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ISD Independent School District No. 2396
Atwater/Cosmos/Grove City, Minnesota

Basic Financial Statements

June 30, 2021

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Independent School District No. 2396
Board of Education and Administration
June 30, 2021

Board of Education	Position	Term Expires
Megan Morrison	Chairperson	December 31, 2022
Michael Hendrickson	Vice Chairperson	December 31, 2022
Jeanna Lilleberg	Clerk	December 31, 2024
Sarah Blom	Treasurer	December 31, 2024
Paul Rasmussen	Director	December 31, 2022
Katie Cunningham	Director	December 31, 2024
Scott Stafford	Director	December 31, 2022

Administration	
Nels Onstad	Superintendent
Wendy Holle	Business Manager

Independent Auditor's Report

To the School Board
Independent School District No. 2396
Atwater/Cosmos/Grove City, Minnesota

Report on the Basic Financial Statements
We have audited the accompanying basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2396, Atwater/Cosmos/Grove City, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic 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
The management of Independent School District No. 2396 is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic 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 District'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 basic 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2396, Atwater/Cosmos/Grove City, Minnesota, as of June 30, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the General 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 the Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic 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 financial statements.

The accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting 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.

BerganKDV, Ltd.

Minneapolis, Minnesota
December 14, 2021

Independent School District No. 2396
Management's Discussion and Analysis

This section of ACGC Public Schools – Independent School District No. 2396's (the District's) annual financial report presents our 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 District's financial statements, which immediately follow this section.

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

- The net position of governmental activities increased by $1,755,937 to $11,427,224.
- Overall revenues were $14,674,105, a decrease of $4,814,256 compared to one year ago.
- Overall expenditures were $23,117,697, a decrease of $5,672,477 compared to one year ago.
- Overall, the General Fund balance increased $486,880, the Food Service Fund balance increased $232,553 from the prior year, and the Community Service Fund balance increased $85,143.
- Enrollment increased by 3 students from the preceding year, 861 versus 858 Average Daily Membership (ADM).

Overview of the Financial Statements
The financial section of the annual report consists of the following:

- Independent Auditor's Report
- Required Supplementary Information, which includes the Management Discussion and Analysis (this section)
- Basic financial statements
- Supplementary information

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

- **Government-Wide Financial Statements** – The government-wide financial statements, including the Statement of Net Position and Statement of Activities, are designed to provide short-term and long-term information about the District's overall financial status, using accounting methods similar to those used by private sector companies.

- **Fund Financial Statements** – The fund financial statements focus on individual parts of the District, reporting the District's operation in more detail than the government-wide financial statements. The District maintains two groups of fund financial statements:

- **Governmental Funds Statements** – Governmental funds statements review how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- **Fiduciary Fund Statements** – Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or custodial agent for the benefit of others to whom the resources belong.

Overview of the Financial Statements (Continued)
The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

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

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

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

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

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

Fund Financial Statements
The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debt) or to show that it is properly using certain revenues (e.g., federal grants).

Overview of the Financial Statements (Continued)

Fund Financial Statements (Continued)

The District maintains two kinds of funds:

- **Governmental Funds** – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

- Consequently, governmental fund statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on the pages following the governmental funds statements that explain the relationship (or differences) between them.

- **Fiduciary Funds** - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund. The District is responsible for ensuring that assets reported in this fund is used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as A Whole

Net Position

The District's combined net position was $9,671,287 on June 30, 2020. Net position on June 30, 2021, was $11,094,617, an 15% increase from the prior year. See Table A-1.

Table A-1
Net Position

	2020	2021	Percent Change
Current and other assets	$ 20,939,364	$ 9,304,135	-56%
Capital assets	27,477,500	36,938,456	34%
Total assets	$ 48,416,864	$ 46,242,591	-4%
Deferred outflows of resources	$ 5,389,177	$ 3,274,024	-39%
Long-term liabilities	$ 27,361,199	$ 27,210,983	-1%
Other liabilities	5,825,775	2,711,268	-53%
Total liabilities	$ 33,186,974	$ 29,922,251	-10%
Deferred inflows of resources	$ 10,947,780	$ 8,499,747	-22%
Net position			
Net investment in capital assets	$ 16,409,006	$ 17,352,460	6%
Restricted	1,216,911	1,977,373	62%
Unrestricted	(7,954,630)	(8,235,216)	-4%
Total net position	$ 9,671,287	$ 11,094,617	15%

Financial Analysis of the District as A Whole (Continued)

Change in Net Position

Total revenues exceeded expenses for fiscal year 2021 by $1,423,330. A summary of revenues and expenses is presented in Table A-2 below:

Table A-2
Changes in Net Position

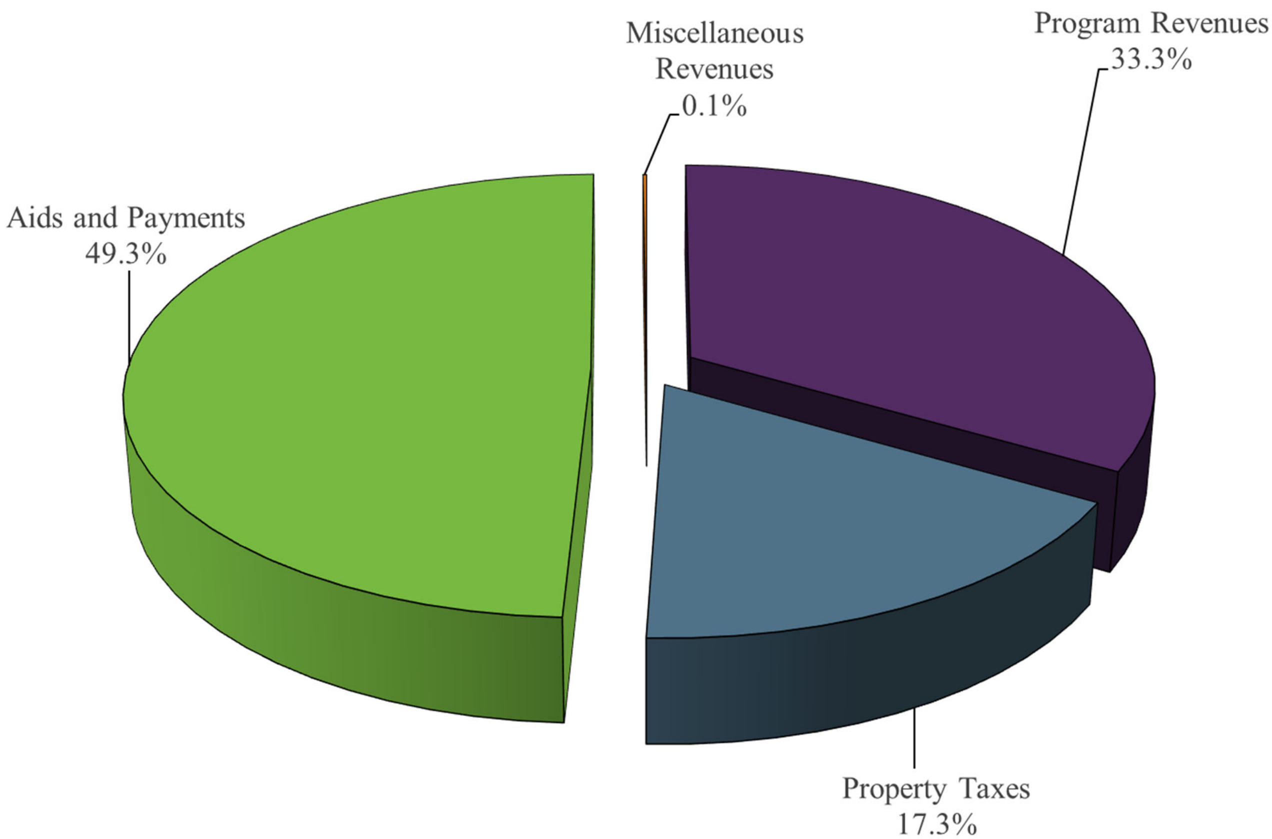
	2020	2021	Percent Change
Revenues			
Program revenues			
Charges for services	$ 765,162	$ 497,466	-35%
Operating grants and contributions	2,836,260	4,140,296	46%
Capital grants and contributions	5,814,232	259,882	-96%
General revenues			
Property taxes	2,579,438	2,542,834	-1%
State aid formula grants	7,069,209	7,236,749	2%
Other general revenues	46,226	35,063	-24%
Investment income	383,198	(21,128)	-106%
Gain on sale of assets	11,552	5,497	100%
Total revenues	19,505,277	14,696,659	-25%
Expenses			
Administration	595,739	619,727	4%
District support services	371,578	422,432	14%
Elementary and secondary regular instruction	4,874,655	5,234,716	7%
Vocational education instruction	146,169	196,636	35%
Special education instruction	1,879,721	1,960,411	4%
Instructional support services	260,314	371,615	43%
Pupil support services	1,304,170	1,276,928	-2%
Sites and buildings	1,422,825	1,285,613	-10%
Fiscal and other fixed cost programs	82,592	132,241	60%
Food service	491,861	398,580	-19%
Community education	560,492	457,086	-18%
Unallocated depreciation	307,737	305,782	-1%
Interest and fiscal charges on long-term debt	534,716	611,562	14%
Total expenses	12,832,569	13,273,329	3%
Change in net position	6,672,708	1,423,330	-79%
Beginning of year net position	2,947,043	9,671,287	228%
Change in accounting principle	51,536	-	100%
End of year net position	$ 9,671,287	$ 11,094,617	15%

Financial Analysis of the District as A Whole (Continued)

Change in Net Position (Continued)

The District's total revenues of $14,696,659 consisted of property taxes of $2,542,834, aids and payments from the state of $7,236,749, investment income of ($21,128), other general revenues of $35,063, and gain on sale of assets of $5,497. Expenses totaling $12,940,722 consisted mainly of regular, vocational, and special education instruction costs of $7,548,660, district, instructional, and pupil support services of $2,142,793, site, buildings and equipment related costs of $629,333, fiscal and fixed cost programs of $132,241, community education and services of $459,648, food service of $490,976, interest and fiscal charges on long-term debt of $611,562, unallocated depreciation of $305,782, and administrative costs of $619,727. Pie charts for revenue and expense categories are presented in Tables A-3 and A-4.

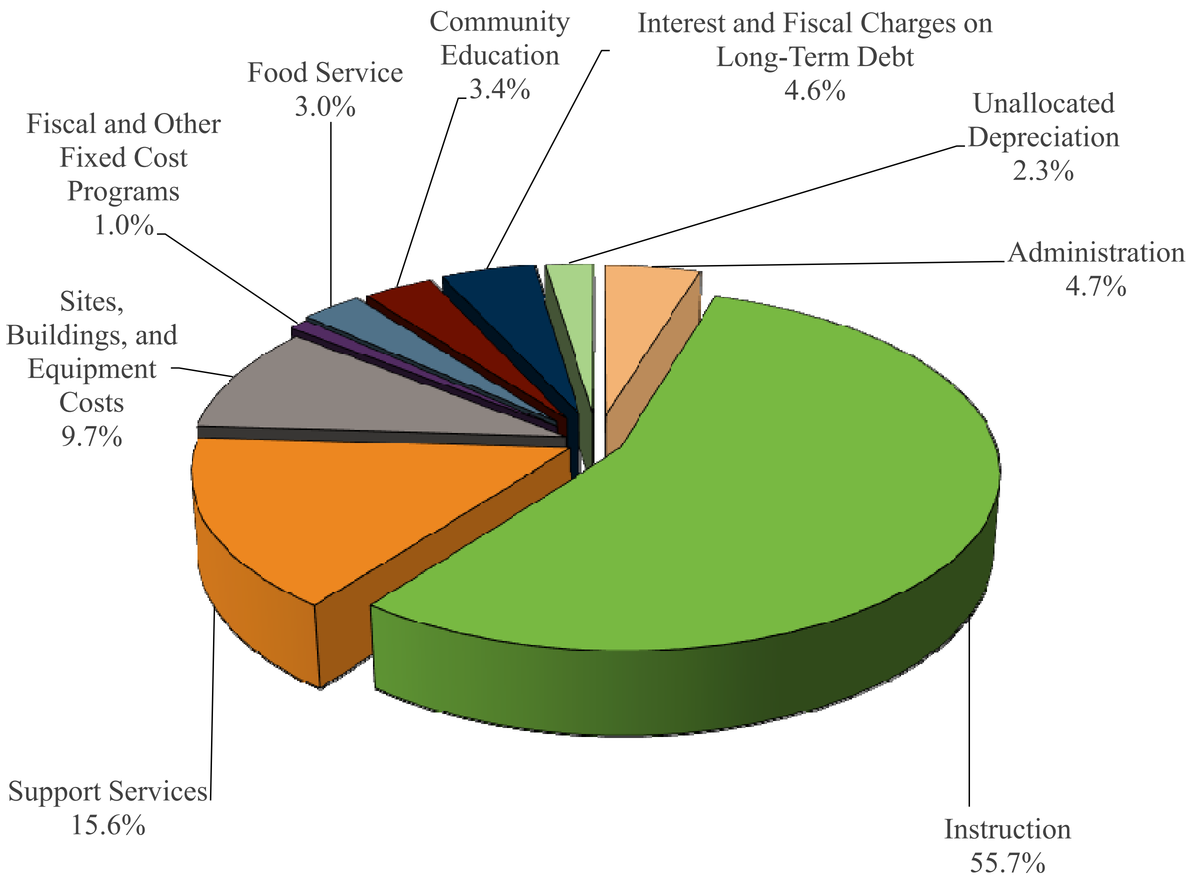
Table A-3: Sources of Revenue



Financial Analysis of the District as A Whole (Continued)

Change in Net Position (Continued)

Table A-4: Expenses



Financial Analysis of the District as A Whole (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is their total costs less program revenues applicable to each category. The table below presents these net costs.

Table A-5
Net Cost of Governmental Activities

	Expenses			Net Cost of Services		
	2020	2021	Percent Change	2020	2021	Percent Change
Functions/Programs						
Administration	$ 595,739	$ 619,727	4%	$ 595,739	$ 616,933	4%
District support services	371,578	422,432	14%	371,578	416,937	12%
Elementary and secondary regular instruction	4,874,655	5,234,716	7%	3,579,782	3,691,398	3%
Vocational education instruction	146,169	196,636	35%	141,528	196,333	39%
Special education instruction	1,879,721	1,960,411	4%	640,772	631,978	-1%
Instructional support services	260,314	371,615	43%	202,013	68,495	-66%
Pupil support services	1,304,170	1,276,928	-2%	1,296,410	1,178,266	-9%
Sites and buildings	1,422,825	1,285,613	-10%	(4,509,350)	821,516	-118%
Fiscal and other fixed other programs	82,592	132,241	60%	82,592	132,241	60%
Food service	491,861	398,580	-19%	(78,165)	(441,981)	465%
Community education and services	560,492	457,086	-18%	251,563	146,225	-42%
Unallocated depreciation	307,737	305,782	-1%	307,737	305,782	-1%
Interest and fiscal charges on long-term debt	534,716	611,562	14%	534,716	611,562	14%
Total governmental activities	$ 12,832,569	$ 13,273,329	3%	$ 3,416,915	$ 8,375,685	145%

Financial Analysis of the District's Funds (Fund Financial Statements)

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of $4,903,415, a decrease of $8,443,592 from last year's ending fund balance of $13,347,007.

Restricted fund balance in the governmental funds decreased by $8,463,010 to a June 30, 2021 balance of $2,496,057.

Unassigned fund balance in the General Fund increased by $39,169 to $2,364,390 at year-end.

Financial Analysis of the District's Funds (Fund Financial Statements) (Continued)

Revenue and Expenditures

Revenues of the District's governmental funds totaled $14,668,608 and total expenditures were $23,117,697. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-6 below.

Table A-6
Revenues and Expenditures - Governmental Funds
June 30, 2021

	Revenue	Expenditures	Other Financing Sources	Fund Balance Increase (Decrease)
General Fund	$ 11,795,477	$ 11,314,094	$ 5,497	$ 486,880
Food Service Fund	729,804	497,251	-	232,553
Community Service Fund	537,307	452,164	-	85,143
Debt Service Fund	1,462,619	1,394,282	-	68,337
Capital Projects Fund	143,401	9,459,906	-	(9,316,505)
Total	$ 14,668,608	$ 23,117,697	$ 5,497	$ (8,443,592)

General Fund Budgetary Highlights

When the initial budget is prepared (a budget must be in place prior to the beginning of the fiscal year on July 1), details of student enrollment numbers, salary negotiations, staffing levels, and other significant information items are not yet known. When these items become known, the budget is normally revised to reflect them.

During the year ended June 30, 2021, the District revised its operating budget one time. The revision was approved in March 2021. By March, student enrollment numbers are more easily estimated. These enrollment numbers are the basis for state aids, which are able to be calculated more accurately. Other factors to account for are changes in state laws and pupil funding formulas.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by $284,872. Actual results for the year show that General Fund revenues and other financing sources exceeded expenditures by $486,880.

- Actual General Fund revenues were $408,145 greater than the budget largely due to additional federal revenues made available in response to the COVID-19 health emergency. State aids and miscellaneous local revenues were also slightly over budgeted amounts.

Financial Analysis of the District's Funds (Fund Financial Statements) (Continued)

General Fund Budgetary Highlights

- Actual General Fund expenditures were $358,110 less than budget. Expenditures in the areas of purchased services such as services purchased from other districts and contracted services were under budget by $63,754 and $58,061, respectively.

Debt Service Fund
The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the district to construct school facilities or acquire school equipment. Annual levies provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The Debt Service revenues exceeded expenditures by $68,337 in 2020-21. The Debt Service fund balance as of June 30, 2021, was $226,168. This fund balance is only available for meeting future debt service obligations.

Capital Projects Fund
The Capital Projects Fund accounts for revenues and expenditures related to the school district's long-term capital and facility projects that are funded by the sale of bonds or capital loans.

In 2020-21, the Capital Project Fund included activity related to the:
- 2017A Long Term Facility Maintenance Bond
- 2018A and 2019A General Obligation School Building Bonds
- 2020A Facilities Maintenance and Tax Abatement Bonds

The 2017A Long Term Facility Maintenance Bond was issued by the District's school board for deferred maintenance (primarily roof replacement) at all three of the District's facilities and a fire suppression project at the Elementary School.

In November 2018, the District's voters approved a bond referendum for facility improvements at the Elementary School and Junior/Senior High School. The bonds were sold as a split issuance, resulting in the 2018A and 2019A General Obligation School Building Bonds.

The 2020A Facilities Maintenance Bond was issued by the District's school board to finance facility maintenance projects included in the ten-year facility plan of the District and approved by the Commissioner of Education. The 2020A Tax Abatement Bond was issued by the District's school board to finance parking lot improvements at the District's sites. The District received the bond proceeds in April 2020.

The Capital Projects Fund Balance as of June 30, 2021, was $226,566.

Other Nonmajor Funds
Revenues exceeded expenditures in the other nonmajor funds by $317,696. The Food Service Fund revenues exceeded expenditures by $232,553. The Food Service fund balance on June 30, 2021, was $421,799. The Community Service Fund had a fund balance of $295,184.

Capital Assets and Debt Administration

Capital Assets

On June 30, 2021, the District had invested $50,986,270 in a broad range of capital assets, including school buildings, land, athletic facilities, computer and audio-visual equipment, and necessary capital improvements (see Table A-7). Total accumulated depreciation for the year was $14,047,814. Detailed information regarding the District's capital assets can be found in Note 3.

Table A-7
The District's Capital Assets

	2020	2021	Percent Change
Land	$ 248,774	$ 248,774	0.0%
Construction in progress	17,498,811	20,090,823	14.8%
Land improvements	1,096,172	1,096,172	0.0%
Buildings	18,909,304	25,445,087	34.6%
Furniture and equipment	3,007,306	3,984,599	32.5%
Vehicles	136,437	120,815	-11.4%
Less accumulated depreciation	(13,419,304)	(14,047,814)	4.7%
Total	$ 27,477,500	$ 36,938,456	34.4%

Construction Plans

The District passed a bond referendum in November 2018 for facility improvements at the Elementary School and Junior/Senior High School. Construction on these projects began during the 2019-20 school year and are scheduled to be completed by Spring 2022. Costs incurred on these projects as of June 30, 2021, totaled $20,090,823.

Long-Term Debt

At year-end, the District had $19,812,562 in general obligation bonds outstanding including bond premium. The District had capital leases payable of $6,292 for the remainder of a Chromebook lease. The District also had $323,917 in compensated absences payable at June 30, 2021. Compensated absences payable consists of unused vacation and sick leave on June 30, 2021. Overall, the District's outstanding long-term liabilities decreased by 4% in fiscal year 2021, due to scheduled principal and interest payments. Detailed information regarding the District's long-term liabilities can be found in Note 4.

Table A-8
The District's Long-Term Liabilities

	2020	2021	Percent Change
Bonds payable	$ 20,010,000	$ 19,260,000	-3.7%
Bond premium	601,565	552,562	-8.1%
Capital lease payable	12,199	6,292	-48.4%
Compensated absences payable	361,156	323,917	-10.3%
Total	$ 20,984,920	$ 20,142,771	-4.0%

Factors Bearing on the Future of the District
The District has levy authority for state allowed levy revenue sources, a $300 board approved per pupil unit levy, $424 local optional allowance per pupil unit and a voter approved levy of $504.65 per pupil unit in place for the 2021-22 school year; however, the District is heavily dependent on the State of Minnesota for its revenue stream.

The general education program is the means by which school districts receive the majority of their financial support. This source of funding is primarily state aid and, as such, school districts rely heavily on the state of Minnesota for educational resources. The per pupil general education formula is set to increase by 2.45% in 2021-22 and another 2.00% in 2022-23.

The ongoing COVID-19 health emergency continues to cause challenges to enrollment, staffing and supply chains. Since the amount of funding a district receives is largely dependent on the number of students it serves, attracting and retaining students and high-quality staff is critical to the District’s financial well-being.

The District will continue to budget conservatively and monitor the fiscal progress closely.

Contacting the District's Financial Management
This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report, or would like additional financial information, contact the District Office at Independent School District No. 2396, 27250 Minnesota Highway 4, Grove City, Minnesota 56243.

BASIC FINANCIAL STATEMENTS

Independent School District No. 2396
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	$ 5,825,165
Current property taxes receivable	1,640,988
Delinquent property taxes receivable	22,913
Accounts receivable	3,407
Due from Department of Education	940,423
Due from Federal Government through Department of Education	796,291
Due from other Minnesota school districts	31,980
Inventory	15,157
Prepaid items	27,811
Capital assets	
Land	248,774
Construction in progress	20,090,823
Land improvements	1,096,172
Buildings and improvements	25,445,087
Furniture and equipment	3,984,599
Vehicles	120,815
Less accumulated depreciation	(14,047,814)
Total assets	46,242,591
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	3,170,089
Deferred outflows of resources related to OPEB	103,935
Total deferred outflows of resources	3,274,024
Total assets and deferred outflows of resources	$ 49,516,615
Liabilities	
Accounts payable	$ 382,408
Contracts payable	72,768
Salaries and benefits payable	951,493
Interest payable	264,132
Due to other Minnesota school districts	27,846
Unearned revenue	56,835
Bond principal payable, including unamortized premium	
Payable within one year	790,000
Payable after one year	19,022,562
Capital lease payable	
Payable within one year	6,292
Compensated absences payable	
Payable within one year	159,494
Payable after one year	164,423
Total OPEB liability	677,366
Net pension liability	7,346,632
Total liabilities	29,922,251
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	2,886,457
Deferred inflows of resources related to pensions	5,599,419
Deferred inflows of resources related to OPEB	13,871
Total deferred inflows of resources	8,499,747
Net Position	
Net investment in capital assets	17,352,460
Restricted	1,977,373
Unrestricted	(8,235,216)
Total net position	11,094,617
Total liabilities, deferred inflows of resources, and net position	$ 49,516,615

See notes to basic financial statements.

Independent School District No. 2396
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Position: Governmental Activities
Governmental activities					
Administration	$ 619,727	$ -	$ 2,794	$ -	$ (616,933)
District support services	422,432	-	5,495	-	(416,937)
Elementary and secondary regular instruction	5,234,716	105,605	1,437,713	-	(3,691,398)
Vocational education instruction	196,636	303	-	-	(196,333)
Special education instruction	1,960,411	40,069	1,288,364	-	(631,978)
Instructional support services	371,615	-	303,120	-	(68,495)
Pupil support services	1,276,928	-	98,662	-	(1,178,266)
Sites and buildings	1,285,613	117,060	87,155	259,882	(821,516)
Fiscal and other fixed cost programs	132,241	-	-	-	(132,241)
Food service	398,580	21,983	818,578	-	441,981
Community education and services	457,086	212,446	98,415	-	(146,225)
Unallocated depreciation	305,782	-	-	-	(305,782)
Interest and fiscal charges on long-term debt	611,562	-	-	-	(611,562)
Total governmental activities	$ 13,273,329	$ 497,466	$ 4,140,296	$ 259,882	(8,375,685)

General revenues	
Taxes	
Property taxes, levied for general purposes	1,377,748
Property taxes, levied for community service	176,136
Property taxes, levied for debt service	988,950
State aid-formula grants	7,236,749
Other general revenues	35,063
Investment income	(21,128)
Gain of sale of assets	5,497
Total general revenues	9,799,015
Change in net position	1,423,330
Net position - beginning	9,671,287
Net position - ending	$ 11,094,617

See notes to basic financial statements.

Independent School District No. 2396
Balance Sheet - Governmental Funds
June 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	$ 4,109,699	$ 708,104	$ 299,334	$ 708,028	$ 5,825,165
Current property taxes receivable	641,408	920,636	-	78,944	1,640,988
Delinquent property taxes receivable	15,583	5,540	-	1,790	22,913
Accounts receivable	802	-	-	2,605	3,407
Due from Department of Education	887,048	47,240	-	6,135	940,423
Due from Federal Government through Department of Education	641,854	-	-	154,437	796,291
Due from other Minnesota school districts	31,935	-	-	45	31,980
Inventory	-	-	-	15,157	15,157
Prepaid items	27,811	-	-	-	27,811
Total assets	$ 6,356,140	$ 1,681,520	$ 299,334	$ 967,141	$ 9,304,135
Liabilities					
Accounts payable	$ 382,267	$ -	$ -	$ 141	$ 382,408
Contracts payable	-	-	72,768	-	72,768
Salaries and benefits payable	894,934	-	-	56,559	951,493
Due to other Minnesota school districts	27,846	-	-	-	27,846
Unearned revenue	37,544	-	-	19,291	56,835
Total liabilities	1,342,591	-	72,768	75,991	1,491,350
Deferred Inflows of Resources					
Property taxes levied for subsequent year's expenditures	1,264,268	1,449,812	-	172,377	2,886,457
Unavailable revenue - delinquent taxes	15,583	5,540	-	1,790	22,913
Total deferred inflows of resources	1,279,851	1,455,352	-	174,167	2,909,370
Fund Balances					
Nonspendable	27,811	-	-	15,157	42,968
Restricted	1,341,497	226,168	226,566	701,826	2,496,057
Unassigned	2,364,390	-	-	-	2,364,390
Total fund balances	3,733,698	226,168	226,566	716,983	4,903,415
Total liabilities, deferred inflows of resources, and fund balances	$ 6,356,140	$ 1,681,520	$ 299,334	$ 967,141	$ 9,304,135

See notes to basic financial statements.

Independent School District No. 2396
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021

Total fund balances - governmental funds	$ 4,903,415
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	50,986,270
Less accumulated depreciation	(14,047,814)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bond principal payable	(19,260,000)
Capital lease payable	(6,292)
Compensated absences payable	(323,917)
Total OPEB liability	(677,366)
Net pension liability	(7,346,632)
Deferred outflows of resources and deferred inflows of resources are created as a result of differences between actual and expected contributions and earnings on plan investments as well as changes in proportion and are not recognized in the governmental funds.	
Deferred outflows of resources related to pensions	3,170,089
Deferred outflows of resources related to OPEB	103,935
Deferred inflows of resources related to pensions	(5,599,419)
Deferred inflows of resources related to OPEB	(13,871)
Governmental funds report debt issuance premiums as an other financing source at the time of issuance. Premiums are reported as an unamortized liability in the governmental-wide financial statements.	(552,562)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, and are deferred in the funds.	22,913
Governmental funds do not report a liability for accrued interest on bonds and capital loans until due and payable.	(264,132)
Total net position - governmental activities	$ 11,094,617

See notes to basic financial statements.

Independent School District No. 2396
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Debt Service	Capital Projects	Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 1,378,998	$ 989,887	$ -	$ 176,355	$ 2,545,240
Other local and county revenues	322,496	329	118,311	286,921	728,057
Revenue from state sources	8,993,464	472,403	25,090	85,884	9,576,841
Revenue from federal sources	1,098,773	-	-	695,968	1,794,741
Sales and other conversion of assets	1,746	-	-	21,983	23,729
Total revenues	11,795,477	1,462,619	143,401	1,267,111	14,668,608
Expenditures					
Current					
Administration	595,132	-	-	-	595,132
District support services	437,867	-	-	-	437,867
Elementary and secondary regular instruction	4,869,654	-	-	-	4,869,654
Vocational education instruction	176,589	-	-	-	176,589
Special education instruction	1,887,174	-	-	-	1,887,174
Instructional support services	422,556	-	-	-	422,556
Pupil support services	1,162,901	-	-	-	1,162,901
Sites and buildings	1,227,076	-	109,651	-	1,336,727
Fiscal and other fixed cost programs	132,241	-	-	-	132,241
Food service	-	-	-	487,982	487,982
Community education and services	-	-	-	451,064	451,064
Capital outlay					
District support services	11,722	-		-	11,722
Elementary and secondary regular instruction	158,177	-	-	-	158,177
Vocational education instruction	5,140	-	-	-	5,140
Instructional support services	6,001	-		-	6,001
Sites and buildings	113,517	-	9,350,255	-	9,463,772
Food service	-	-		9,269	9,269
Community education and services	-	-		1,100	1,100
Debt service					
Principal	5,932	750,000	-	-	755,932
Interest and fiscal charges	793	644,282	-	-	645,075
Total expenditures	11,314,094	1,394,282	9,459,906	949,415	23,117,697
Excess of revenues over (under) expenditures	481,383	68,337	(9,316,505)	317,696	(8,449,089)
Other Financing Sources					
Proceeds from sale of assets	5,497	-	-	-	5,497
Net change in fund balances	486,880	68,337	(9,316,505)	317,696	(8,443,592)
Fund Balances					
Beginning of year	3,246,818	157,831	9,543,071	399,287	13,347,007
End of year	$ 3,733,698	$ 226,168	$ 226,566	$ 716,983	$ 4,903,415

See notes to basic financial statements.

Independent School District No. 2396
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended June 30, 2021

Net change in fund balances - total governmental funds	$ (8,443,592)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	10,130,121
Depreciation expense	(669,165)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	37,239
Governmental funds recognize pension contributions as expenditures at the time of payment in the funds whereas the Statement of Activities factors in differences between actual and expected contributions and earnings on plan investments as well as changes in proportion.	
Pension expense	(404,702)
OPEB liabilities are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(13,585)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in net position in the Statement of Activities.	755,907
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(15,490)
Governmental funds report the effect of bond premiums when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	49,003
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	(2,406)
Change in net position - governmental activities	$ 1,423,330

See notes to basic financial statements.

Independent School District No. 2396
Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget -
	Original	Final	Amounts	Over (Under)
Revenues				
Local property taxes	$ 1,393,781	$ 1,376,229	$ 1,378,998	$ 2,769
Other local and county revenues	358,546	305,121	322,496	17,375
Revenue from state sources	8,694,932	8,937,499	8,993,464	55,965
Revenue from federal sources	259,230	767,483	1,098,773	331,290
Sales and other conversion of assets	1,000	1,000	1,746	746
Total revenues	10,707,489	11,387,332	11,795,477	408,145
Expenditures				
Current				
Administration	570,240	572,319	595,132	22,813
District support services	394,422	407,142	437,867	30,725
Elementary and secondary regular instruction	4,649,737	4,710,265	4,869,654	159,389
Vocational education instruction	205,188	178,394	176,589	(1,805)
Special education instruction	1,912,415	2,130,277	1,887,174	(243,103)
Instructional support services	372,707	634,753	422,556	(212,197)
Pupil support services	1,319,786	1,353,514	1,162,901	(190,613)
Sites and buildings	1,118,148	1,158,794	1,227,076	68,282
Fiscal and other fixed cost programs	122,741	128,809	132,241	3,432
Capital outlay				
District support services	-	12,000	11,722	(278)
Elementary and secondary regular instruction	23,230	25,995	158,177	132,182
Vocational education instruction	2,000	2,000	5,140	3,140
Special education instruction	2,416	-	-	-
Instructional support services	-	6,001	6,001	-
Pupil support services	-	-	101,622	101,622
Sites and buildings	456,023	338,515	113,517	(224,998)
Debt service				
Principal	7,201	11,839	5,932	(5,907)
Interest and fiscal charges	-	1,587	793	(794)
Total expenditures	11,156,254	11,672,204	11,314,094	(358,110)
Excess of revenues over (under) expenditures	(448,765)	(284,872)	481,383	766,255
Other Financing Sources				
Proceeds from sale of capital assets	-	-	5,497	5,497
Net change in fund balances	$ (448,765)	$ (284,872)	486,880	$ 771,752
Fund Balances				
Beginning of year, as restated			3,246,818	
End of year			$ 3,733,698	

See notes to basic financial statements.

Independent School District No. 2396
Statement of Fiduciary Net Position
June 30, 2021

	Private Purpose Trust Fund
Assets	
Current	
Cash and investments	$ 343,372
Net Position	
Held in trust for scholarships	$ 343,372

Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021

	Private Purpose Trust Fund
Net Position	
Beginning of year	$ 343,372
End of year	$ 343,372

See notes to basic financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are not reported separately.

B. Basic Financial Statement Information

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in 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 segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues; instead, they are properly reported as general revenues.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statement Information (Continued)

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

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

The Private Purpose Trust Fund is presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District, this Fund is not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, transactions are recorded in the manner listed below and on the following page.

1. Revenue Recognition

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

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences, and claims and judgments are recognized when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures (Continued)

The District applies restricted resources first when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available. Further, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned, with the exception that restricted, committed, or assigned fund balance spending may be deferred and unassigned resources spent first if fund balances need to be preserved to facilitate future expenditure plans.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

Food Service Special Revenue Fund – This fund is used to account for food service revenues and expenditures. Local, state, and federal revenues are received in this fund to specifically support the Food Service Program.

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood, and family education, or other similar services. The District receipts property tax and local and state revenues in this Fund that were received for these specific purposes.

Fiduciary Fund:

Private Purpose Trust Fund – The Scholarship Trust Fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Cash and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Cash and Investments (Continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2021, were comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) including certificates of deposit and government securities and shares in the Minnesota Trust (MNTrust) Term Series. MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value.

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

In accordance with GASB Statement No. 79, the various MSDLAF and MNTrust securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF or MNTrust. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions. MSDLAF+ Term investments have a maturity of 60 days to one year and early withdrawal may result in substantial early redemption penalties. Seven days' notice of redemption is required for withdrawals of investments in the MNTrust Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represents uncollected taxes for the past six years, and is deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2020, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in fiscal year 2021. The remaining portion of the levy will be recognized when measurable and available.

G. Inventory

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Meeker and Kandiyohi Counties are the collecting agencies for the levy and remit the collections to the District three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

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

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than $5,000, an estimated useful life in excess of five years, and all computer equipment. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at its acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

Capital assets are depreciated using the straight-line, half-year convention method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the Statement of Net Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 four types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows of resources related to pensions and is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. The fourth item is deferred inflows of resources related to OPEB and is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations (Continued)

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

M. Compensated Absences

District employees earn vacation leave at various rates based on their classification. Vacation must be used prior to June 30 of each year. Upon voluntary termination of employment, certain noncertified staff are entitled to payment for any unused vacation days accrued.

District regular employees are entitled to sick leave at various rates based on their classification.

Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N. sick leave pay is shown as an expenditure in the year paid.

N. Severance Benefits

At the time of retirement, each qualifying teacher who has been with the District for ten years shall receive $40 per day for accumulated sick leave to be paid to the employee's health care savings plan. The maximum number of sick leave days that may be accrued is 140. Therefore, the maximum payout per employee is $5,600.

Educational support staff and noncertified employees who have been with the District for ten years are paid $60 a day to a maximum of $8,400, respectively, based on 140 days of accumulated sick leave.

Full-time administrators who have completed at least 15 years of full-time administration and are employed with the District for at least ten years are eligible to receive severance pay. Administrators will be paid in cash for sick leave balances up to 140 days at $125 per day, not to exceed $21,000. Administrators will also receive $125 per day for accumulated sick leave upon their termination with a maximum of $21,000.

O. Post Employment Severance and Health Benefits

Full-time teachers hired prior to July 1, 2001, who have completed at least 15 years of full-time teaching and are employed with the District for at least 15 years and are positioned on the BA+10 teaching lane or higher, shall be eligible for severance pay. Teachers will be paid one payment to a health care savings plan not to exceed $20,000. There are different rates of pay based on whether the teacher has been with the District for 15 or 20 years or more. Beginning July 1, 2002, tenured teachers who are regularly employed are eligible to participate in a 403(b) matching contribution plan. Yearly contributions made by the District to an individual's 403(b) plan will be deducted from the payout mentioned above with any balance remaining due to the eligible teacher upon retirement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Post Employment Severance and Health Benefits (Continued)

Teachers and administrators will also receive an additional one-time payment of $2,500 to the employee's health care savings plan from the District at the time of retirement.

P. 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.

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

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2021.

R. Fund Equity

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in these funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include inventory and prepaid items.

- Restricted Fund Balances – These are subject to externally enforceable legal restrictions.

- Committed Fund Balances – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the School Board and that remain binding unless removed by the School Board by subsequent formal action.

- Assigned Fund Balances – The School Board delegates the Superintendent and Business Manager the power to assign balances for specific purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Fund Equity (Continued)

- Unassigned Fund Balances – These are amounts that have not been restricted, committed, or assigned to a specific purpose in the General Fund. Other funds may also report a negative unassigned fund balance if the total nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

- Minimum Fund Balance Policy – the District will strive to maintain a minimum General Fund balance of 20% of the annual budget.

S. Net Position

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

T. Use of Estimates

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

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not required for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Custodial Credit Risk – Deposits: As of June 30, 2021, the District's bank balances were not exposed to custodial credit risk because they were fully insured through FDIC or collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

As of June 30, 2021, the District had the following deposits:

Deposits	$ 235,775
Certificates of deposit	38,991
Total deposits	$ 274,766

B. Investments

As of June 30, 2021, the District had the following investments:

	Fair Value	1 Year or Less	1-2 Years	3-5 Years	6-10 Years	S&P Ratings
MSDLAF + Liquid Class	$ 143,551	$ 143,551	$ -	$ -	$ -	AAAm
MSDLAF + MAX Class	5,398,704	5,398,704	-	-	-	AAAm
Negotiable certificates of deposit	289,260	76,688	61,071	151,501	-	NR
Money markets	60,206	60,206	-	-	-	NR
Total investments	$ 5,891,721	$ 5,679,149	$ 61,071	$ 151,501	$ -	

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy requires their investments be rated "A" or better for any security which is a federal obligation of any state or local government and "AA" or better for any security which is a revenue obligation of any state or local government as required by *Minnesota Statutes* 118A.04. As of June 30, 2021, the District's investments were rated as shown in the table above.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a deposit policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* 118.03 for an amount exceeding Federal Deposit Insurance Corporation (FDIC), SAIF, BIF, or FCUA coverage.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk: This is the risk that market value of securities will fall due to the changes in market interest rates. The District's investment policy states the District should manage their interest rates in a manner to attain a market rate of return through various economic and budgetary cycles and taking into account constraints on risk and cash flow requirements.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District's investments were not exposed to concentration of credit risk as none of their investments exceeded 5% of their total investments.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy requires the District's investments be held in third-party safekeeping by an institution or securities broker-dealer defined in *Minnesota Statutes* 118A.06. The District will receive a safekeeping receipt with information pertinent to identifying the securities held with the third party agent.

The District has the following recurring fair value measurements as of June 30, 2021:

- $5,819,071 are in money market mutual funds and local government investment pools and are quoted at net asset value (NAV).
- $349,466 are valued using a quoted market prices (Level 1 inputs)

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	$ 274,766
Petty cash	2,050
Investments	5,891,721
Total deposits and investments	$ 6,168,537

Deposits and investments are presented in the June 30, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	$ 5,825,165
Statement of Fiduciary Net Position	
Cash and investments	343,372
Total	$ 6,168,537

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 248,774	$ -	$ -	$ 248,774
Construction in progress	17,498,811	9,033,525	6,441,513	20,090,823
Total capital assets not Being depreciated	17,747,585	9,033,525	6,441,513	20,339,597
Capital assets being depreciated				
Improvements other than buildings	1,096,172	6,445,663	-	7,541,835
Buildings and improvements	18,909,304	90,120	-	18,999,424
Furniture and equipment	3,007,306	1,002,326	25,033	3,984,599
Vehicles	136,437	-	15,622	120,815
Total capital assets being depreciated	23,149,219	7,538,109	40,655	30,646,673
Less accumulated depreciation for				
Improvements other than buildings	820,541	181,877	-	1,002,418
Buildings and improvements	10,068,338	349,043	-	10,417,381
Furniture and equipment	2,420,853	130,554	25,033	2,526,374
Vehicles	109,572	7,691	15,622	101,641
Total accumulated depreciation	13,419,304	669,165	40,655	14,047,814
Total capital assets being depreciated, net	9,729,915	6,868,944	-	16,598,859
Governmental activities, capital assets, net	$ 27,477,500	$ 15,902,469	$ 6,441,513	$ 36,938,456

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of $669,165 for the year ended June 30, 2021, was charged to the following governmental functions:

Administration	$ 194
Elementary and secondary regular instruction	27,438
Vocational instruction	402
Instructional support services	11,204
Pupil support services	5,060
Sites and buildings	313,772
Food service	5,175
Community education and services	138
Unallocated	305,782
Total depreciation expense	$ 669,165

NOTE 4 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within
Long-term liabilities						
G.O. bonds						
2017 long term facilities maintenance bonds	10/19/17	2.00-3.00%	$ 1,405,000	2/1/2028	$ 1,025,000	$ 140,000
2018A school building bonds	12/27/18	3.00-3.50%	9,910,000	2/1/2039	9,350,000	250,000
2019A school building bonds	02/21/19	3.00-5.00%	5,225,000	2/1/2032	4,790,000	255,000
2020A facilities maintenance and tax abatement bonds	04/16/20	2.20-4.00%	4,230,000	2/1/2040	4,095,000	145,000
Total G.O. bonds					19,260,000	790,000
Unamortized bond premium					552,562	-
Capital lease payable					6,292	6,292
Compensated absences					323,917	159,494
Total long-term liabilities					$ 20,142,771	$ 955,786

The long-term liabilities listed above were issued to finance acquisition of capital assets and to show the projected compensated absences due. Capital leases are liquidated from the General Fund. Other long-term liabilities, such as compensated absences, are also typically liquidated through the General Fund.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending June 30,	G.O. Bonds Principal	G.O. Bonds Interest	G.O. Bonds Total
2022	$ 790,000	$ 640,895	$ 1,430,895
2023	820,000	611,695	1,431,695
2024	860,000	580,145	1,440,145
2025	895,000	546,745	1,441,745
2026	930,000	511,670	1,441,670
2027-2031	4,795,000	2,058,153	6,853,153
2032-2036	5,315,000	1,464,681	6,779,681
2037-2040	4,855,000	592,010	5,447,010
Total	$ 19,260,000	$ 7,005,994	$ 26,265,994

C. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. bonds	$ 20,010,000	$ -	$ 750,000	$ 19,260,000
Unamortized premium	601,565	-	49,003	552,562
Capital lease payable	12,199	-	5,907	6,292
Compensated absences payable	361,156	122,255	159,494	323,917
Total long-term liabilities	$ 20,984,920	$ 122,255	$ 964,404	$ 20,142,771

D. Capital Lease Obligations

The District entered into a lease purchase agreement on July 30, 2019, with Northpoint Commercial Credit for Chromebooks. The capital lease obligation totaled $20,102. The capital lease agreement includes annual principal and interest payments of $6,701 through September 1, 2021.

NOTE 4 – LONG-TERM DEBT (CONTINUED)

D. Capital Lease Obligations (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments are listed below.

Year Ending June 30,		
2022	$	6,701
Total minimum lease payments		6,701
Less amount representing interest		(409)
Present value of minimum lease payments	$	6,292

NOTE 5 – FUND BALANCES/NET POSITION

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

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Nonmajor Funds	Total
Nonspendable					
Inventory	$ -	$ -	$ -	$ 15,157	$ 15,157
Prepaid items	27,811	-	-	-	27,811
Total nonspendable	27,811	-	-	15,157	42,968
Restricted/reserved for					
Student Activities	131,261	-	-	-	131,261
Scholarships	54,858	-	-	-	54,858
Staff Development	245,609	-	-	-	245,609
Operating Capital	347,914	-	-	-	347,914
Gifted and Talented	47,041	-	-	-	47,041
Basic Skills	108,448	-	-	-	108,448
Achievement and Integration	77,271	-	-	-	77,271
Safe Schools Levy	20,630	-	-	-	20,630
Basic Skills Extended Time	4,811	-	-	-	4,811
Long-Term Facilities Maintenance	259,077	-	31,395	-	290,472
Medical Assistance	44,577	-	-	-	44,577
Community Education	-	-	-	80,786	80,786
Early Childhood and Family Education	-	-	-	67,820	67,820
School Readiness	-	-	-	57,564	57,564
Community Service	-	-	-	89,014	89,014
Food Service	-	-	-	406,642	406,642
Debt Service	-	226,168	-	-	226,168
Capital Projects	-	-	195,171	-	195,171
Total Restricted/reserved	1,341,497	226,168	226,566	701,826	2,496,057
Unassigned	2,364,390	-	-	-	2,364,390
Total fund balance	$ 3,733,698	$ 226,168	$ 226,566	$ 716,983	$ 4,903,415

Nonspendable for Inventory – This balance represents a portion of the fund balance that is not available since the amounts have already been spent on inventory.

Nonspendable for Prepaid Items – This balance represents a portion of the fund balance that is not available since the amounts have already been spent by the District on expenses for the next year.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (*Minnesota Statutes* 122A.61, subd. 1).

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of General Education Aid revenue for the gifted and talented program that is unspent at year end must be restricted in this Balance Sheet account.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Achievement and Integration Revenue – The unspent resources available from the Achievement and Integration program must be restricted in this account for use within the fiscal year.

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the safe schools levy must be restricted in this account for future use.

Restricted/Reserved for Basic Skills Extended Time – This balance represents resources available for the basic skills extended time uses listed in *Minnesota Statutes* 126C.15, subd. 1.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

NOTE 5 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs (*Minnesota Statutes* 124D.16).

Restricted for Community Service – This balance represents the positive fund balance of the Community Service Fund.

Restricted/Reserved for Food Service – This balance represents the positive fund balance of the Food Service Fund.

Restricted/Reserved for Debt Service – This balance represents the positive fund balance of the Debt Service Fund.

Restricted/Reserved for Capital Projects – This balance represents the remaining funds available from the school building bonds to be used for the approved capital projects.

B. Net Position

Restricted net position is comprised of the total positive General Fund restricted fund balance plus the positive fund balances of the Food Service, Community Service, and Debt Service Funds.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans. Total pension expense for the year ended June 30, 2021, was $996,959. The components of pension expense are noted in the following plan summaries.

The General Fund typically liquidates the liability related to the pensions.

Teachers Retirement Association

A. 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

A. Plan Description (Continued)
Educators employed in Minnesota's public elementary and secondary schools, charter schools and certain TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers 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 Defined Contribution Plan (DCR) administered by the State of Minnesota.

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

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

Tier I Benefits

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

With these provisions:

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

B. Benefits Provided (Continued)

Tier II Benefits

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

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

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

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

C. Contribution Rate

Per *Minnesota Statutes*, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ended June 30, 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	11.0%	11.71%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

C. Contribution Rate (Continued)

Employer contributions reported in TRA's ACFR Statement of Changes in Fiduciary Net Position	$ 425,223
Deduct employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(508)
Total employer contributions	424,659
Total non-employer contributions	35,587
Total contributions reported in Schedule of Employer and Non-Employer Allocations	$ 460,246

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

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

D. 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	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
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 projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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	2.0	0.00
Total	100 %	

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

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

- 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

E. Discount Rate
The discount rate used to measure the total pension liability was 7.5%. There 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).

F. Net Pension Liability
On June 30, 2021, the District reported a liability of $5,895,731 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 0.0798% at the end of the measurement period and 0.0816% 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	$ 5,895,731
State's proportionate share of the net pension liability associated with the District	494,151

For the year ended June 30, 2021, the District recognized pension expense of $939,941. Included in this amount, the District recognized $56,833 as pension expense for the support provided by direct aid.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

F. Net Pension Liability (Continued)

At June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 118,233	$ 92,529
Net difference between projected and actual earnings on plan investments	71,436	-
Changes of assumptions	2,181,526	5,226,284
Changes in proportion	211,617	217,041
Contributions to TRA subsequent to the measurement date	395,766	-
Total	$ 2,978,578	$ 5,535,854

The $395,766 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of net pension liability in the year ended June 30, 2022.

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

Year Ended June 30,	Pension Expense Amount
2022	$ 110,601
2023	(1,853,491)
2024	(1,298,531)
2025	82,964
2026	5,415
Total	$ (2,953,042)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers Retirement Association (Continued)

G. Pension Liability Sensitivity
The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease In Discount Rate (6.50%)	Current In Discount Rate (7.50%)	1% increase In Discount Rate (8.50%)

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

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

Public Employees' Retirement Association

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

General Employees Retirement Plan

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.

B. 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. 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.

C. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $135,756. The District's contributions were equal to the required contributions as set by state statute.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of $1,450,901 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 $44,837. 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 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 0.0242% at the end of the measurement period and 0.0238% for the beginning of the period.

District's proportionate share of net pension liability	$ 1,450,901
State of Minnesota's proportionate share of the net pension liability associated with the District	44,837
Total	$ 1,495,738

For the year ended June 30, 2021, the District recognized pension expense of $57,018 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized an additional $3,902 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

At June 30, 2021, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 13,011	$ 5,490
Changes in actuarial assumptions	-	53,287
Difference between projected and actual investments earnings	26,157	-
Change in proportion	16,587	4,788
Contributions paid to PERA subsequent to the measurement date	135,756	-
Total	$ 191,511	$ 63,565

The $135,756 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	$ (80,561)
2023	4,618
2024	33,078
2025	35,055
Total	$ (7,810)

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. 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 %	Per year
Active member payroll growth	3.00 %	Per year
Investment rate of return	7.50 %	

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2020, valuation was 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.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 changes 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 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 change from two years older for females to one year older.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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 or current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. 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 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	Final 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 %	

F. Discount Rates

The discount rate used to measure the total pension liability in 2020 was 7.5%. 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 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.

NOTE 6 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following table 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 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	$ 2,325,290	$ 1,450,901	$ 729,599

H. Pension Plan Fiduciary Net Position

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

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage and dental coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are accumulated in a trust.

B. Benefits Provided

Teachers who apply for early retirement shall remain eligible to receive certain health insurance benefits until the end of the school year in which the teacher becomes Medicare eligible. Full vesting of such amounts occurs upon attaining 56 years of age. Benefits are partially or fully paid on behalf of certain retired District employees meeting age and service requirements.

In addition, the District provides certain classes of employees retiring at age 55 with 10-25 years of service a contribution to a Minnesota State Retirement System Health Care Savings Plan account in the amount of $20,000 to $30,000 less total contributions made to the account prior to retirement. Teachers and administrators will also receive an additional one-time payment of $2,500 to the employee's health care savings plan.

The General Fund, Food Service Fund, and Community Service Fund typically liquidate the liability related to OPEB.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2021, the District contributed $62,496 to the plan.

D. Members

As of July 1, 2019, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Active employees	97
Total	105

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability	
Discount Rate	2.40%
Salary Increases	Service graded table
Inflation	2.50%
Healthcare cost trend increases	6.5% as of July 1, 2019 grading to 5.00% over 6 years
Mortality Assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of the Teacher Retirement Association of Minnesota actuarial experience study measured at July 1, 2020.

Changes in actuarial assumptions since the 2019 valuation:

- The discount rate was changed from 3.1% to 2.4%.

The discount rate used to measure the total OPEB liability was 2.4% using the 20-year municipal bond yield.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. Total OPEB Liability

The District's total OPEB liability of $679,674 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019.

Changes in the total OPEB liability are as follows:

	Total OPEB Liability
Balances at July 1, 2020	$ 679,674
Changes for the year	
Service cost	43,602
Interest cost	21,107
Changes in assumptions	18,444
Benefit payments	(85,461)
Net changes	(2,308)
Balances at June 30, 2021	$ 677,366

Changes of assumptions and other inputs reflect a change in the discount rate from 3.10% to 2.40%.

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 2.40% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease In Discount Rate (1.40%)	Current Discount Rate (2.40%)	1% increase In Discount Rate (3.40%)
$ 710,324	$ 677,366	$ 644,710

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

Total OPEB Liability		
1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
$ 623,715	$ 677,366	$ 741,282

H. 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 $68,920. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 25,301	$ -
Changes of assumptions	16,138	13,871
Subsequent Contributions	62,496	-
Total	$ 103,935	$ 13,871

The $62,496 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022.

NOTE 7 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2022	$ 4,211
2023	4,211
2024	4,211
2025	4,211
2026	4,211
Therafter	6,513
Total	$ 27,568

NOTE 8 – COMMITMENTS

As of June 30, 2020, the District had outstanding commitments totaling $8,444,493 for the Cosmos remodel project and voter-approved bond projects.

NOTE 10 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 2396
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	$ 42,603	$ 43,881	$ 38,122	$ 43,602
Interest cost	27,398	26,941	25,397	21,107
Differenced between expected and actual experience	-	-	33,737	-
Changes of assumptions	-	-	(18,497)	18,444
Changes of benefit terms	-	-	(42,943)	-
Benefit payments	(77,201)	(92,382)	(128,883)	(85,461)
Net change in total OPEB liability	(7,200)	(21,560)	(93,067)	(2,308)
Beginning of year	801,501	794,301	772,741	679,674
End of year	$ 794,301	$ 772,741	$ 679,674	$ 677,366
Covered payroll	$ 5,015,609	$ 5,166,077	$ 5,293,131	$ 5,451,925
Total OPEB liability as a percentage of covered payroll	15.84%	14.96%	12.84%	12.42%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 2396
Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability - General Employees Fund Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0234%	$ 1,099,215	$ -	$ 1,099,215	$ 1,228,676	89.5%	78.8%
2016	0.0227%	1,176,432	-	1,176,432	1,321,453	89.0%	78.2%
2017	0.0254%	2,062,354	26,902	2,089,256	1,573,347	131.1%	68.9%
2018	0.0241%	1,538,528	19,311	1,557,839	1,549,827	99.3%	75.9%
2019	0.0238%	1,320,326	43,343	1,363,669	1,601,947	82.4%	79.5%
2020	0.0238%	1,315,849	40,832	1,356,681	1,681,040	78.3%	80.2%
2021	0.0242%	1,450,901	44,837	1,495,738	1,727,427	84.0%	79.1%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District's and Non-Employer Proportionate Share of Net Pension Liability - TRA Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension of Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0853%	$ 3,930,563	$ 276,508	$ 4,207,071	$ 3,894,359	100.9%	81.5%
2016	0.0813%	5,029,209	617,068	5,646,277	4,172,093	120.5%	76.8%
2017	0.0823%	19,630,514	1,971,245	21,601,759	4,282,040	458.4%	44.9%
2018	0.0832%	16,608,229	1,604,713	18,212,942	4,479,080	370.8%	51.6%
2019	0.0845%	5,307,391	498,435	5,805,826	4,666,240	113.7%	78.1%
2020	0.0816%	5,201,201	460,180	5,661,381	4,632,374	112.3%	78.2%
2021	0.0798%	5,895,731	494,151	6,389,882	4,635,619	127.2%	75.5%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

See notes to required supplementary information.

Independent School District No. 2396
Schedule of District Contributions
General Employees Fund Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 89,079	$ 89,079	$ -	$ 1,228,676	7.25%
2015	99,109	99,109	-	1,321,453	7.50%
2016	118,001	118,001	-	1,573,347	7.50%
2017	116,237	116,237	-	1,549,827	7.50%
2018	120,146	120,146	-	1,601,947	7.50%
2019	126,078	126,078	-	1,681,040	7.50%
2020	129,557	129,557	-	1,727,427	7.50%
2021	135,756	135,756	-	1,810,080	7.50%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Schedule of District Contributions
TRA Retirement Fund
Last Ten Years

Fiscal Year Ending June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	$ 272,605	$ 272,605	$ -	$ 3,894,359	7.00%
2015	312,907	312,907	-	4,172,093	7.50%
2016	321,153	321,153	-	4,282,040	7.50%
2017	335,931	335,931	-	4,479,080	7.50%
2018	349,968	349,968	-	4,666,240	7.50%
2019	357,156	357,156	-	4,632,374	7.71%
2020	367,141	367,141	-	4,635,619	7.92%
2021	395,766	395,766	-	4,867,970	8.13%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Independent School District No. 2396
Notes to the Required Supplementary Information

TRA Retirement Fund

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

2018 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (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% on 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 July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes
Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 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 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.

TRA Retirement Fund (Continued)

2015 Changes (Continued)
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%.

Independent School District No. 2396
Notes to the Required Supplementary Information

General Employees Fund

2020 Changes
Changes in Actuarial Assumptions
- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 changes 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retires electing the 100% Joint and 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% thereafter. 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 million to $21 million per year. The State's special funding contribution was changes prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions
- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

General Employees Fund

2018 Changes (Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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 CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% 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.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Changes in Plan Provisions

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

Post Employment Health Care Plan

2020 Changes
Plan Changes
- None

Assumption Changes
- The discount rate was changed from 3.1% to 2.4%.

2019 Changes
Plan Changes
- The lump sum payment to a health care savings plan for teachers hired before July 1, 2001 was increased from $30,000 to $37,500 if over 20 years of service. This lump sum payment is offset by matching contributions to the 403(b) Plan. These match amounts increased from $965 with 16 to 25 years of service and $1,285 with over 25 years of service to $3,000 with 16 or more years of service.
- Teachers are no longer eligible to receive a one-time payment of $2,500 made to a health care savings plan upon retirement.

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-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 3.4% to 3.1%.

2018 Changes
There were no benefit changes and not assumption changes.

2017 Changes
Plan Changes
- The Building and Grounds Maintenance Supervisor no longer has a post employment GSAB 75 subsidy.
- The lump sum payment to a Health Care Savings Plan for teachers hired before July 2, 2001 was increased from $11,000 to $20,000 for teachers with 15 years of service and from $18,500 to $30,000 for teachers with 20 years of service. This lump sum payment is offset by accumulated District contributions to the 403(b) Plan. The maximum match also increased from $18,500 to $30,000.

Post Employment Health Care Plan (Continued)

2017 Changes (Continued)
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 4.50% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 were also updated.
- The percentage of future retirees, no eligible for a subsidized benefit, who are assumed to continue on one of the District's medical plans post employment was reduced from 60% to 50% for all employees except education assistants and those covered under the MSEA contract.

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

SUPPLEMENTARY INFORMATION

Independent School District No. 2396
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Assets			
Cash and investments	$ 350,744	$ 357,284	$ 708,028
Current property taxes receivable	-	78,944	78,944
Delinquent property taxes receivable	-	1,790	1,790
Accounts receivable	2,605	-	2,605
Due from Department of Education	-	6,135	6,135
Due from other Minnesota school districts	45	-	45
Due from federal government through department of education	97,483	56,954	154,437
Inventory	15,157	-	15,157
Total assets	$ 466,034	$ 501,107	$ 967,141
Liabilities			
Accounts payable	$ 54	$ 87	$ 141
Salaries and benefits payable	24,890	31,669	56,559
Unearned revenue	19,291	-	19,291
Total liabilities	44,235	31,756	75,991
Deferred Inflows of Resources			
Property taxes levied for subsequent year's expenditures	-	172,377	172,377
Unavailable revenue - delinquent taxes	-	1,790	1,790
Total deferred inflows of resources	-	174,167	174,167
Fund Balances			
Nonspendable	15,157	-	15,157
Restricted	406,642	295,184	701,826
Total fund balances	421,799	295,184	716,983
Total liabilities, deferred inflows of resources, and fund balances	$ 466,034	$ 501,107	$ 967,141

Independent School District No. 2396
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds		Total
	Food Service	Community Service	Nonmajor Funds
Revenues			
Local property taxes	$ -	$ 176,355	$ 176,355
Other local and county revenues	67,851	219,070	286,921
Revenue from state sources	956	84,928	85,884
Revenue from federal sources	639,014	56,954	695,968
Sales and other conversion of assets	21,983	-	21,983
Total revenues	729,804	537,307	1,267,111
Expenditures			
Current			
Food service	487,982	-	487,982
Community education and services	-	451,064	451,064
Capital outlay			
Food service	9,269	-	9,269
Community education and services	-	1,100	1,100
Total expenditures	497,251	452,164	949,415
Net change in fund balances	232,553	85,143	317,696
Fund Balances			
Beginning of year	189,246	210,041	399,287
End of year	$ 421,799	$ 295,184	$ 716,983

Independent School District No. 2396
Uniform Financial Accounting and Reporting Standards
Compliance Table
Year Ended June 30, 2021

		Audit	UFARS	Audit UFARS
01 GENERAL FUND				
Total revenue		$ 11,795,477	$ 11,795,475	$ 2
Total expenditures		11,314,094	11,314,095	(1)
Nonspendable:				
4.60	Nonspendable fund balance	27,811	27,810	1
Restricted/reserved:				
4.01	Student Activities	131,261	131,261	-
4.02	Scholarships	54,858	54,858	-
4.03	Staff Development	245,609	245,609	-
4.07	Capital Projects Levy	-	-	-
4.08	Cooperative Programs	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.14	Operating Debt	-	-	-
4.16	Levy Reduction	-	-	-
4.17	Taconite Building Maintenance	-	-	-
4.24	Operating Capital	347,914	347,913	1
4.26	$25 Taconite	-	-	-
4.27	Disabled Accessibility	-	-	-
4.28	Learning and Development	-	-	-
4.34	Area Learning Center	-	-	-
4.35	Contracted Alternative Programs	-	-	-
4.36	State Approved Alternative Program	-	-	-
4.38	Gifted and Talented	47,041	47,041	-
4.40	Teacher Development and Evaluation	-	-	-
4.41	Basic Skills Programs	108,448	108,448	-
4.45	Career Technical Programs	-	-	-
4.48	Achievement and Integration	77,271	77,271	-
4.49	Safe Schools Levy	20,630	20,630	-
4.51	QZAB Payments	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
4.53	Unfunded Severance and Retirement Levy	-	-	-
4.59	Basic Skills Extended Time	4,811	4,811	-
4.67	Long-term Facilities Maintenance	259,077	259,077	-
4.72	Medical Assistance	44,577	44,577	-
4.75	Title VII - Impact Aid	-	-	-
4.76	Payments in Lieu of Taxes	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Committed:				
4.18	Committed for separation/ retirement benefits	-	-	-
4.61	Committed	-	-	-
Assigned:				
4.62	Assigned fund balance	-	-	-
Unassigned:				
4.22	Unassigned fund balance	2,364,390	2,364,390	-
02 FOOD SERVICE FUND				
Total revenue		$ 729,804	$ 729,803	$ 1
Total expenditures		497,251	497,251	-
Nonspendable:				
4.60	Nonspendable fund balance	15,157	15,157	-
Restricted/reserved:				
4.52	OPEB liabilities not held in trust	-	-	-
Restricted:				
4.64	Restricted fund balance	406,642	406,642	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
04 COMMUNITY SERVICE FUND				
Total revenue		$ 537,307	$ 537,306	1
Total expenditures		452,164	452,163	1
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.26	$25 Taconite	-	-	-
4.31	Community Education	80,786	80,786	-
4.32	ECFE	67,820	67,820	-
4.40	Teacher Development and Evaluation	-	-	-
4.44	School Readiness	47,564	47,564	-
4.47	Adult Basic Education	-	-	-
4.52	OPEB Liabilities not Held in Trust	-	-	-
Restricted:				
4.64	Restricted fund balance	99,014	99,014	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

		Audit	UFARS	Audit UFARS
06 BUILDING CONSTRUCTION FUND				
Total revenue		$ 143,401	$ 143,402	$ (1)
Total expenditures		9,459,906	9,459,906	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.07	Capital Projects Levy	-	-	-
4.13	Building Projects Funded by COP/LP	-	-	-
4.67	LTFM	31,395	31,395	-
Restricted:				
4.64	Restricted fund balance	195,171	195,171	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
07 DEBT SERVICE FUND				
Total revenue		$ 1,462,619	$ 1,462,621	$ (2)
Total expenditures		1,394,282	1,394,282	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted/reserved:				
4.25	Bond refunding	-	-	-
4.33	Maximum effort loan aid	-	-	-
4.51	QZAB payments	-	-	-
4.67	LTFM	-	-	-
Restricted:				
4.64	Restricted fund balance	226,168	226,168	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-
08 TRUST FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.01	Student Activities	-	-	-
4.02	Scholarships	343,372	343,373	(1)
4.22	Net Position	-	-	-
18 CUSTODIAL				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Restricted/reserved:				
4.01	Student Activities	-	-	-
4.02	Scholarships	-	-	-
4.48	Achievement and Integration	-	-	-
4.64	Restricted	-	-	-
20 INTERNAL SERVICE FUND				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
25 OPEB REVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
45 OPEB IRREVOCABLE TRUST				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Unassigned:				
4.22	Net position	-	-	-
47 OPEB DEBT SERVICE				
Total revenue		$ -	$ -	$ -
Total expenditures		-	-	-
Nonspendable:				
4.60	Nonspendable fund balance	-	-	-
Restricted:				
4.64	Restricted fund balance	-	-	-
Unassigned:				
4.63	Unassigned fund balance	-	-	-

Independent School District No. 2396
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal Agency/Pass Through Agency/Program Title	Federal CFDA Number	2015-2016 Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
School Breakfast	10.553	$ 2,363
COVID-19 Summer Food Service	10.559	597,273
Child Nutrition Type A Lunch	10.555	4,660
Commodities Program (Noncash Assistance)	10.555	34,718
Total Child Nutrition Cluster and U.S. Department of Agriculture		639,014
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	139,058
COVID-19 Coronavirus Relief Fund	21.019C	222,421
COVID-19 Governor's Emergency Education Relief Fund	84.425C	45,874
COVID-19 Elementary and Secondary School Emergency Relief Fund 90% Formula Allocation	84.425D	138,749
COVID-19 Elementary and Secondary School Emergency Relief Fund II 90% Formula Allocation	84.425D	368,383
COVID-19 Coronavirus Relief Fund ARP Summer Academic Enrichment and Mental Health	21.019	26,835
COVID-19 Coronavirus Relief Fund Summer Preschool Program	21.019	8,182
Title II, Part A	84.367	31,447
Title IV, Part A	84.186	12,872
Through Little Crow Special Education Cooperative		
Special Education Cluster		
Special Education	84.027	23,107
IDEA Part B Section 611 Mandatory Coordinated Early Intervening Services	84.027	33,649
Disabled Early Education	84.173	1,299
Total through Little Crow Special Education Cooperative		58,055
Through Kandiyohi County		
COVID-19 Coronavirus Relief Fund	21.019	92,855
Through Independent School District No. 465		
Carl Perkins	84.048A	5,140
Total U.S. Department of Education		1,149,871
Total Federal Expenditures		$ 1,788,885

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

Independent School District No. 2396
Notes to the Schedule of Expenditures of Federal Awards

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.

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

To the School Board
Independent School District No. 2396
Atwater/Cosmos/Grove City, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2396, Atwater/Cosmos/Grove City, Minnesota, as of and for the year ending June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 14, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Corrective Action Plans on Internal Control as Audit Finding 2021-002 to be a material weakness.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

District's Response to the Findings
The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action Plans on Internal Control. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 14, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

To the School Board
Independent School District No. 2396
Atwater/Cosmos/Grove City, Minnesota

Report on Compliance for Each Major Federal Program
We have audited Independent School District No. 2396's, Atwater/Cosmos/Grove City, Minnesota compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs in Accordance with the Uniform Guidance.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program
In our opinion, Independent School District No. 2396 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 District 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 the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 of this section 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 were not identified.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 14, 2021

Independent School District No. 2396
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the basic 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:	21.019C
Name of Federal Program or Cluster:	Coronavirus Relief Fund
CFDA No:	10.555, 10.550, 10.553, 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

Independent School District No. 2396
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS

Audit Finding 2021-001

Criteria or Specific Requirement:
Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:
The District does not have adequate segregation of accounting duties.

Context:
This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:
The lack of adequate segregation of accounting duties could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause:
There are a limited number of office employees.

Recommendation:
Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

CORRECTIVE ACTION PLAN (CAP):

1. <u>Explanation of Disagreement with Audit Finding</u>
   There is no disagreement with the audit finding.

2. <u>Actions Planned in Response to Finding</u>
   Administration will review current segregation of accounting duties to determine if further segregation is possible.

3. <u>Official Responsible for Ensuring CAP</u>
   The Superintendent of Schools is the official responsible for ensuring corrective action of the deficiency.

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2021-002 (Continued)

Management's Response: (Continued)

CORRECTIVE ACTION PLAN (CAP): (Continued)

4. Planned Completion Date for CAP
   The Superintendent of Schools will continually monitor the accounting system and improve controls when possible.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

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Minnesota Legal Compliance

Independent Auditor's Report

To the School Board
Independent School District No. 2396
Atwater/Cosmos/Grove City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2396, Atwater/Cosmos/Grove City, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, and have issued our report thereon dated December 14, 2021.

In connection with our audit, we noted that the District failed to comply with the provisions of the claims and disbursements of the *Minnesota Legal Compliance Audit Guide for School Districts* promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Corrective Action Plans on Legal Compliance. Also, in connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, miscellaneous provisions, and uniform financial accounting and reporting standards for school districts sections of the *Minnesota Legal compliance Audit Guide for School Districts*, insofar as they relate to accounting matters. However, our audit as not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District’s noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

BerganKDV, Ltd.

Minneapolis, Minnesota
December 14, 2021

Independent School District No. 2396
Schedule of Findings and Corrective Action Plans
on Legal Compliance and Internal Control

CURRENT YEAR LEGAL COMPLIANCE FINDING:

Purchase of Gift Cards
The District purchased gift cards as rewards for an employee mental health event. The purchase of gifts is not an allowable expenditure per Minnesota State Statute.

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
   There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding
   Administration will ensure all public funds are used for allowable purchases.

3. Official Responsible for Ensuring CAP
   The Superintendent of Schools, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP
   The planned completion date for the CAP is June 30, 2022.

5. Plan to Monitor Completion of CAP
   The School Board will be monitoring this CAP.