1,975) | | |
| Benefit Payments | (77,333) | (72,902) | (74,945) | (107,329) |
| Net change in total OPEB liability | 162,629 | 25,509 | 67,575 | 30,930 |
| Total OPEB liability - beginning | 1,632,372 | 1,606,863 | 1,539,288 | 1,508,358 |
| Total OPEB liability - ending (a) | <u>1,795,001</u> | <u>1,632,372</u> | <u>1,606,863</u> | <u>1,539,288</u> |
| | | | | |
| Covered-employee payroll | 4,156,293 | 4,035,236 | 3,969,318 | 3,853,707 |
| | | | | |
| District's Net OPEB liability as a percentage of covered-employee payroll | 43.19% | 40.45% | 40.48% | 39.94% |

See Note 12, Other Postemployment Benefits, for more information.

Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2021

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2021

General Employees Fund - continued

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2021

General Employees Fund - continued

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

TRA Retirement Funds

2020 Changes

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP 2015 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 Changes

Changes in Actuarial Assumptions

- None

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2021

TRA Retirement Funds – continued

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). 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 discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2021

TRA Retirement Funds – continued

2017 Changes – continued

Changes in Actuarial Assumptions – continued

- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66 to 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price of inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as 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 form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A
JUNE 30, 2021

Post Employment Health Care Plan

2021 Changes

Assumption changes

- None

2020 Changes

Assumption changes

- The medical increase rates, mortality tables, and salary scale assumptions were updated as of July 1, 2009.
- The discount rate changed from 3.40% to 3.10%.

2019 Changes

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Method Changes

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

GENERAL FUND
BALANCE SHEET
JUNE 30, 2021

| <u>Assets</u> | <u>2021</u> |
|---|-------------------------|
| Cash | 2,360,614 |
| Interest Receivable | 192 |
| Current Property Taxes Receivable | 591,615 |
| Delinquent Property Taxes Receivable | 7,475 |
| Accounts Receivable | 5,078 |
| Due From Department of Education | 806,609 |
| Due From Federal Government Through the Department of Education | 184,619 |
| Due From Other Minnesota Districts | 7,705 |
| Due From Other Governments | 26,730 |
| Prepaid Items | 53,475 |
| Total Assets | <u><u>4,044,112</u></u> |
| | |
| <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> | |
| <u>Liabilities</u> | |
| Salaries Payable | 7,743 |
| Payroll Deductions | 18,249 |
| Accounts Payable | 113,314 |
| Due To Other Minnesota School Districts | 36,149 |
| Unearned Revenue - Other | 2,600 |
| Total Liabilities | <u>178,055</u> |
| | |
| <u>Deferred Inflows of Resources</u> | |
| Unearned Revenue-Delinquent Taxes | 7,475 |
| Property Taxes Levied for Subsequent Years | 1,210,985 |
| Total Deferred Inflows of Resources | <u>1,218,460</u> |
| | |
| <u>Fund Balance</u> | |
| Fund Balance-Nonspendable | 53,475 |
| Fund Balance-Restricted | 303,033 |
| Fund Balance-Assigned | 1,817 |
| Fund Balance-Unassigned | 2,289,272 |
| Total Fund Balance | <u>2,647,597</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u><u>4,044,112</u></u> |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | Year Ended June 30 | | |
|---|--------------------|------------------|---------------------------------------|
| | 2021 | | |
| <u>Revenues</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Local Property Tax Levy</u> | | | |
| County Apportionment | 7,490 | 10,604 | 3,114 |
| Local Tax Levy | 1,293,888 | 1,304,168 | 10,280 |
| Miscellaneous Tax | 38,000 | 61,929 | 23,929 |
| | <u>1,339,378</u> | <u>1,376,701</u> | <u>37,323</u> |
| <u>Other Local and County Revenues</u> | | | |
| Admissions | 23,300 | 23,805 | 505 |
| Fees | 21,010 | 18,865 | (2,145) |
| Gifts | 60,580 | 86,646 | 26,066 |
| Interest Income | 2,630 | 1,890 | (740) |
| Other Revenues | 122,100 | 145,214 | 23,114 |
| Rent | 500 | | (500) |
| Tuition from Other Minnesota Districts | 9,200 | 6,546 | (2,654) |
| Total Other Local and County Revenues | <u>239,320</u> | <u>282,966</u> | <u>43,646</u> |
| <u>Revenue From State Sources</u> | | | |
| Disparity Reduction Aid | 17,235 | 17,235 | |
| Endowment Fund Apportionment | 32,963 | 30,934 | (2,029) |
| General Education Aid | 6,164,275 | 6,124,234 | (40,041) |
| Literacy Incentive Aid | 42,508 | 42,508 | |
| Market Value Credit | 18,061 | 18,061 | |
| Other State Aids | 237,706 | 260,722 | 23,016 |
| Special Education | 800,000 | 885,976 | 85,976 |
| Total Revenue From State Sources | <u>7,312,748</u> | <u>7,379,670</u> | <u>66,922</u> |
| <u>Revenue From Federal Sources</u> | | | |
| Federal Aid Programs | 230,619 | 234,434 | 3,815 |
| Covid Aid | 266,244 | 516,333 | 250,089 |
| Total Revenue From Federal Sources | <u>496,863</u> | <u>750,767</u> | <u>253,904</u> |
| <u>Local Sales and Insurance Recovery</u> | | | |
| Insurance Recovery | 6,500 | 6,616 | 116 |
| Sale of Materials | 3,700 | 3,992 | 292 |
| Total Local Sales and Insurance Recovery | <u>10,200</u> | <u>10,608</u> | <u>408</u> |
| Total Revenues | <u>9,398,509</u> | <u>9,800,712</u> | <u>402,203</u> |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Year Ended June 30</u> | | |
|---|---------------------------|------------------|---------------------------------------|
| | <u>2021</u> | | |
| <u>Expenditures</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>District and School Administration</u> | | | |
| Dues and Memberships | 12,815 | 11,670 | (1,145) |
| Fixed Charges and Employee Benefits | 211,655 | 214,430 | 2,775 |
| Professional Services | 500 | 310 | (190) |
| Salaries | 425,293 | 408,906 | (16,387) |
| Supplies | 10,460 | 9,238 | (1,222) |
| Travel and Transportation | 11,220 | 3,531 | (7,689) |
| Total District and School Administration | <u>671,943</u> | <u>648,085</u> | <u>(23,858)</u> |
| <u>District Support</u> | | | |
| Dues and Memberships | 7,000 | 7,974 | 974 |
| Fixed Charges and Employee Benefits | 31,043 | 30,560 | (483) |
| Other | 18,500 | 13,920 | (4,580) |
| Professional Services | 122,100 | 113,377 | (8,723) |
| Rent | 2,200 | 1,496 | (704) |
| Repairs and Maintenance | 300 | | (300) |
| Salaries | 61,138 | 61,338 | 200 |
| Supplies | 2,818 | 2,964 | 146 |
| Taxes | 500 | 620 | 120 |
| Travel and Transportation | 1,500 | 70 | (1,430) |
| Total District Support Services | <u>247,099</u> | <u>232,319</u> | <u>(14,780)</u> |
| <u>Regular Instruction</u> | | | |
| <u>District Wide</u> | | | |
| Instructional Supplies | 15,098 | 9,938 | (5,160) |
| Total District Wide | <u>15,098</u> | <u>9,938</u> | <u>(5,160)</u> |
| <u>Elementary School</u> | | | |
| Dues and Memberships | 6,500 | 1,375 | (5,125) |
| Fixed Charges and Employee Benefits | 654,404 | 644,805 | (9,599) |
| Instructional Supplies | 196,253 | 180,170 | (16,083) |
| Professional Services | 500 | 1,229 | 729 |
| Rent | 15,000 | 12,783 | (2,217) |
| Repairs and Maintenance | 150 | | (150) |
| Salaries | 1,539,910 | 1,522,595 | (17,315) |
| Supplies | 9,830 | 9,484 | (346) |
| Travel and Transportation | 10,698 | 91 | (10,607) |
| Tuition to Other Minnesota School Districts | 820 | 617 | (203) |
| Tuition to Out of State School Districts | 20,905 | 27,486 | 6,581 |
| Utilities | 1,500 | 1,468 | (32) |
| Total Elementary | <u>2,456,470</u> | <u>2,402,103</u> | <u>(54,367)</u> |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | Year Ended June 30 | | |
|---|--------------------|------------------|---------------------------------------|
| | 2021 | | |
| <u>Expenditures - continued</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Regular Instruction - continued</u> | | | |
| <u>Secondary School</u> | | | |
| Dues and Memberships | 5,315 | 9,583 | 4,268 |
| Equipment | 12,500 | 19,500 | 7,000 |
| Fixed Charges and Employee Benefits | 586,732 | 587,411 | 679 |
| Instructional Supplies | 119,104 | 44,913 | (74,191) |
| Lease Principal | 3,900 | 3,900 | |
| Other | 1,850 | 1,609 | (241) |
| Professional Services | 23,160 | 21,009 | (2,151) |
| Rent | 19,085 | 19,278 | 193 |
| Repairs and Maintenance | 5,725 | 2,958 | (2,767) |
| Salaries | 1,214,931 | 1,223,620 | 8,689 |
| Scholarships | 45,000 | 45,250 | 250 |
| Supplies | 85,055 | 65,341 | (19,714) |
| Travel and Transportation | 80,036 | 38,244 | (41,792) |
| Tuition to Other Minnesota School Districts | 53,087 | 54,198 | 1,111 |
| Tuition to Out of State School Districts | 51,074 | 72,886 | 21,812 |
| Utilities | 7,150 | 5,689 | (1,461) |
| Total Secondary | <u>2,313,704</u> | <u>2,215,389</u> | <u>(98,315)</u> |
| Total Regular Instruction | 4,785,272 | 4,627,430 | (157,842) |
| | | | |
| <u>Vocational Instruction</u> | | | |
| Fixed Charges and Employee Benefits | 95,769 | 97,518 | 1,749 |
| Fuel | 200 | 1,038 | 838 |
| Instructional Supplies | 17,098 | 11,980 | (5,118) |
| Professional Services | 2,675 | 2,495 | (180) |
| Repairs and Maintenance | 2,515 | | (2,515) |
| Salaries | 196,304 | 195,178 | (1,126) |
| Supplies | 2,000 | 1,299 | (701) |
| Travel and Transportation | 1,601 | 253 | (1,348) |
| Total Vocational Instruction | <u>318,162</u> | <u>309,761</u> | <u>(8,401)</u> |
| | | | |
| <u>Exceptional Instruction</u> | | | |
| Fixed Charges and Employee Benefits | 294,469 | 298,381 | 3,912 |
| Instructional Supplies | 19,964 | 5,515 | (14,449) |
| Professional Services | 4,500 | 3,488 | (1,012) |
| Repairs and Maintenance | 180 | | (180) |
| Salaries | 873,311 | 856,272 | (17,039) |
| Scholarships | | 4,860 | 4,860 |
| Supplies | 650 | 238 | (412) |
| Travel and Transportation | 3,579 | 2,475 | (1,104) |
| Tuition to Other Minnesota School Districts | 66,803 | 47,658 | (19,145) |
| Tuition to Out of State School Districts | 9,692 | 105 | (9,587) |
| Total Exceptional Instruction | <u>1,273,148</u> | <u>1,218,992</u> | <u>(54,156)</u> |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | Year Ended June 30 | | |
|--|--------------------|-----------|-------------------------------|
| | 2021 | | |
| | Budget | Actual | Variance with Final Budget |
| <u>Expenditures - continued</u> | | | |
| <u>Instructional Support Services</u> | | | |
| Dues and Memberships | 7,400 | 12,293 | 4,893 |
| Equipment | 10,000 | | (10,000) |
| Fixed Charges and Employee Benefits | 45,491 | 44,939 | (552) |
| Instructional Supplies | 187,666 | 178,569 | (9,097) |
| Other | | 9,680 | 9,680 |
| Professional Services | 35,163 | 25,796 | (9,367) |
| Salaries | 196,806 | 189,152 | (7,654) |
| Supplies | 5,200 | 1,832 | (3,368) |
| Travel and Transportation | 17,245 | 6,857 | (10,388) |
| Utilities | 40 | 3,080 | 3,040 |
| Total Instructional Support | 505,011 | 472,198 | (32,813) |
| | | | |
| <u>Pupil Support</u> | | | |
| Dues and Memberships | 85 | | (85) |
| Fixed Charges and Employee Benefits | 92,927 | 103,529 | 10,602 |
| Fuel | 4,000 | 2,173 | (1,827) |
| Insurance | 5,700 | 5,645 | (55) |
| Instructional Supplies | 17,797 | 110,427 | 92,630 |
| Other | | 545 | 545 |
| Professional Services | 13,900 | 8,537 | (5,363) |
| Rent | 240 | 240 | |
| Repairs and Maintenance | 3,000 | 1,423 | (1,577) |
| Salaries | 207,283 | 244,539 | 37,256 |
| Supplies | 13,765 | 8,150 | (5,615) |
| Travel and Transportation | 873,081 | 785,965 | (87,116) |
| Tuition to Other Minnesota School Districts | 36,500 | 18,036 | (18,464) |
| Utilities | 15,000 | 16,859 | 1,859 |
| Total Pupil Support | 1,283,278 | 1,306,068 | 22,790 |
| | | | |
| <u>Site, Building and Equipment</u> | | | |
| Building Improvements | 12,500 | 17,897 | 5,397 |
| Capital Lease Interest | 384 | 384 | |
| Capital Lease Principal | 25,699 | 25,699 | |
| Equipment | 36,273 | 14,000 | (22,273) |
| Fixed Charges and Employee Benefits | 107,233 | 113,308 | 6,075 |
| Fuel | 54,000 | 70,267 | 16,267 |
| Professional Services | 51,660 | 57,957 | 6,297 |
| Rent | 6,500 | 1,027 | (5,473) |
| Repair and Maintenance Service | 72,748 | 43,684 | (29,064) |
| Salaries | 212,751 | 214,932 | 2,181 |
| Site Improvements | 40,000 | 29,300 | (10,700) |
| Supplies | 65,415 | 84,465 | 19,050 |
| Taxes | 4,000 | 2,830 | (1,170) |
| Travel and Transportation | 200 | | (200) |
| Tuition to Other Minnesota School Districts | 30,088 | 14,095 | (15,993) |
| Utilities | 144,200 | 156,793 | 12,593 |
| Total Site, Building and Equipment | 863,651 | 846,638 | (17,013) |

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Year Ended June 30</u> | | |
|---|---------------------------|------------------|---------------------------------------|
| | <u>2021</u> | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Expenditures - continued</u> | | | |
| <u>Fixed Cost Programs</u> | | | |
| Property Insurance | 81,835 | 42,477 | (39,358) |
| Total Fixed Cost Programs | <u>81,835</u> | <u>42,477</u> | <u>(39,358)</u> |
| Total Expenditures | <u>10,029,399</u> | <u>9,703,968</u> | <u>(325,431)</u> |
| Excess Revenues (Expenditures) | (630,890) | 96,744 | 727,634 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Capital Lease Proceeds | | 19,500 | 19,500 |
| Sale of Property | | 3,835 | 3,835 |
| Transfers Out | | (2,690) | (2,690) |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>20,645</u> | <u>20,645</u> |
| Excess Revenues and Other Financing Sources Over Expenditures and Other Uses | <u>(630,890)</u> | 117,389 | <u>748,279</u> |
| Fund Balance-July 1 | | <u>2,530,208</u> | |
| Fund Balance-June 30 | | <u>2,647,597</u> | |

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

| | <u>Food</u> | <u>Community</u> | <u>Total</u> |
|--|----------------|------------------|--------------------|
| <u>Assets</u> | <u>Service</u> | <u>Service</u> | <u>(Memo Only)</u> |
| | | | <u>2021</u> |
| Cash | 43,208 | 57,383 | 100,591 |
| Current Property Taxes Receivable | | 34,792 | 34,792 |
| Delinquent Property Taxes Receivable | | 149 | 149 |
| Accounts Receivable | 1,780 | | 1,780 |
| Due from Department of Education | | 4,147 | 4,147 |
| Due From Federal Government Through the Department of Education | 66,825 | | 66,825 |
| Inventory | 19,489 | | 19,489 |
| Prepaid Items | 1,353 | | 1,353 |
| Total Assets | 132,655 | 96,471 | 229,126 |
| <u>Liabilities, Deferred Inflows of</u> | | | |
| <u>Resources, and Fund Balances</u> | | | |
| <u>Liabilities</u> | | | |
| Salaries Payable | 3,072 | | 3,072 |
| Accounts Payable | 1,019 | 448 | 1,467 |
| Unearned Revenue - Other | 24,085 | 12,000 | 36,085 |
| Total Liabilities | 28,176 | 12,448 | 40,624 |
| <u>Deferred Inflows of Resources</u> | | | |
| Unearned Revenue - Delinquent Taxes | | 149 | 149 |
| Property Taxes Levied for Subsequent Years | | 76,355 | 76,355 |
| Total Deferred Inflows of Resources | -0- | 76,504 | 76,504 |
| <u>Fund Balance</u> | | | |
| Fund Balance-Nonspendable | 20,842 | | 20,842 |
| Fund Balance-Restricted | 83,637 | 7,519 | 91,156 |
| Total Fund Balance | 104,479 | 7,519 | 111,998 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | 132,655 | 96,471 | 229,126 |

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Food</u> | <u>Community</u> | <u>Total</u> |
|--|----------------|------------------|--------------------|
| <u>Revenues</u> | <u>Service</u> | <u>Service</u> | <u>(Memo Only)</u> |
| | | | <u>2021</u> |
| Local Property Tax Levy | | 71,571 | 71,571 |
| Other Local and County Revenues | 49 | 100,323 | 100,372 |
| Revenue from State Sources | 1,008 | 135,890 | 136,898 |
| Revenue from Federal Sources | 556,753 | 8,015 | 564,768 |
| Other | 30,454 | | 30,454 |
| Total Revenues | <u>588,264</u> | <u>315,799</u> | <u>904,063</u> |
| | | | |
| <u>Expenditures</u> | | | |
| Community Education and Services | | 302,643 | 302,643 |
| Pupil Support Services | 483,785 | | 483,785 |
| Total Expenditures | <u>483,785</u> | <u>302,643</u> | <u>786,428</u> |
| | | | |
| Excess Revenues (Expenditures) | 104,479 | 13,156 | 117,635 |
| | | | |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | | 2,690 | 2,690 |
| Total Other Financing Sources (Uses) | <u>-0-</u> | <u>2,690</u> | <u>2,690</u> |
| | | | |
| Excess Revenues and Other Financing | | | |
| Sources Over Expenditures and Other Uses | 104,479 | 15,846 | 120,325 |
| Fund Balance-July 1 | -0- | (8,327) | (8,327) |
| Fund Balance-June 30 | <u>104,479</u> | <u>7,519</u> | <u>111,998</u> |

FOOD SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | Year Ended June 30 | | |
|---|--------------------|--------------------|---------------------------------------|
| | 2021 | | |
| <u>Revenues</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Other Local and County Revenues</u> | | | |
| Gifts | 500 | 50 | (450) |
| Interest Income | 15 | (1) | (16) |
| Total Other Local and County Revenues | <u>515</u> | <u>49</u> | <u>(466)</u> |
| <u>Revenue From State Sources</u> | | | |
| Lunch Reimbursement | 1,125 | 1,008 | (117) |
| Total Revenue from State Sources | <u>1,125</u> | <u>1,008</u> | <u>(117)</u> |
| <u>Revenue From Federal Sources</u> | | | |
| <u>Breakfast Reimbursement</u> | | | |
| Commodities | 20,000 | 32,144 | 12,144 |
| Federal Aid Programs | | 25,263 | 25,263 |
| Special Milk Program | 750 | 160 | (590) |
| Summer Food Service Program | 450,000 | 499,186 | 49,186 |
| Total Revenue From Federal Sources | <u>470,750</u> | <u>556,753</u> | <u>86,003</u> |
| <u>Local Sales and Insurance Recovery</u> | | | |
| Sale of Lunches | 36,850 | 30,454 | (6,396) |
| Total Local Sales and Insurance Recovery | <u>36,850</u> | <u>30,454</u> | <u>(6,396)</u> |
| Total Revenues | <u>509,240</u> | <u>588,264</u> | <u>79,024</u> |
| <u>Expenditures</u> | | | |
| <u>Pupil Support Services</u> | | | |
| Commodities | 20,000 | 31,861 | 11,861 |
| Dues and Memberships | 1,000 | 499 | (501) |
| Equipment | 3,400 | | (3,400) |
| Fixed Charges and Employee Benefits | 79,796 | 86,939 | 7,143 |
| Food | 142,550 | 146,426 | 3,876 |
| Professional Services | 1,500 | 1,416 | (84) |
| Rent | 650 | 610 | (40) |
| Repairs and Maintenance | 5,000 | 1,609 | (3,391) |
| Salaries | 198,299 | 200,727 | 2,428 |
| Supplies | 16,975 | 13,698 | (3,277) |
| Travel and Transportation | 1,250 | | (1,250) |
| Total Expenditures | <u>470,420</u> | <u>483,785</u> | <u>13,365</u> |
| Excess Revenues (Expenditures) | <u>38,820</u> | <u>104,479</u> | <u>65,659</u> |
| Fund Balance-July 1 | | -0- | |
| Fund Balance-June 30 | | <u>104,479</u> | |

COMMUNITY SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Year Ended June 30</u> | | |
|---|---------------------------|---------------|---------------------------------------|
| | <u>2021</u> | | |
| <u>Revenues</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Local Property Tax Levy</u> | | | |
| Local Tax Levy | 71,706 | 71,571 | (135) |
| Total Local Property Tax Levies | 71,706 | 71,571 | (135) |
| <u>Other Local and County Revenues</u> | | | |
| Admissions | 4,750 | | (4,750) |
| Fees | 9,750 | 11,145 | 1,395 |
| Gifts | 500 | 477 | (23) |
| Interest Income | 4 | (16) | (20) |
| Other | | 402 | 402 |
| Tuition | 55,750 | 88,315 | 32,565 |
| Total Other Local and County Revenues | 70,754 | 100,323 | 29,569 |
| <u>Revenue From Federal Sources</u> | | | |
| Federal Aid Programs | 300 | | (300) |
| Covid Aid | | 8,015 | 8,015 |
| Total Revenue From Federal Sources | 300 | 8,015 | 7,715 |
| <u>Revenue From State Sources</u> | | | |
| Disparity Aid | 2,266 | 2,266 | |
| Homestead/Agriculture Credit | 2,374 | 2,374 | |
| General Education Aid | | 94,219 | 94,219 |
| Other State Aids | 36,829 | 37,031 | 202 |
| Total Revenue From State Sources | 41,469 | 135,890 | 94,421 |
| Total Revenues | 184,229 | 315,799 | 131,570 |
| <u>Expenditures</u> | | | |
| <u>Community Education and Services</u> | | | |
| Dues and Memberships | 50 | | (50) |
| Fixed Charges and Employee Benefits | 69,925 | 92,782 | 22,857 |
| Insurance | 100 | 100 | |
| Instructional Supplies | 7,000 | 3,035 | (3,965) |
| Professional Services | 8,785 | 384 | (8,401) |
| Repair and Maintenance | 920 | | (920) |
| Salaries | 164,819 | 199,432 | 34,613 |
| Supplies | 9,650 | 2,137 | (7,513) |
| Travel and Transportation | 11,012 | 4,773 | (6,239) |
| Total Expenditures | 272,261 | 302,643 | 30,382 |
| Excess Revenues (Expenditures) | (88,032) | 13,156 | 101,188 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | | 2,690 | 2,690 |
| Total Other Financing Sources (Uses) | -0- | 2,690 | 2,690 |
| Excess Revenues and Other Financing Sources Over Expenditures and Other Uses | (88,032) | 15,846 | 103,878 |
| Fund Balance-July 1 | | (8,327) | |
| Fund Balance-June 30 | | 7,519 | |

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Year Ended June 30</u> | | |
|---|---------------------------|---------------|---------------------------------------|
| | <u>2021</u> | | |
| | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Revenues</u> | | | |
| <u>Other Local and County Revenues</u> | | | |
| Interest Income | | 24 | 24 |
| Total Revenues | -0- | 24 | 24 |
| <u>Expenditures</u> | | | |
| <u>Site, Building and Equipment</u> | | | |
| Building Improvements | | 43,847 | 43,847 |
| Equipment | | 6,090 | 6,090 |
| Professional Services | | 12,377 | 12,377 |
| Total Expenditures | -0- | 62,314 | 62,314 |
| Excess Revenues (Expenditures) | -0- | (62,290) | (62,290) |
| Fund Balance-July 1 | | 62,290 | |
| Fund Balance-June 30 | | -0- | |

DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2021

| | <u>Year Ended June 30</u> | | |
|---|---------------------------|---------------|---------------------------------------|
| | <u>2021</u> | | |
| <u>Revenues</u> | <u>Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
| <u>Local Property Tax Levy</u> | | | |
| Local Tax Levy | 176,965 | 176,920 | (45) |
| Total Local Property Tax Levies | 176,965 | 176,920 | (45) |
| <u>Other Local and County Revenues</u> | | | |
| Interest Income | 101 | 70 | (31) |
| Total Other Local and County Revenues | 101 | 70 | (31) |
| <u>Revenue From State Sources</u> | | | |
| Disparity Aid | 9,192 | 9,192 | |
| Homestead/Agriculture Credit | 9,632 | 9,632 | |
| Other State Aids | 114,101 | 114,101 | |
| Total Revenue From State Sources | 132,925 | 132,925 | -0- |
| Total Revenues | 309,991 | 309,915 | (76) |
| <u>Expenditures</u> | | | |
| <u>Fiscal and Other Fixed Cost Programs</u> | | | |
| Bond Principal | 180,000 | 180,000 | |
| Bond Interest | 118,425 | 118,425 | |
| Other Debt Service | 550 | 4,225 | 3,675 |
| Total Expenditures | 298,975 | 302,650 | 3,675 |
| Excess Revenues (Expenditures) | 11,016 | 7,265 | (3,751) |
| Fund Balance-July 1 | | 33,502 | |
| Fund Balance-June 30 | | 40,767 | |

UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2021

| | Audit | UFARS | Audit - UFARS |
|---------------------------------------|------------------|------------------|---------------|
| <u>01 GENERAL FUND</u> | | | |
| Total Revenues | <u>9,800,712</u> | <u>9,800,713</u> | <u>(1)</u> |
| Total Expenditures | <u>9,703,968</u> | <u>9,703,968</u> | <u>-0-</u> |
| Non Spendable: | | | |
| 4.60 Non Spendable | 53,475 | 53,475 | -0- |
| Restricted: | | | |
| 4.01 Student Activities | 251,103 | 251,103 | -0- |
| 4.02 Scholarships | 159,894 | 159,894 | -0- |
| 4.49 Safe Schools | 32,043 | 32,043 | -0- |
| 4.67 Long-Term Facilities Maintenance | (140,007) | (140,007) | -0- |
| Assigned: | | | |
| 4.62 Assigned | 1,817 | 1,817 | -0- |
| Unassigned: | | | |
| 4.22 Unassigned | 2,289,272 | 2,289,273 | (1) |
| <u>02 FOOD SERVICE</u> | | | |
| Total Revenues | <u>588,264</u> | <u>588,264</u> | <u>-0-</u> |
| Total Expenditures | <u>483,785</u> | <u>483,784</u> | <u>1</u> |
| Non Spendable: | | | |
| 4.60 Non Spendable | 20,842 | 20,842 | -0- |
| Restricted: | | | |
| 4.64 Restricted | 83,637 | 83,638 | (1) |
| <u>04 COMMUNITY SERVICE</u> | | | |
| Total Revenues | <u>315,799</u> | <u>315,800</u> | <u>(1)</u> |
| Total Expenditures | <u>302,643</u> | <u>302,643</u> | <u>-0-</u> |
| Restricted: | | | |
| 4.31 Community Education | 7,519 | 7,519 | -0- |
| 4.32 Early Child & Family Education | -0- | -0- | -0- |
| 4.44 School Readiness | -0- | -0- | -0- |
| 4.64 Restricted | -0- | -0- | -0- |
| <u>06 CAPITAL PROJECTS</u> | | | |
| Total Revenues | <u>24</u> | <u>24</u> | <u>-0-</u> |
| Total Expenditures | <u>62,314</u> | <u>62,314</u> | <u>-0-</u> |
| Restricted: | | | |
| 4.64 Restricted | -0- | -0- | -0- |
| <u>07 DEBT SERVICE</u> | | | |
| Total Revenues | <u>309,915</u> | <u>309,915</u> | <u>-0-</u> |
| Total Expenditures | <u>302,650</u> | <u>302,650</u> | <u>-0-</u> |
| Restricted: | | | |
| 4.64 Restricted | 40,767 | 40,767 | -0- |

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

| Pass Through Grantor/ Program Title | Federal CFDA Number | Federal Expenditures | Expenditures to Subrecipients | Federal Funding Source |
|--|------------------------------------|---------------------------------|--|---------------------------------------|
| Through Minnesota Department of Education | | | | |
| Child Nutrition Cluster: | | | | |
| Special Milk Program for Children | 10.556 | 160 | None | USDA |
| Summer Food Service Program for Children | 10.559 | 499,186 | None | USDA |
| Total Child Nutrition Cluster | | <u>499,346</u> | | |
| Food Distribution Cluster | | | | |
| Commodity Supplemental Food Program | 10.565 | 32,144 | None | USDA |
| Total Food Distribution Cluster | | <u>32,144</u> | | |
| Education Stabilization Cluster: | | | | |
| Title II | 84.367 | 18,534 | None | USDOED |
| Elementary and Secondary School Emergency Relief | 84.425D | 359,696 | None | USDOED |
| Governor's Emergency Education Relief Fund | 84.425C | 7,956 | None | USDOED |
| Total Education Stabilization Cluster | | <u>386,186</u> | | |
| Title I | 84.010 | 93,747 | None | USDOED |
| Title IV | 84.424A | 9,937 | None | USDOED |
| Pandemic EBT Administrative Costs | 10.649 | 6,500 | None | USDA |
| Perkins | 84.051F | 2,234 | None | USDOED |
| Coronavirus Relief Fund | 21.019C | 182,058 | None | USDT |
| Through Lake Sarah Township Minnesota | | | | |
| Coronavirus Relief Fund | 21.019C | 4,625 | None | USDT |
| Through Leeds Township Minnesota | | | | |
| Coronavirus Relief Fund | 21.019C | 5,075 | None | USDT |
| Through Murray County Minnesota | | | | |
| Coronavirus Relief Fund | 21.019C | 54,000 | None | USDT |
| Through SW/WC Minnesota | | | | |
| Special Education Cluster: | | | | |
| Special Education | 84.027 | 39,683 | None | USDOED |
| Total Federal Special Education Cluster | | <u>39,683</u> | | |
| Total Federal Expenditures | | <u><u>1,315,535</u></u> | | |

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

Independent School District No. 2169
Slayton, Minnesota

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

THIS
PAGE
LEFT
BLANK
INTENTIONALLY

MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

PO Box 685
109 S Freeman Avenue
Luverne, Minnesota 56156
507 283-4055 Fax 507 283-4076
contactfl@mtcocpa.com

PO Box 707
216 East Main
Pipestone, Minnesota 56164
507 825-4288 Fax 507 825-4280
contactp@mtcocpa.com

Tyler, Minnesota 56178
507 247-3939
Lake Wilson, Minnesota 56151
507 879-3538
Marshall, Minnesota 56258
507 337-0501

PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

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

To the Board of Education
Independent School District No. 2169
Slayton, Minnesota 56172

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 *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 2169, Slayton, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 27, 2021.

Internal Control Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2169's, internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings and Recommendations, we have identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be material weaknesses (2021-001 and 2021-002).

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. Sec. 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. 2169 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedure's, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

Independent School District No. 2169's Response to Findings

The Independent School District No. 2169's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 27, 2021

THIS
PAGE
LEFT
BLANK
INTENTIONALLY

MEULEBROECK, TAUBERT & CO., PLLP
CERTIFIED PUBLIC ACCOUNTANTS

PO Box 685
109 S Freeman Avenue
Luverne, Minnesota 56156
507 283-4055 Fax 507 283-4076
contactl@mtcocpa.com

PO Box 707
216 East Main
Pipestone, Minnesota 56164
507 825-4288 Fax 507 825-4280
contactp@mtcocpa.com

Tyler, Minnesota 56178
507 247-3939
Lake Wilson, Minnesota 56151
507 879-3538
Marshall, Minnesota 56258
507 337-0501

PARTNERS

Matthew A. Taubert, CPA
David W. Friedrichsen, CPA
Daryl J. Kanthak, CPA
Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL

OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Education
Independent School District No. 2169
Slayton, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 2169, Slayton, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Independent School District No. 2169's major federal programs for the year ended June 30, 2021. Independent School District No. 2169's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Independent School District No. 2169's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 2169's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Independent School District No. 2169
Slayton, Minnesota

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Independent School District No. 2169's compliance.

Opinion on Each Major Federal Program

In our opinion, the Independent School District No. 2169, Slayton, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Independent School District No. 2169, Slayton, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2169's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2169's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Independent School District No. 2169
Slayton, Minnesota

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



Meulebroeck, Taubert & Co., PLLP
Certified Public Accountants
Pipestone, Minnesota

September 27, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

| | |
|---|---|
| Type of auditor’s report issued: | We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP). |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | Yes, Audit Finding 2021-001 |
| • Significant deficiency(ies) identified? | No |
| Noncompliance material to financial statements noted: | No |

Federal Awards

| | |
|---|------------|
| Type of auditor’s report issued on compliance for major programs: | Unmodified |
| Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | No |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516? | No |

Identification of Major Programs

| | |
|--|-------------------------|
| CFDA No: | 84.010 |
| Name of Federal Program or Cluster: | Title I |
| CFDA No: | 10.556 |
| Name of Federal Program or Cluster: | Child Nutrition Cluster |
| CFDA No: | 10.559 |
| Name of Federal Program or Cluster: | Child Nutrition Cluster |
| Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| Auditee qualified as low risk auditee? | No |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented an internal control policy on November 17, 2008, that addresses the areas of segregation the district is lacking, including bank reconciliation, receipts, disbursements, payroll, journal entries, and budget. The policy utilizes staff and board members to ensure that segregation of duties occurs to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2021

Plan to monitor completion of CAP:

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS - CONTINUED

2021-002 GAAP Financial Statements

Personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2021

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2020-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented an internal control policy on November 17, 2008, that addresses the areas of segregation the district is lacking, including bank reconciliation, receipts, disbursements, payroll, journal entries, and budget. The policy utilizes staff and board members to ensure that segregation of duties occurs to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2021

Plan to monitor completion of CAP:

The Superintendent and Board of Education will monitor the internal control system to ensure it is functioning as the internal control policy states.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS – CONTINUED

2020-002 GAAP Financial Statements

Personnel that lack the necessary expertise are responsible for financial statements required to be prepared in accordance with generally accepted accounting principles.

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2021

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.