

Annual Financial Report

Independent School District No. 508

St. Peter, Minnesota

For the Year Ended
June 30, 2020

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Independent School District No. 508

St. Peter, Minnesota

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Independent School District No. 508

St. Peter, Minnesota

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INTRODUCTORY SECTION
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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Independent School District No. 508
St. Peter, Minnesota
School District Officials
For the Year Ended June 30, 2020

BOARD OF EDUCATION

<u>Name</u>	<u>Term on Board Expires</u>	<u>Position</u>
Ben Leonard	12/31/2023	Chairperson
Tim Lokensgard	12/31/2023	Vice Chair
Drew Dixon	12/31/2021	Clerk
Jon Carlson	12/31/2021	Treasurer
Bill Soderlund	12/31/2023	Director
Vickie Hager	12/31/2021	Director
Tracy Stuewe	12/31/2023	Director

ADMINISTRATION

Dr. Jeff Olson	Interim Superintendent
Tim Regner	Business Manager

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FINANCIAL SECTION
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 508
St. Peter, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 508, St. Peter, Minnesota, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 7 to the financial statements, the District adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 84, Fiduciary Activities, for the year ended June 30, 2020. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions and Schedule of Changes in the District's Net OPEB Liability and Related Ratios starting on page 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

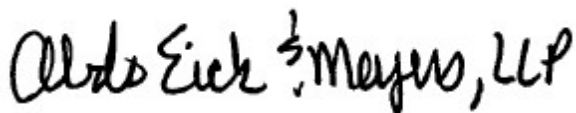
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and table are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 14, 2020

People
+ Process®
Going
Beyond the
Numbers

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Management's Discussion and Analysis

As management of the Independent School District No. 508 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

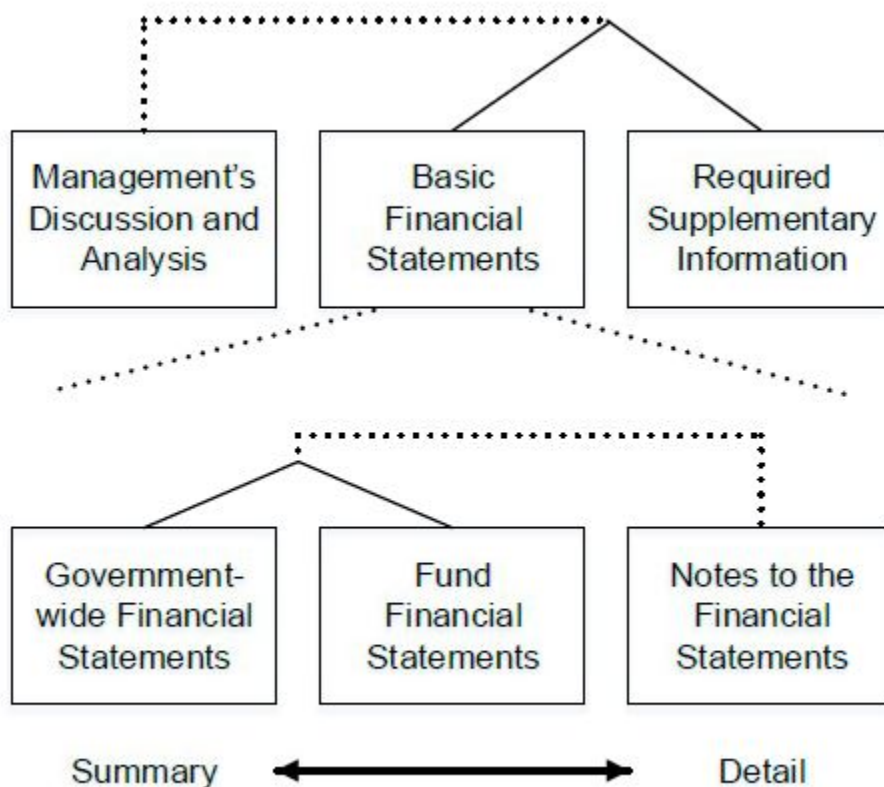
Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,847,530 (net position deficit). Of this amount, the deficit of \$19,115,124 (unrestricted net position) is due to the recognition of the pension liability resulting from implementing GASB Statement No. 68.
- The District's total net position decreased by \$1,335,530 as compared to an increase of \$5,770,386 in the prior year. The change in net position is mainly due to the recognition of pension expense in the amount of \$2,876,886.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,496,430, an increase of \$846,025 in comparison the prior year had a decrease of \$763,251. The major reasons causing the increase is the capital expenditures in the General fund decreased by approximately \$1 million in 2020 when compared to 2019. Of the total fund balance, \$3,391,010 is *available for spending* at the District's discretion (*unassigned fund balance*). The majority of the remainder of fund balance is assigned to capital outlay and restricted for the community education and food service.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Independent School District No. 508 Annual Financial Report



The following chart summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements:

Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Financial Statements. The *District-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled "governmental activities":

- Governmental activities:** The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and State aids finance most of these activities.

The District-wide financial statements can be found starting on page 28 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the District-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Debt Service fund, which are considered to be major funds. Data from the four other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 32 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students within the District. Fiduciary funds are *not* reflected in the District-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those activities that the assets belong. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the District-wide and fund financial statements. The notes to the financial statements can be found starting on page 41 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Independent School District No. 508's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 71 of this report.

Other Information. Combining and individual fund financial statements and schedules and table can be found starting on page 77 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,847,530 at the close of the most recent fiscal year.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Another portion of the District's net position reflects amounts restricted for food service and educational purposes. These funds are to be used for the District's funded programs and activities.

Independent School District No. 508's Net Position

	Governmental Activities		Increase (Decrease)	
	2020	2019	Amounts	Percent
Current and Other Assets	\$ 19,282,647	\$ 19,336,007	\$ (53,360)	(0.3) %
Capital Assets	71,734,266	72,913,258	(1,178,992)	(1.6)
Total Assets	<u>91,016,913</u>	<u>92,249,265</u>	<u>(1,232,352)</u>	(1.3)
Deferred Inflows of Resources	<u>12,741,826</u>	<u>18,377,631</u>	<u>(5,635,805)</u>	(30.7)
Long-term Liabilities Outstanding	76,817,531	77,147,543	(330,012)	(0.4)
Other Liabilities	4,260,750	5,265,323	(1,004,573)	(19.1)
Total Liabilities	<u>81,078,281</u>	<u>82,412,866</u>	<u>(1,334,585)</u>	(1.6)
Deferred Inflows of Resources	<u>24,527,988</u>	<u>28,846,877</u>	<u>(4,318,889)</u>	(15.0)
Net Position				
Net investment in capital assets	15,778,703	15,660,552	118,151	0.8
Restricted	1,488,891	950,697	538,194	56.6
Unrestricted	<u>(19,115,124)</u>	<u>(17,244,096)</u>	<u>(1,871,028)</u>	(10.9)
Total Net Position	<u>\$ (1,847,530)</u>	<u>\$ (632,847)</u>	<u>\$ (1,214,683)</u>	(191.9)

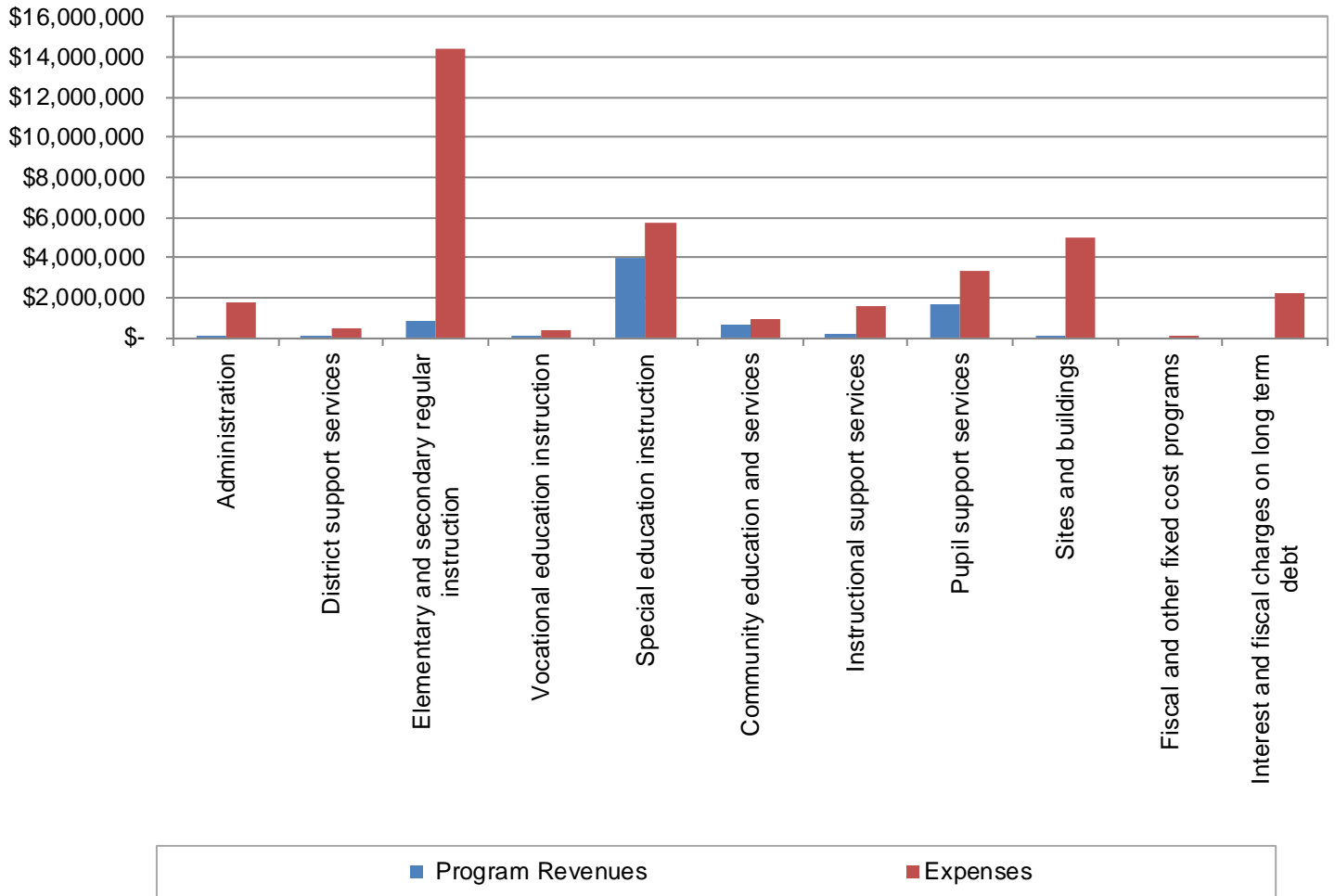
The balance of unrestricted net position is a deficit due to recognition of long-term liabilities in accordance with GASB Statements No. 68 and 75.

Governmental Activities. Governmental activities decreased the District's net position by \$1,335,530. Key elements of this decrease are as follows:

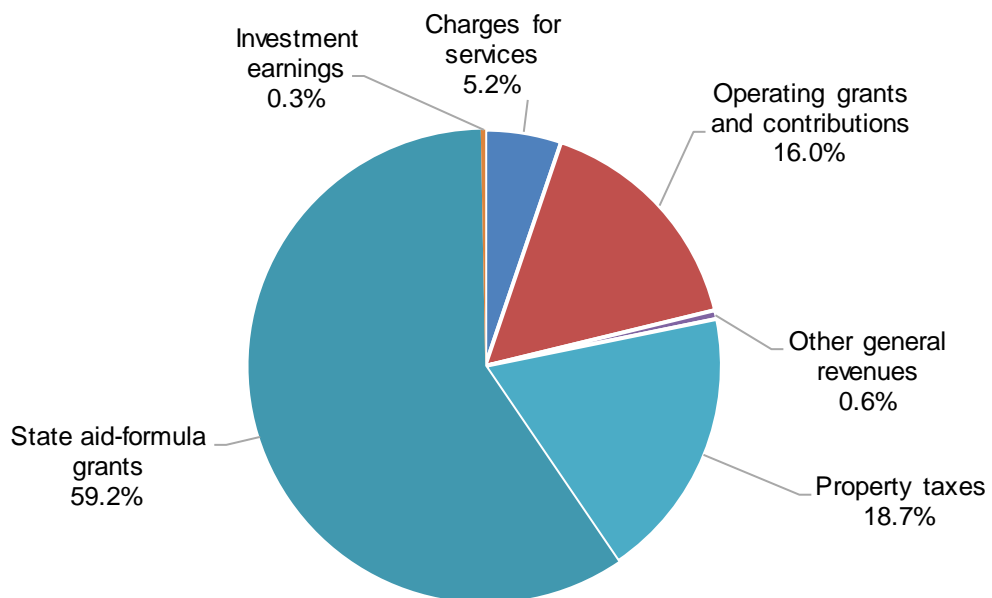
Independent School District No. 508's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2020	2019	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 1,795,378	\$ 2,162,018	\$ (366,640)	(17.0) %
Operating grants and contributions	5,546,099	3,694,791	1,851,308	50.1
Capital grants and contributions	5,000	113,643	(108,643)	(95.6)
General revenues				
Property taxes	6,470,845	6,043,894	426,951	7.1
State aid-formula grants	20,439,307	19,923,034	516,273	2.6
Other general revenues	211,304	192,945	18,359	9.5
Investment earnings	106,078	187,762	(81,684)	(43.5)
Total Revenues	<u>34,574,011</u>	<u>32,318,087</u>	<u>2,255,924</u>	7.0
Expenses				
Administration	1,737,729	1,149,075	588,654	51.2
District support services	487,073	422,666	64,407	15.2
Elementary and secondary regular instruction	14,454,076	8,637,902	5,816,174	67.3
Vocational education instruction	339,833	237,342	102,491	43.2
Special education instruction	5,707,127	3,990,567	1,716,560	43.0
Community education and services	935,458	723,619	211,839	29.3
Instructional support services	1,624,208	1,435,766	188,442	13.1
Pupil support services	3,325,733	2,706,292	619,441	22.9
Sites and buildings	4,967,041	4,843,153	123,888	2.6
Fiscal and other fixed cost programs	59,005	97,247	(38,242)	(39.3)
Interest and fiscal charges on long-term debt	2,272,258	2,304,072	(31,814)	(1.4)
Total Expenses	<u>35,909,541</u>	<u>26,547,701</u>	<u>9,361,840</u>	35.3
Change in Net Position	(1,335,530)	5,770,386	(7,105,916)	(123.1)
Net Position, July 1	(632,847)	(6,403,233)	5,770,386	90.1
Prior Period Restatement (Note 7)	<u>120,847</u>	<u>-</u>	<u>120,847</u>	
Net Position, June 30	<u>\$ (1,847,530)</u>	<u>\$ (632,847)</u>	<u>\$ (1,214,683)</u>	(191.9)

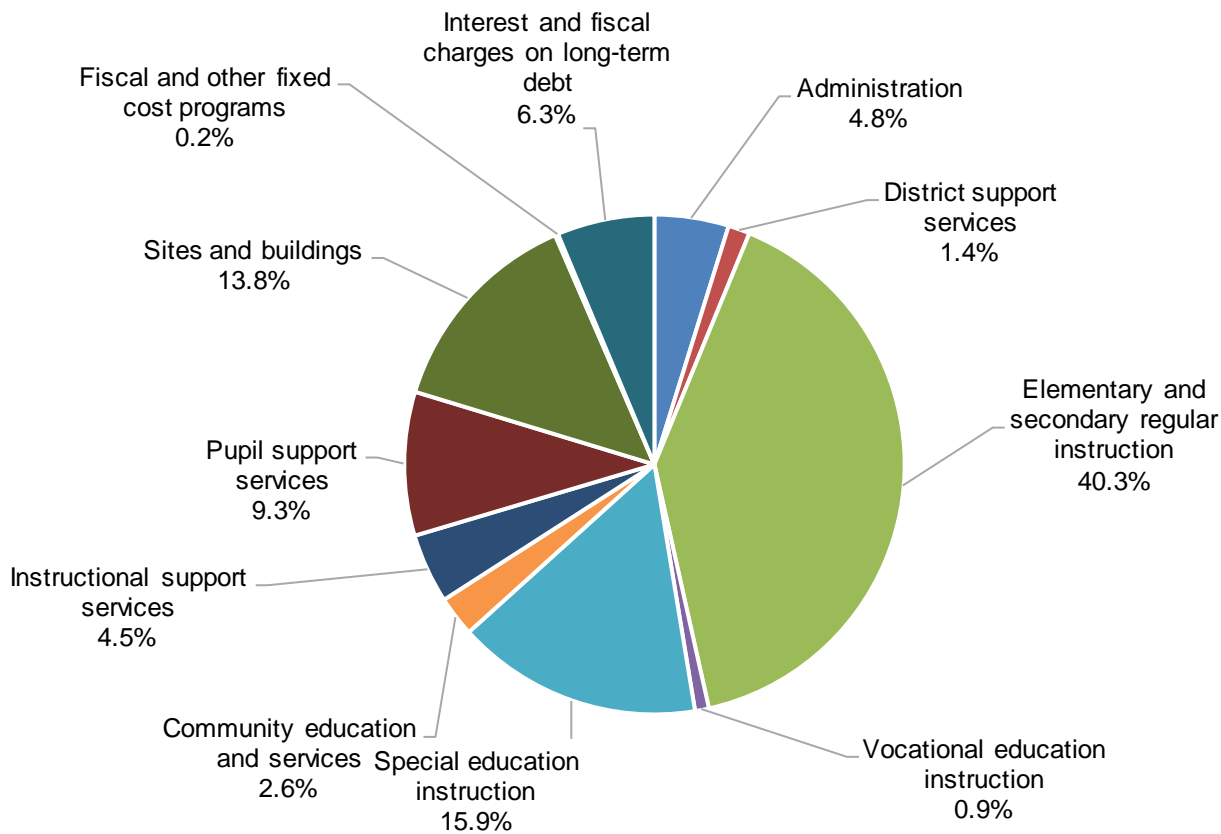
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



Expenses by Program - Governmental Activities



Financial Analysis of the District's Funds

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

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,496,430, an increase of \$846,025 in comparison with the prior year's decrease of \$763,251. The General fund had a \$522,891 increase in fund balance. The Debt Service fund had a \$168,952 increase in fund balance. This increase was due to the levy exceeding the principal and interest payments. The Capital Projects fund had a \$48,939 increase in fund balance. This increase was due to the levy exceeding capital expenditures. The Food Service fund had a \$202,692 increase in fund balance. This increase was due to an increase in revenue from federal sources compared to last year. The Community Service fund had a \$97,449 decrease in fund balance. This decrease due to a decline in revenue due to the impacts of Coronavirus pandemic and an increase in salary expenditures. Of the total fund balance, \$3,391,010 constitutes unassigned fund balance that is available for spending at the District's discretion.

The General fund is the chief operating fund of the District. At the end of the current year, unassigned fund balance of the General fund was \$4,257,415, while total fund balance reached \$8,074,948. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.1 percent of total General fund expenditures, while total fund balance represents 28.6 percent of that same amount.

The fund balance of the District's General fund increased by \$522,891 during the current fiscal year. This increase in the General fund was due to revenues being \$255,917 more than budgeted combining with expenditures coming in \$602,570 under budget. The District had budgeted a decrease in fund balance of \$334,198 in comparison to the actual increase of \$522,891 resulting in a positive variance of \$857,089.

General Fund Budgetary Highlights

The District adopted the annual revised operating budget in June of 2020. Actual revenue was approximately one percent over the budgeted amount while actual expenses were approximately two percent under the budgeted amount. This resulted in the District's final actual unassigned fund balance being higher than budgeted. The District ending the 2019-2020 school year with an unassigned fund balance of \$4,257,415 compared to \$4,251,102 in the prior year. The majority of the revenue exceeding budget was attributable to a few items. The main items were special education revenue exceeding budget by approximately \$550,000 which offset general education revenue being approximately \$315,000 under budget. Also, miscellaneous taxes exceeded budget by approximately \$78,000. Expenditures were approximately two percent under budget as the last quarter of the year was difficult to budget. The main items that came in under budget were salaries, utilities, insurance, and transportation costs.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$71,734,266 (net of accumulated depreciation). This investment in capital assets includes land, construction work in progress, land improvements, buildings and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 1.6 percent. The major additions to capital assets were the North Elementary ceiling project in the amount of \$167,070, High School project costs of \$134,186, Middle School tuck pointing improvements in the amount of \$95,720, the jump pit project at the football and track facility in the amount of \$74,443, and the North Elementary playground update in the amount of \$73,876. The total depreciation expense for the year was \$2,317,857. The following is a schedule of capital assets as of June 30, 2020.

Independent School District No. 508's Capital Assets (Net of Depreciation)

	Governmental Activities		
	2020	2019	Increase (Decrease)
Land	\$ 933,564	\$ 933,564	\$ -
Construction in Progress	-	391,741	(391,741)
Land Improvements	1,549,133	1,634,928	(85,795)
Buildings	66,474,839	67,280,806	(805,967)
Equipment	2,776,730	2,672,219	104,511
Total	<u>\$ 71,734,266</u>	<u>\$ 72,913,258</u>	<u>\$ (1,178,992)</u>

Additional information on the District's capital assets can be found in Note 3C on page 50 of this report.

Long-term Debt. At the end of the current fiscal year, the District had total general obligation bonds outstanding of \$53,540,000. Most of this amount is to finance capital projects relating to school buildings. The District also had capital lease and notes payable totaling \$1,081,538 reported as long-term debt at year end.

Independent School District No. 508's Outstanding Debt

	Governmental Activities		
	2020	2019	Increase (Decrease)
General Obligation Bonds Payable	\$ 53,540,000	\$ 54,165,000	\$ (625,000)
Notes Payable	1,048,060	1,127,783	(79,723)
Capital Leases Payable	33,478	63,403	(29,925)
Total	<u>\$ 54,621,538</u>	<u>\$ 55,356,186</u>	<u>\$ (734,648)</u>

The District's total long-term debt decreased by \$734,648 or 1.3 percent during the current fiscal year. The District had additional borrowing of \$322,265 and retirement of debt of \$1,056,913.

Additional information on the District's long-term debt can be found in Note 3E starting on page 51 of this report.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstance that could significantly affect its financial health in the future.

- The District has experienced enrollment increases above the one to two percent range which was the projection from a previous demographic study. The District updated its demographic study in fiscal year 2020. The district is now starting to graduate larger classes than the incoming kindergarten class, so the district will need to see an influx of students moving into the district and growth of the St. Peter area to maintain its enrollment for the next few years.
- Fiscal year 2020 is the last year the District will receive revenue from its Capital Project levy which is expiring. Also, the operating referendum will expire, and the School Board and administration is in the process of determining the correct amount and timing of any future referendum to replace what is expiring.
- The Coronavirus pandemic is the biggest factor in the district's future. It affects all aspects of the District, starting most importantly with the health and safety of students and staff and the teaching model used to instruct our students. The virus also affects the District's operation from enrollment, staffing levels, revenues, expenses etc. We have received some Cares Act funds that need to be expended by the end of the calendar year and some other funds we can use after the first of the year through the State. We also have an application pending with Nicollet County for additional funds and have received some from a local township. The funding after the first year will be limited if no new aid is forthcoming. Also, the majority of the funds have been for reimbursement for additional expenses that have occurred but there is also going to be a drop in revenue due to the pandemic and the drop in enrollment and loss of revenue that goes along with it. Also, we are looking at a loss in revenue in other programs like compensatory revenue and in the community education programming.
- We experienced a drop in our fund balance in our Community Service fund in fiscal year 2020 and are projecting another drop in fiscal year 2021. Much of the revenue in this fund comes from fees and classes which were not able to be held in fiscal year 2020 and will be limited in fiscal year 2021. Also, this fund is providing day care for many children.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be in written form and addressed to the Business Office, Independent School District No. 508, 100 Lincoln Drive, Suite 229, St. Peter, MN 56082.

DISTRICT-WIDE FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 508

St. Peter, Minnesota
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash and temporary investments	\$ 12,636,348
Receivables	
Taxes	3,467,459
Accounts	60,057
Due from other school districts	382,774
Intergovernmental	2,726,837
Prepaid items	9,172
Capital assets not being depreciated	933,564
Capital assets being depreciated (net of accumulated depreciation)	70,800,702
Total Assets	<u>91,016,913</u>
Deferred Outflows of Resources	
Deferred pension resources	12,671,471
Deferred other post employment benefit resources	70,355
Total Deferred Outflows of Resources	<u>12,741,826</u>
Liabilities	
Salaries and wages payable	1,338,174
Accounts and other payables	840,303
Accrued interest payable	942,791
Due to other school districts	10,712
Due to other governments	43,749
Accrued expenses	1,039,262
Unearned revenue	45,759
Noncurrent liabilities	
Due within one year	1,355,922
Due in more than one year	56,289,358
Net pension liability	15,113,195
Other postemployment benefits liability	4,059,056
Total Liabilities	<u>81,078,281</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	6,413,276
Deferred pension resources	17,901,690
Deferred other postemployment benefit resources	213,022
Total Deferred Inflows of Resources	<u>24,527,988</u>
Net Position	
Net investment in capital assets	15,778,703
Restricted	
Food service	529,369
Educational purposes	905,697
Capital projects tax levy	53,825
Unrestricted	<u>(19,115,124)</u>
Total Net Position	<u>\$ (1,847,530)</u>

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

Independent School District No. 508

St. Peter, Minnesota

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Position
					Governmental
					Activities
Governmental Activities					
Administration	\$ 1,737,729	\$ 15,721	\$ 6,490	\$ -	\$ (1,715,518)
District support services	487,073	-	402	-	(486,671)
Elementary and secondary regular instruction	14,454,076	403,993	479,455	5,000	(13,565,628)
Vocational education instruction	339,833	-	45,954	-	(293,879)
Special education instruction	5,707,127	585,500	3,363,809	-	(1,757,818)
Community education and services	935,458	350,137	275,291	-	(310,030)
Instructional support services	1,624,208	-	156,519	-	(1,467,689)
Pupil support services	3,325,733	431,242	1,216,797	-	(1,677,694)
Sites and buildings	4,967,041	8,785	1,382	-	(4,956,874)
Fiscal and other fixed cost programs	59,005	-	-	-	(59,005)
Interest and fiscal charges on long term debt	2,272,258	-	-	-	(2,272,258)
Total Governmental Activities	<u>\$ 35,909,541</u>	<u>\$ 1,795,378</u>	<u>\$ 5,546,099</u>	<u>\$ 5,000</u>	<u>(28,563,064)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					3,563,702
Property taxes, levied for community service					159,970
Property taxes, levied for debt service					2,747,173
State aid-formula grants					20,439,307
Other general revenues					211,304
Investment earnings					106,078
Total General Revenues					<u>27,227,534</u>
Change in Net Position					(1,335,530)
Net Position, July 1					(632,847)
Prior Period Restatement (Note 7)					<u>120,847</u>
Net Position, June 30					<u>\$ (1,847,530)</u>

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

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FUND FINANCIAL STATEMENTS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 508

St. Peter, Minnesota

Balance Sheet

Governmental Funds

June 30, 2020

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and temporary investments	\$ 9,409,939	\$ 1,979,938	\$ 1,246,471	\$ 12,636,348
Receivables				
Taxes	1,634,006	1,751,822	81,631	3,467,459
Accounts	35,310	-	24,747	60,057
Due from other school districts	382,774	-	-	382,774
Intergovernmental	2,504,021	31,573	191,243	2,726,837
Prepaid items	9,172	-	-	9,172
Total Assets	\$ 13,975,222	\$ 3,763,333	\$ 1,544,092	\$ 19,282,647
Liabilities				
Salaries and wages payable	\$ 1,286,842	\$ -	\$ 51,332	\$ 1,338,174
Accounts and other payables	418,882	-	421,421	840,303
Due to other school districts	10,712	-	-	10,712
Due to other governments	43,749	-	-	43,749
Accrued expenses	1,039,262	-	-	1,039,262
Unearned revenue	-	-	45,759	45,759
Total Liabilities	2,799,447	-	518,512	3,317,959
Deferred Inflows of Resources				
Property taxes levied for subsequent year	3,076,614	3,175,253	161,409	6,413,276
Unavailable revenue - delinquent property taxes	24,213	26,635	4,134	54,982
Total Deferred Inflows of Resources	3,100,827	3,201,888	165,543	6,468,258
Fund Balances				
Nonspendable	9,172	-	-	9,172
Restricted	472,576	561,445	1,726,442	2,760,463
Assigned	3,335,785	-	-	3,335,785
Unassigned	4,257,415	-	(866,405)	3,391,010
Total Fund Balances	8,074,948	561,445	860,037	9,496,430
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 13,975,222	\$ 3,763,333	\$ 1,544,092	\$ 19,282,647

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

Independent School District No. 508

St. Peter, Minnesota

Reconciliation of the Balance Sheet to the Statement of Net Position

Governmental Funds

June 30, 2020

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

Total Fund Balances - Governmental Funds	\$ 9,496,430
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	71,734,266
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	
Bonds payable	(53,540,000)
Unamortized premiums	(2,858,586)
Notes payable	(1,048,060)
Capital leases payable	(33,478)
Severance benefits payable	(134,604)
Compensated absences payable	(30,552)
Net pension liability	(15,113,195)
Other postemployment benefit liability	(4,059,056)
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent property taxes	54,982
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	12,671,471
Deferred inflows of pension resources	(17,901,690)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other postemployment benefit resources	70,355
Deferred inflows of other postemployment benefit resources	(213,022)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(942,791)</u>
Total Net Position - Governmental Activities	<u><u>\$ (1,847,530)</u></u>

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

Independent School District No. 508
St. Peter, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	\$ 2,982,947	\$ 2,741,834	\$ 734,928	\$ 6,459,709
Other local and county revenue	1,296,920	-	376,637	1,673,557
Interest earned on investments	87,266	6,811	12,001	106,078
Revenue from state sources	23,488,831	315,857	299,473	24,104,161
Revenue from federal sources	575,561	-	1,128,183	1,703,744
Sales and other conversion of assets	9,006	-	415,957	424,963
Total Revenues	<u>28,440,531</u>	<u>3,064,502</u>	<u>2,967,179</u>	<u>34,472,212</u>
Expenditures				
Current				
Administration	1,547,340	-	-	1,547,340
District support services	474,306	-	-	474,306
Elementary and secondary regular instruction	12,980,278	-	-	12,980,278
Vocational education and instruction	326,825	-	-	326,825
Special education instruction	5,301,150	-	-	5,301,150
Community education and services	-	-	878,733	878,733
Instructional support services	1,660,204	-	-	1,660,204
Pupil support services	1,915,603	-	1,393,186	3,308,789
Sites and buildings	2,431,395	-	-	2,431,395
Fiscal and other fixed cost programs	194,924	-	-	194,924
Capital outlay	960,577	-	540,345	1,500,922
Debt service				
Principal	431,227	625,000	686	1,056,913
Interest and other costs	16,076	2,270,550	47	2,286,673
Total Expenditures	<u>28,239,905</u>	<u>2,895,550</u>	<u>2,812,997</u>	<u>33,948,452</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	200,626	168,952	154,182	523,760
Other Financing Sources (Uses)				
Capital leases issued	<u>322,265</u>	<u>-</u>	<u>-</u>	<u>322,265</u>
Net Change in Fund Balances	522,891	168,952	154,182	846,025
Fund Balances, July 1	7,431,210	392,493	705,855	8,529,558
Prior Period Restatement (Note 7)	<u>120,847</u>	<u>-</u>	<u>-</u>	<u>120,847</u>
Fund Balances, June 30	<u>\$ 8,074,948</u>	<u>\$ 561,445</u>	<u>\$ 860,037</u>	<u>\$ 9,496,430</u>

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

Independent School District No. 508
St. Peter, Minnesota
Reconciliation of the Statement of
Revenues, Expenditures and Changes in Fund Balances
to Statement of Activities
Governmental Funds
For the Year Ended June 30, 2020

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

Total Net Change in Fund Balances - Governmental Funds	\$ 846,025
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	1,138,865
Depreciation expense	(2,317,857)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Capital leases issued	(322,265)
Amortization of premium on bonds	136,123
Principal repayments	1,056,913
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	14,415
Long-term pension activity is not reported in governmental funds.	
Pension expense	(1,673,746)
Direct aid contributions	90,663
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	11,136
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	32,339
Other postemployment benefit costs	(348,141)
Change in Net Position - Governmental Activities	<u>\$ (1,335,530)</u>

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

Independent School District No. 508
St. Peter, Minnesota
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 2,843,823	\$ 2,924,837	\$ 2,982,947	\$ 58,110
Other local and county revenue	1,144,020	1,358,797	1,296,920	(61,877)
Interest earned on investments	90,000	90,200	87,266	(2,934)
Revenue from state sources	22,959,126	23,357,553	23,488,831	131,278
Revenue from federal sources	450,436	444,227	575,561	131,334
Sales and other conversions of assets	(900)	9,000	9,006	6
Total Revenues	<u>27,486,505</u>	<u>28,184,614</u>	<u>28,440,531</u>	<u>255,917</u>
Expenditures				
Current				
Administration	1,494,669	1,513,304	1,547,340	(34,036)
District support services	492,720	300,202	474,306	(174,104)
Elementary and secondary regular instruction	13,177,336	13,753,259	12,980,278	772,981
Vocational education and instruction	129,203	132,597	326,825	(194,228)
Special education instruction	5,421,926	5,288,549	5,301,150	(12,601)
Instructional support services	1,076,873	1,179,407	1,660,204	(480,797)
Pupil support services	2,174,925	2,151,220	1,915,603	235,617
Sites, buildings and equipment	2,425,395	2,607,714	2,431,395	176,319
Fiscal and other fixed cost programs	234,810	245,585	194,924	50,661
Capital outlay				
Administration	29,511	29,511	47,315	(17,804)
District support services	4,000	4,000	4,950	(950)
Elementary and secondary regular instruction	189,862	126,955	190,320	(63,365)
Special education instruction	7,950	9,205	6,964	2,241
Instructional support services	14,325	337,988	13,554	324,434
Pupil support services	1,200	1,200	819	381
Sites, buildings and equipment	1,047,178	728,507	696,655	31,852
Fiscal and other fixed cost programs				
Principal	488,487	418,235	431,227	(12,992)
Interest and other costs	14,758	15,037	16,076	(1,039)
Total Expenditures	<u>28,425,128</u>	<u>28,842,475</u>	<u>28,239,905</u>	<u>602,570</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(938,623)	(657,861)	200,626	858,487
Other Financing Sources (Uses)				
Capital leases issued	<u>323,663</u>	<u>323,663</u>	<u>322,265</u>	<u>(1,398)</u>
Net Change in Fund Balances	(614,960)	(334,198)	522,891	857,089
Fund Balances, July 1	7,431,210	7,431,210	7,431,210	-
Prior Period Restatement (Note 7)	<u>-</u>	<u>-</u>	<u>120,847</u>	<u>120,847</u>
Fund Balances, June 30	<u>\$ 6,816,250</u>	<u>\$ 7,097,012</u>	<u>\$ 8,074,948</u>	<u>\$ 977,936</u>

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

Independent School District No. 508
St. Peter, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Private Purpose Trust
Assets	
Cash and Temporary Investments	<u>\$ 725,937</u>
Net Position	
Held in Trust for Scholarships	<u>\$ 725,937</u>

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

Independent School District No. 508
St. Peter, Minnesota
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020

	Private Purpose Trust
Additions	
Investment income	\$ 25,679
Contributions	1,794
Total Additions	<u>27,473</u>
Deductions	
Scholarships	<u>17,200</u>
Change in Net Position	10,273
Net Position, July 1	836,511
Prior Period Restatement (Note 7)	<u>(120,847)</u>
Net Position, June 30	<u><u>\$ 725,937</u></u>

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

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

Independent School District No. 508, (the District) was incorporated under the laws of the State of Minnesota, (the State). The District operates under a School Board form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected School Board of seven members, who are responsible for legislative and fiscal control of the District. A superintendent is appointed by the School Board and is responsible for administrative control of the District.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

B. District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The district-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. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advanced, which are recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include State aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Description of Funds

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

Major Governmental Funds:

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

The *Debt Service fund* accounts for the resources accumulated and payments made for principal, interest and related costs on long-term general obligation debt of governmental funds.

Non-major Governmental Funds:

The *Food Service special revenue fund* is used to account for food service revenue and expenditures.

The *Community Service special revenue fund* accounts for services provided to residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs, or other similar services.

The *Capital Projects fund* accounts for all resources used for the acquisition and/or construction of major capital facilities.

Fiduciary Funds:

The *Private-Purpose trust fund* is used to account for trust arrangements under which the income benefits individuals. This fund accounts for dollars established for various annual scholarships that are awarded to students based on the requirements of the donor. All resources of the fund, including any earnings on invested resources, may be used to support the activities.

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and all highly liquid investments or equity investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The District may invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate Minnesota laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule §2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

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. The District's recurring fair value measurements are listed in detail on page 49 and are valued using quoted market prices (Level 1 inputs).

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Property Taxes

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in two installments generally due on May 15 and October 15. The taxes are collected by the County Treasurer and tax settlements are made to the District three or four times throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as a "tax shift". The remaining portion of taxes collectible in 2020 is recorded as a deferred inflow of resources (property taxes levied for subsequent year).

Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the District by the State in lieu of taxes levied against homestead property.

Current property taxes receivable is recorded for taxes levied in 2019 and collectible in 2020. The remaining portion of the current tax levy is reported as a liability, property taxes levied for subsequent year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts Receivable

All trade and property tax receivables are shown net of an allowance for uncollectibles. No allowance for uncollectibles have been recorded. The only receivable not expected to be collected within one year are current property taxes receivable.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets include property, plant and equipment. Capital assets are defined by the District as assets with an initial, individual cost of more than \$2,500 (amount not rounded). Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 50
Land Improvements	20 - 50
Equipment, Machinery and Vehicles	5 - 15

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other post-employment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Accrued Employee Benefits

Compensated Absences Payable

Vacation is earned under the terms of the superintendent, custodial group office support group, and food service employee contracts. Annual vacation pay rates are dependent upon employee group labor contracts. At June 30, certain employee groups may carry forward up to 10 days of unpaid vacation for up to one year. At June 30, 2020, unpaid vacation pay totaling \$30,552 is recorded in the statement of net position.

Substantially all District employees are entitled to sick leave at various rates. For certain eligible employees, unused sick leave is used to calculate severance pay upon termination. The General fund is typically used to liquidate compensated absences payable.

Severance and Health Insurance Benefits

Severance and health insurance benefits consist of severance payments and post-employment healthcare benefits. Accounting policies for severance and health benefits are described as follows:

1. Severance Payment - Educational Assistants

A severance payment is available to paraprofessionals who have completed at least 10 consecutive years of service with the District and are at least age 55. An eligible individual will receive an amount equal to \$4,375 per hour of accumulated sick leave up to 1,400 hours, to a maximum of \$6,125.

2. Severance Payment - Custodial Personnel

A severance payment is available to custodial personnel who are at least age 55. A full-time eligible individual will receive an amount equal to \$35 per unused sick leave day to a maximum of 180 days or \$6,300. A part-time eligible individual will receive an amount equal to \$20 per unused sick leave day to a maximum of 180 days or \$3,600.

3. Severance Payment - Office Support Staff

A severance payment is available to office support personnel who are at least age 55. An eligible individual will receive an amount equal to \$25 per unused sick leave day to a maximum of 160 days or \$4,000.

4. Severance Payment - Principals

A severance payment is available to principals who have completed at least 10 consecutive years of service with the District and are at least age 55. An eligible individual will receive pay for a maximum of 310 unused sick leave days. The first 75 days are paid at the full daily salary and the additional 235 days are at least an amount equal to \$40 per day.

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

5. Severance Payment - Food Service Personnel

A severance payment is available to food service personnel who have been employed by the District for 10 consecutive years of full-time employment at the District and are at least age 55. A full-time eligible individual will receive an amount equal to \$25 per unused sick leave day to a maximum of 160 days or \$4,000. A part-time eligible individual will receive an amount equal to \$10 per unused sick leave day to a maximum of 100 days or \$1,000.

6. Severance Payment - Teachers

A severance payment is available to teachers who have taught a minimum of 10 consecutive years in the District and are at least 55 years of age. An eligible individual will receive an amount equal to \$50 per unused sick leave day at a maximum of one contract year. An eligible individual with more than 185 unused sick leave days will receive \$100 for each day over 185 to a maximum of ten days. For teachers hired before July 1, 2009, this additional amount will be added to cap of \$60,000 paid by the District for medical insurance after retirement. For teachers hired after July 1, 2009, an eligible individual will receive \$10,000 after 10 consecutive years of service and \$1,200 annually thereafter.

7. Health Insurance Benefits

Under the terms of employee contracts, employees that retire are eligible for health insurance benefits if they are at a minimum 56 years of age and have 10 years of service within the District. Based on this criteria when the superintendent, business manager, buildings and grounds supervisor that retire; the District must provide \$52,000 towards the purchase of any of the District's medical insurance plans. For teachers and principals that retire with the above criteria; the District must provide \$60,000 towards the purchase of any of the District's medical insurance plans. For accountants and the superintendent's assistant that retire with the above criteria; the District must provide \$25,000 towards the purchase of any of the District's medical insurance plans. For office support and the custodial group that retire with the above criteria; the District must provide \$15,000 towards the purchase of any of the District's medical insurance plans. For teacher's assistants that retire with the above criteria; the District must provide \$7,800 towards the purchase of any of the District's medical insurance plans.

During fiscal year 2020, total expenditures for severance and health insurance benefits were \$48,199 and \$348,141, respectively. At June 30, 2020, a liability for severance and for health benefits (OPEB liability) is recorded on the statement of net position. Severance and health benefits payable are being paid by mainly the General and Food Service funds.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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.

Other Postemployment Benefits (OPEB) Obligation

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at June 30, 2018. The General fund is typically used to liquidate governmental other postemployment benefits payable.

Pensions

Teachers Retirement Association (TRA)

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

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. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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

The total negative pension expense for the GERP and TRA is as follows:

	<u>GERP</u>	<u>TRA</u>	<u>Total Pension Expense</u>
Pension Expense	\$ 285,245	\$ 2,591,641	\$ 2,876,886

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Inflows of Resources

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, one of the items, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are the deferred pension and deferred other post-employment benefit resources reported in the statement of net position of the government-wide statements. These items result from actuarial calculations.

Fund Balance

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

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board (the Board), which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board itself or by an official to which the governing body delegates the authority. The Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Business Manager.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally set of a goal of a minimum unassigned fund balance in the General fund of \$4,118,679 for the year ended June 30, 2020. The unassigned fund balance for the General fund at year end was \$4,257,415.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

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

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are prepared for District governmental funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds.

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the School Board.
2. Budgets for the General, special revenue, Debt Service and Capital Projects funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The District does not use encumbrance accounting.
6. The legal level of budgetary control is the fund level.

Note 3: Detailed Notes on all Funds

A. Deposits and Investments

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the School Board, the District maintains deposits at those depository banks which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, with the exception of irrevocable standby letters of credit from Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other State or local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

At year end, the District's carrying amount of deposits was \$1,846,007 and the bank balance was \$2,723,396. Of the bank balance, \$1,077,666 was covered by federal depository insurance. The remaining balance of \$1,645,730 was covered by collateral held by the pledging financial institution's trust department or agent in the District's name while \$755 was uncollateralized.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

As of June 30, 2020, the District had the following investments:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
Minnesota School District Liquid Asset Fund (MSDLAF)	AAA	less than 1 year	\$10,910,758			
Brokered cash and sweeps	N/A	less than 1 year	148,795			
Non-pooled Investments at Fair Value						
Taxable Municipal Bond	AA2	more than 5 years	121,414	121,414	-	-
Taxable Municipal Bond	AA3/AA-	more than 5 years	206,969	206,969	-	-
Taxable Municipal Bond	AA1/AA	more than 5 years	128,113	128,113	-	-
Total Investments			\$11,516,048	\$ 456,496	\$ -	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

N/A indicates not applicable or available.

(2) Interest rate risk is disclosed using the segmented time distribution method.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

A reconciliation of cash and temporary investments as shown on the statement of net position for the District follows:

Petty Cash	\$ 230
Deposits	1,846,007
Investments	<u>11,516,048</u>
Total	13,362,285
Less Fiduciary Fund Cash and Temporary Investments	<u>(725,937)</u>
Total Cash and Temporary Investments	<u>\$ 12,636,348</u>

B. Property Taxes Receivable

Current property taxes receivable is recorded for taxes levied in 2019 and payable in 2020. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2020 in accordance with Minnesota statutes and the remaining balance is recorded as a deferred inflow of resources for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

Taxes receivable by fund type is comprised of the following components:

	General	Debt Service	Nonmajor Governmental	Total
Current Taxes	\$ 1,609,793	\$ 1,725,187	\$ 77,497	\$ 3,412,477
Delinquent Taxes	24,213	26,635	4,134	54,982
 Total Taxes Receivable	<u>\$ 1,634,006</u>	<u>\$ 1,751,822</u>	<u>\$ 81,631</u>	<u>\$ 3,467,459</u>
 Property Taxes Levied for Subsequent Year	<u>\$ 3,076,614</u>	<u>\$ 3,175,253</u>	<u>\$ 161,409</u>	<u>\$ 6,413,276</u>

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2020 was as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 933,564	\$ -	\$ -	\$ 933,564
Construction work in progress	391,741	-	(391,741)	-
Total Capital Assets not Being Depreciated	<u>1,325,305</u>	<u>-</u>	<u>(391,741)</u>	<u>933,564</u>
 Capital Assets Being Depreciated				
Land improvements	2,823,274	19,152	-	2,842,426
Building	85,260,843	1,181,868	-	86,442,711
Equipment	4,361,522	329,586	-	4,691,108
Total Capital Assets Being Depreciated	<u>92,445,639</u>	<u>1,530,606</u>	<u>-</u>	<u>93,976,245</u>
 Less Accumulated Depreciation				
Land improvements	(1,188,346)	(104,947)	-	(1,293,293)
Building	(17,980,037)	(1,987,835)	-	(19,967,872)
Equipment	(1,689,303)	(225,075)	-	(1,914,378)
Total Accumulated Depreciation	<u>(20,857,686)</u>	<u>(2,317,857)</u>	<u>-</u>	<u>(23,175,543)</u>
 Total Capital Assets Being Depreciated, Net	<u>71,587,953</u>	<u>(787,251)</u>	<u>-</u>	<u>70,800,702</u>
 Governmental Activities Capital Assets, Net	<u>\$ 72,913,258</u>	<u>\$ (787,251)</u>	<u>\$ (391,741)</u>	<u>\$ 71,734,266</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 677
Elementary and Secondary Regular Instruction	31,401
Special Education Instruction	6,692
Instructional Support Services	10,588
Pupil Support Services	17,931
Sites and Buildings	2,250,364
Fiscal and Other Fixed Cost Programs	<u>204</u>
Total Depreciation Expense	<u><u>\$ 2,317,857</u></u>

D. Construction Commitments

The District has active construction projects as of June 30, 2020. At year end the District's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
High School - Materials and Labor	<u>\$ 42,201,479</u>	<u>\$ 19,644</u>

E. Long-term Debt

General Obligation Bonds

The District issues general obligation bonds to provide financing for the acquisition, construction and betterment of major capital school facilities. In addition, general obligation bonds have been issued to refund general obligation bonds. Assets of the Debt Service fund, together with scheduled future ad valorem tax levies are dedicated to retire these bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
G.O. School Building Bonds of 2015A	\$ 55,325,000	4.00 - 5.00 %	08/19/15	02/01/41	<u>\$ 835,000</u>	<u>\$ 53,540,000</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2020 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2021	\$ 835,000	\$ 2,238,850	\$ 3,073,850
2022	1,050,000	2,197,100	3,247,100
2023	1,105,000	2,144,600	3,249,600
2024	1,205,000	2,089,350	3,294,350
2025	1,415,000	2,029,100	3,444,100
2026 - 2030	11,905,000	8,784,100	20,689,100
2031 - 2035	15,205,000	6,036,800	21,241,800
2036 - 2040	17,340,000	2,781,600	20,121,600
2041	3,480,000	139,200	3,619,200
Total	<u>\$ 53,540,000</u>	<u>\$ 28,440,700</u>	<u>\$ 81,980,700</u>

Capital Leases

The District entered into various capital leases with Nicollet County Bank, First National Bank, Hometown Bank, Wells Fargo and Marco Finance for the purchase of computer and various other equipment. The capital assets are individually less than the District's \$2,500 capitalization threshold and are not recorded as capital assets. The details are as follows:

	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
Copier Lease	\$ 3,179	4.50 %	03/04/16	06/01/21	\$ 606	\$ 606
Copier Lease	22,882	4.50	04/06/16	04/01/21	4,164	4,164
Copier Lease	23,806	2.11	01/05/17	01/10/22	4,905	7,814
Copier Lease	38,864	2.11	03/29/17	04/20/21	8,379	8,379
Copier Lease	38,864	2.11	08/01/17	09/01/21	9,985	12,515
Total Capital Leases					<u>\$ 28,039</u>	<u>\$ 33,478</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2021	\$ 28,039	\$ 468	\$ 28,507
2022	5,439	29	5,468
Total Minimum Lease Payments	<u>\$ 33,478</u>	<u>\$ 497</u>	<u>\$ 33,975</u>

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

Capital Notes Payable

The District entered into various loan agreements with Nicollet County Bank, First National Bank, Hometown Bank, Wells Fargo and Marco Finance for the purchase of computer and various other equipment. The capital assets are individually less than the District's \$2,500 capitalization threshold and are not recorded as capital assets. The District also entered into a loan agreement with Wells Fargo Bank in the amount of \$1,350,000 to construct the building addition to North Intermediate. Assets of the General fund will be dedicated to retire this loans. The details are as follows:

	Original Issue	Interest Rate	Issue Date	Final Maturity	Principal Outstanding	
					Due Within One Year	Total
Building Addition Loan	\$1,350,000	4.63 %	03/14/07	03/14/22	\$ 116,158	\$ 237,760
Technology Loan	104,650	1.67	06/24/16	12/15/20	21,449	21,449
Technology Loan	180,596	2.11	06/20/17	12/16/20	46,081	46,081
Technology Loan	122,898	2.11	06/20/17	12/16/21	24,821	50,167
Technology Loan	184,691	2.75	06/22/18	12/15/21	46,127	93,548
Technology Loan	102,790	2.90	06/22/18	12/15/22	20,233	62,511
Technology Loan	174,437	2.35	06/20/19	12/15/22	42,564	130,775
Technology Loan	104,430	2.39	06/20/19	12/15/23	20,129	83,506
Technology Loan	200,338	2.15	06/24/20	12/15/23	50,172	200,338
Technology Loan	121,925	2.25	06/24/20	12/15/24	24,449	121,925
Total					<u>\$ 412,183</u>	<u>\$1,048,060</u>

The annual requirements to amortize all capital notes payable outstanding at June 30, 2020 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2021	\$ 412,183	\$ 25,092	\$ 437,275
2022	351,941	16,473	368,414
2023	161,329	6,622	167,951
2024	97,409	2,777	100,186
2025	25,198	576	25,774
Total	<u>\$ 1,048,060</u>	<u>\$ 51,540</u>	<u>\$ 1,099,600</u>

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 54,165,000	\$ -	\$ (625,000)	\$ 53,540,000	\$ 835,000
Unamortized premium	2,994,709	-	(136,123)	2,858,586	-
Notes Payable	1,127,783	322,265	(401,988)	1,048,060	412,183
Capital Leases Payable	63,403	-	(29,925)	33,478	28,039
Severance Benefits Payable	172,838	145,349	(183,583)	134,604	50,148
Compensated Absences Payable	24,657	54,094	(48,199)	30,552	30,552
Governmental Activities					
Total Long-term Liabilities	<u>\$ 58,548,390</u>	<u>\$ 521,708</u>	<u>\$ (1,424,818)</u>	<u>\$ 57,645,280</u>	<u>\$ 1,355,922</u>

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

F. Components of Fund Balance

At June 30, 2020, portions of the District's fund balance are not available for appropriation due to not being in spendable form (nonspendable), legal restrictions (restricted), District School Board action (committed), policy and/or intent (assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Other Governmental Funds	Total Governmental Funds	Reconciling Items	UFARS Balance
Nonspendable						
Prepaid items	\$ 9,172	\$ -	\$ -	\$ 9,172	\$ -	\$ 9,172
Restricted						
Student activities	\$ 130,660	\$ -	\$ -	\$ 130,660	\$ -	\$ 130,660
Scholarships	135,318	-	-	135,318	-	135,318
Staff development	3,464			3,464		3,464
Operating capital	141,111	-	-	141,111	-	141,111
Long term						
facility maintenance	-	-	-	-	(717,328)	(717,328)
Basic skills	2,930		-	2,930		2,930
Achievement and integration	59,093	-	-	59,093	-	59,093
Food service	-	-	529,369	529,369	-	529,369
Community education	-	-	392,587	392,587	-	392,587
Early childhood and						
family education	-	-	35,601	35,601	-	35,601
School readiness	-	-	-	-	(281,543)	(281,543)
Community service	-	-	799	799	-	799
Debt service	-	561,445	-	561,445	-	561,445
Capital projects	-	-	714,261	714,261	(584,862)	129,399
Capital project levy	-	-	53,825	53,825	-	53,825
Total Restricted	\$ 472,576	\$ 561,445	\$ 1,726,442	\$ 2,760,463	\$ (1,583,733)	\$ 1,176,730
Assigned						
Severance	\$ 364,171	\$ -	\$ -	\$ 364,171	\$ -	\$ 364,171
VEBA trust	401,000	-	-	401,000	-	401,000
Donations	10,000	-	-	10,000	-	10,000
Capital outlay	1,670,000	-	-	1,670,000	-	1,670,000
Water mitigation	374,737	-	-	374,737	-	374,737
Academics, arts or athletic programs	59,186	-	-	59,186	-	59,186
Dental	40,000	-	-	40,000	-	40,000
Depreciation	192,956	-	-	192,956	-	192,956
Bond and CSP projects	223,735	-	-	223,735	-	223,735
Total Assigned	\$ 3,335,785	\$ -	\$ -	\$ 3,335,785	\$ -	\$ 3,335,785
Unassigned	\$ 4,257,415	\$ -	\$ (866,405)	\$ 3,391,010	\$ 1,583,733	\$ 4,974,743

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 3: Detailed Notes on all Funds (Continued)

Restricted for Student Activities - This amount represents available resources for various student activities.

Restricted for Scholarships - This amount represents available resources for scholarships. Revenues are derived from donations and investment earnings and expenditures are for scholarships.

Restricted for Staff Development - This amount represents available resources for staff development. Revenues are derived from State aids and expenditures are for staff development at each site.

Restricted for Operating Capital - This amount represents available resources dedicated for capital expenditure building projects, equipment purchases, vehicles and computer hardware and software. Revenues are derived from tax levies and State aids and expenditures are for repair and restoration of existing facilities and construction of new facilities, purchase of equipment, computers, software, textbooks and library books.

Restricted for Long-Term Facilities Maintenance (LTFM) - This amount represents available resources for larger maintenance projects. Revenues are derived from State aids and expenditures are for maintenance.

Restricted for Basic Skills - This amount represents resources dedicated to meeting the educational needs of pupils who enroll under-prepared to learn and have performance below the level appropriate for their age.

Restricted for Achievement and Integration - This amount represents resources dedicated to close the academic achievement and opportunity gap promoting diversity, racial and economic integration.

Restricted for Food Service - This amount represents available resources available for Food Services. Revenues are derived from State, Federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, supplies and materials.

Restricted for Community Education - This amount represents accumulated resources available to provide general community education programming.

Restricted for Early Childhood Family Education (ECFE) - This amount represents accumulated resources available to provide services for early childhood family education programming.

Restricted for School Readiness - This amount represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.

Restricted for Community Service - This amount represents available resources available for Community Services. Revenues are derived from tax levies, State, Federal, local and county sources along with sales and other conversion of assets and expenditures are primarily for salaries, benefits, purchased services supplies and materials.

Restricted for Debt Service - This amount represents available resources dedicated exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest and paying agent fees.

Restricted for Capital Projects - This amount represents resources available for future capital project expenditures not identified by a specific levy.

Restricted for Capital Project Levy - This amount represents the available resources from the capital projects levy to be used for building construction. Revenues are derived from property taxes while expenditures are primarily for capital outlay.

Unassigned amounts represent resources available to meet current and future years' expenditures.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide

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

Disclosures relating to these plans follow:

A. Teachers Retirement Association (TRA)

1. Plan Description

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

Educators employed in Minnesota's public elementary and secondary school, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through the Defined Contribution Plan (DCR) administered by the State of Minnesota.

2. Benefits Provided

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

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

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

With these provisions:

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

Or

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

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 also eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rates

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

Plan	Ending June 30, 2018		Ending June 30, 2019		Ending June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

The District's contributions to TRA for the year ending June 30, 2020, 2019 and 2018 were \$942,559, \$864,983 and \$787,936, respectively. The District's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

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

Employer Contributions Reported in TRA's CAFR Statement of Changes in Fiduciary Net Position	\$ 403,300,000
Add employer contributions not related to future contribution efforts	(688,000)
Deduct TRA's contributions not included in allocation	(486,000)
Total Employer Contributions	<u>402,126,000</u>
 Total Non-employer Contributions	 <u>35,588,000</u>
 Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	 <u><u>\$ 437,714,000</u></u>

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

4. Actuarial Assumptions

The total pension liability in the June 30, 2019 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, 2019
Experience study	June 5, 2015
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 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (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	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	100.00 %	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2019 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes of Proportions" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. 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 year 2019 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).

6. Net Pension Liability

At June 30, 2020, the District reported a liability of \$12,614,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 0.1979 percent at the end of the measurement period and 0.1902 percent 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	\$ 12,614,188
State's Proportionate Share of Net Pension Liability Associated with the District	1,116,247

For the year ended June 30, 2020 the District recognized pension expense of \$2,506,793. It also recognized \$84,848 as an increase to pension expense for the support provided by direct aid.

On June 30, 2020 the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 10,642	\$ 298,928
Changes in Actuarial Assumptions	10,291,370	16,084,123
Net Difference Between Projected and Actual Earnings on Plan Investments	-	992,256
Changes in Proportion	1,015,326	-
Contributions to TRA Subsequent to the Measurement Date	942,559	-
Total	<u>\$ 12,259,897</u>	<u>\$ 17,375,307</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

Deferred outflows of resources totaling \$942,559 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2021	\$ 977,159
2022	248,967
2023	(4,128,589)
2024	(3,132,144)
2025	(23,362)

7. Pension Liability Sensitivity

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

District Proportionate Share of NPL		
1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 20,110,099	\$ 12,614,188	\$ 6,433,919

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

8. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org, 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.

9. Subsequent Events and the Covid-19 Pandemic Subsequent to Year-End

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the Plan's investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2019.

B. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Retirement Plan (GERP). GERP members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

2. Benefits Provided

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

GERP Benefits

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2020, 2019 and 2018 were \$241,812, \$239,874 and \$230,825, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

At June 30, 2020, the District reported a liability of \$2,499,007 for its proportionate share of the General Employee 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 to the fund in 2019. 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 \$77,663. The net pension liability was measured as of June 30, 2019, 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, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportion was 0.0452 percent which was a decrease of 0.0006 percent from its proportion measured as of June 30, 2018.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

For the year ended June 30, 2020, the District recognized expense of \$279,429 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$5,816 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, the District reported its proportionate share of General Employees Plan's 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	\$ 69,703	\$ 3,835
Changes in Actuarial Assumptions	9,893	198,492
Net Difference Between Projected and Actual Earnings on Plan Investments	-	251,849
Changes in Proportion	90,166	72,207
Contributions to PERA Subsequent To the Measurement Date	<u>241,812</u>	<u>-</u>
Total	<u>\$ 411,574</u>	<u>\$ 526,383</u>

The \$241,812 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2021	\$ (138,137)
2022	(162,453)
2023	(60,056)
2024	4,025

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
International Equity	17.50	5.90
Unallocated Cash	2.00	-
Total	<u>100.00 %</u>	

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 4: Defined Benefit Pension Plans - Statewide (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

District Proportionate Share of NPL			
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
General Employees Fund	\$ 4,108,233	\$ 2,499,007	\$ 1,170,271

8. Pension Plan Fiduciary Net Position

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

Note 5: Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance coverage for such risks. The District acquires Property and Casualty Insurance from Riverport Insurance Company - Minnesota Public School Program.

The District has joined together with other school districts in South-Central Minnesota in the South Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 5: Other Information (Continued)

B. Contingent Liabilities

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

The District has been charged with a claim of discrimination to the Minnesota Department of Human Rights (MDHR). The matter has been settled and the District is awaiting the final settlement documents from the MDHR for execution by the parties.

C. Jointly Covered Organization

The Minnesota Valley Education District was established for the primary objective of providing specialized services for special education students as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by seven separate member districts, of which Independent School District No. 508 is a member. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its program through the previously mentioned revenue sources. The joint venture's financial statements are audited and available for inspection.

Note 6: Postemployment Benefits Other Than Pensions

A. Plan Description

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees and their spouses through the District's group health insurance plan until Medicare age, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the unions representing District employees and are renegotiated each bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	45
Active Plan Members	186
	<hr/>
Total Plan Members	231
	<hr/> <hr/>

B. Funding Policy

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The contributions to the plan are generally made at the same time and in the same amount as retiree benefits and expenses become due. For fiscal year 2020, the District directly contributed \$366,228 to the plan.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 6: Postemployment Benefits Other Than Pensions (Continued)

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$4,059,056 was measured as of June 30, 2020, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2019.

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

Discount Rate	3.13%
20-Year Municipal Bond Yield	3.13%
Inflation Rate	2.50%
Salary Increases	Based on most recently disclosed assumption for the pension plan in which the employee participates
Medical Trend Rate	6.40% for FY2020, gradually decreasing to 4.00% in FY2076 and la

The discount rate used to measure the total OPEB liability was 3.13 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at June 30, 2019	<u>\$ 4,111,206</u>
Changes for the Year	
Service cost	230,106
Interest	150,527
Differences between expected and actual experience	(138,785)
Changes in assumptions or other inputs	72,230
Benefit payments	<u>(366,228)</u>
Net Changes	<u>(52,150)</u>
Balance at June 30, 2020	<u><u>\$ 4,059,056</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.62% to 3.13% based on 20-year municipal bond rates.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 6: Postemployment Benefits other than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

1 Percent Decrease (2.13%)	Current (3.13%)	1 Percent Increase (4.13%)
\$ 4,259,291	\$ 4,059,056	\$ 3,861,459

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (5.40 percent decreasing to 3.00 percent) or 1-percentage-point higher (7.40 percent increasing to 5.00 percent) than the cost trend rate:

1 Percent Decrease (5.40% decreasing to 3.00%)	Healthcare Cost Trend Rates (6.40% decreasing to 4.00%)	1 Percent Increase (7.40% decreasing to 5.00%)
\$ 3,902,338	\$ 4,059,056	\$ 4,236,105

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$348,141. At June 30, 2020, 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	\$ -	\$ 123,958
Changes in Actuarial Assumptions	70,355	89,064
Contributions to OPEB Subsequent to the Measurement Date	-	-
Total	<u>\$ 70,355</u>	<u>\$ 213,022</u>

Deferred outflows of resources totaling \$0 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2021. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2021	\$ (17,949)
2022	(17,949)
2023	(17,949)
2024	(17,949)
2025	(17,949)
Thereafter	(52,922)

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2020

Note 7: Change in Accounting Principle

During fiscal year 2020, the District implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 84, *Fiduciary Activities*. This standard required a retroactive implementation due to student activities and scholarship funds which resulted in the restatement of beginning balances in the June 30, 2020 financial statements. Changes related to this standard are reflected in the financial statements and related disclosures.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported June 30, 2019 balances to the July 1, 2020 financial statement balances:

Fund	Net Position June 30, 2019 as Previously Reported	Prior Period Restatement	Net Position July 1, 2020 as Restated
Governmental Activities	\$ (632,847)	\$ 120,847	\$ (512,000)
General fund	\$ 7,431,210	\$ 120,847	\$ 7,552,057
Fiduciary Activities			
Private Purpose Trust	\$ 836,511	\$ (120,847)	\$ 715,664

Note 8: Subsequent Event

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the District is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 508

St. Peter, Minnesota

Required Supplementary Information

For the Year Ended June 30, 2020

Schedule of Employer's Share of TRA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.1979 %	\$ 12,614,188	\$ 1,116,247	\$ 13,730,435	\$ 11,218,975	112.4 %	78.2 %
06/30/18	0.1902	11,947,151	1,122,554	13,069,705	10,505,813	113.7	78.1
06/30/17	0.1826	36,450,272	3,524,387	39,974,659	9,826,987	370.9	51.6
06/30/16	0.1805	43,053,557	4,321,073	47,374,630	9,301,173	462.9	44.9
06/30/15	0.1802	11,147,152	1,367,283	12,514,435	9,147,613	121.9	76.8
06/30/14	0.1861	8,575,354	603,289	9,178,643	8,494,615	101.0	81.1

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

Schedule of Employer's TRA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/20	\$ 942,559	\$ 942,559	\$ -	\$ 11,900,995	7.92 %
06/30/19	864,983	864,983	-	11,218,975	7.71
06/30/18	787,936	787,936	-	10,505,813	7.50
06/30/17	737,024	737,024	-	9,826,987	7.50
06/30/16	697,588	697,588	-	9,301,173	7.50
06/30/15	686,071	686,071	-	9,147,613	7.50

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

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2019 - None

2018 - The investment return assumption was changed from 8.50% to 7.50%. The price inflation assumption was lowered from 3.00% to 2.50%. The payroll growth assumption was lowered from 3.50% to 3.00%. The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter. The total salary increase assumption was adjusted by the wage inflation change. The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years). A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

2017 - The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045. 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%

2016 - The assumed investment return was changed from 8.0 percent to 4.66 percent using the Single Equivalent Interest Rate calculation. The single discount rate was changed from 8.0 percent to 4.66 percent. The assumed future salary increases, payroll growth and inflation were changed by a 0.25 percent decrease for price inflation, a 0.50 percent increase for wage inflation and a 2.50 percent decrease in maximum salary increases based on years of service. Mortality assumptions were updated using the RP-2014 tables.

2015 - The assumed post-retirement benefit increase rate was changed from 2.0 percent per year through 2034 and 2.5 percent per year thereafter to 2.0 percent per year for all future years. The assumed investment return was changed from 8.25 percent to 8.0 percent. The single discount rate was changed from 8.25 percent to 8.0 percent.

Changes in Plan Provisions

2019 - None

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 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 - None

2016 - None

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

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Schedule of Employer's Share of PERA Net Pension Liability

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0452 %	\$ 2,499,007	\$ 77,663	\$2,576,670	\$3,198,323	78.1 %	80.2 %
06/30/18	0.0458	2,540,796	83,339	2,624,135	3,077,667	82.6	79.5
06/30/17	0.0430	2,745,092	34,547	2,779,639	2,772,560	99.0	75.9
06/30/16	0.0459	3,726,852	48,675	3,775,527	2,810,000	132.6	68.9
06/30/15	0.0482	2,497,974	-	2,497,974	2,882,372	86.7	78.2
06/30/14	0.0517	2,428,607	-	2,428,607	2,712,441	89.5	78.7

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

Schedule of Employer's PERA Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
06/30/20	\$ 241,812	\$ 241,812	\$ -	\$ 3,224,165	7.50 %
06/30/19	239,874	239,874	-	3,198,323	7.50
06/30/18	230,825	230,825	-	3,077,667	7.50
06/30/17	207,942	207,942	-	2,772,560	7.50
06/30/16	210,750	210,750	-	2,810,000	7.50
06/30/15	208,972	208,972	-	2,882,372	7.25

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

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

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

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

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

2017 - 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 - None

2015 - 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.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2020

Schedule of Changes in the School's Net OPEB Liability and Related Ratios

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 230,106	\$ 217,366	\$ 226,152
Interest	150,527	147,771	126,844
Differences between expected and actual experience	(138,785)	-	-
Changes in assumptions	72,230	7,498	(133,155)
Benefit payments	(366,228)	(389,849)	(418,489)
Net Change in Total OPEB Liability	(52,150)	(17,214)	(198,648)
Total OPEB Liability - Beginning	4,111,206	4,128,420	4,327,068
Total OPEB Liability - Ending	<u>\$ 4,059,056</u>	<u>\$ 4,111,206</u>	<u>\$ 4,128,420</u>
Covered - Employee Payroll	\$ 14,600,000	\$ 13,900,000	\$ 12,700,000
District's Total OPEB Liability as a Percentage of Covered - Employee Payroll	27.80 %	29.58 %	32.51 %

Benefit Changes:

In 2020, there were no benefit changes.
In 2019, there were no benefit changes.
In 2018, the following benefit changes occurred:
Retiree premiums were updated to current levels.
Direct subsidies for teachers changed from \$52,000 to \$60,000.
The position of District Technology Coordinator is no longer offered.

Changes in Assumptions:

In 2020, the discount rate was changed from 3.62% to 3.13% based on 20-year municipal bond rates.
In 2019, the following assumptions changes:
The medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
The discount rate was changed from 3.56% to 3.62% based on 20-year municipal bond rates.
In 2018, the following assumptions changes:
The medical trend rates were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
The inflation assumption was changed from 3.00% to 2.75% based on updated historical analysis of inflation rates and forward-looking market expectations.
The discount rate was changed from 2.92% to 3.56% based on 20-year municipal bond rates,

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

COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

Independent School District No. 508

St. Peter, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2020

	Special Revenue			
	Food Service	Community Service	Capital Projects	Total
Assets				
Cash and temporary investments	\$ 571,360	\$ 222,385	\$ 452,726	\$ 1,246,471
Receivables				
Taxes	-	81,631	-	81,631
Accounts	24,747	-	-	24,747
Intergovernmental	160,850	30,393	-	191,243
Total Assets	\$ 756,957	\$ 334,409	\$ 452,726	\$ 1,544,092
Liabilities				
Salaries and wages payable	\$ 34,174	\$ 17,158	\$ -	\$ 51,332
Accounts and other payables	147,655	4,264	269,502	421,421
Unearned revenue	45,759	-	-	45,759
Total Liabilities	227,588	21,422	269,502	518,512
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	161,409	-	161,409
Unavailable revenue - delinquent property taxes	-	4,134	-	4,134
Total Deferred Inflows of Resources	-	165,543	-	165,543
Fund Balances				
Restricted				
Food service	529,369	-	-	529,369
Community education	-	392,587	-	392,587
Early childhood family education	-	35,601	-	35,601
Community service	-	799	-	799
Capital projects	-	-	714,261	714,261
Capital project levy	-	-	53,825	53,825
Unassigned	-	(281,543)	(584,862)	(866,405)
Total Fund Balances	529,369	147,444	183,224	860,037
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 756,957	\$ 334,409	\$ 452,726	\$ 1,544,092

Independent School District No. 508
St. Peter, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020

	Special Revenue		Capital	
	Food	Community	Projects	Total
	Service	Service		
Revenues				
Local property tax levies	\$ -	\$ 159,026	\$ 575,902	\$ 734,928
Other local and county revenue	-	376,637	-	376,637
Interest earned on investments	3,841	545	7,615	12,001
Revenue from state sources	52,389	247,084	-	299,473
Revenue from federal sources	1,128,183	-	-	1,128,183
Sales and other conversion of assets	415,957	-	-	415,957
Total Revenues	<u>1,600,370</u>	<u>783,292</u>	<u>583,517</u>	<u>2,967,179</u>
Expenditures				
Current				
Community education and services	-	878,733	-	878,733
Pupil support services	1,393,186	-	-	1,393,186
Capital outlay				
Community education and services	-	1,275	-	1,275
Pupil support services	4,492	-	-	4,492
Sites and buildings	-	-	534,578	534,578
Fiscal and other fixed cost programs				
Principal	-	686	-	686
Interest and other costs	-	47	-	47
Total Expenditures	<u>1,397,678</u>	<u>880,741</u>	<u>534,578</u>	<u>2,812,997</u>
Net Change in Fund Balances	202,692	(97,449)	48,939	154,182
Fund Balances, July 1	<u>326,677</u>	<u>244,893</u>	<u>134,285</u>	<u>705,855</u>
Fund Balances, June 30	<u>\$ 529,369</u>	<u>\$ 147,444</u>	<u>\$ 183,224</u>	<u>\$ 860,037</u>

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Independent School District No. 508
St. Peter, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued on the Following Pages)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Local property tax levies	\$ 2,843,823	\$ 2,924,837	\$ 58,110	\$ 2,850,136
Other local and county revenue	1,144,020	1,358,797	(61,877)	1,532,203
Interest earned on investments	90,000	90,200	(2,934)	144,143
Revenue from state sources	22,959,126	23,357,553	131,278	22,475,096
Revenue from federal sources	450,436	444,227	131,334	500,662
Sales and other conversion of assets	(900)	9,000	6	(720)
Total Revenues	<u>27,486,505</u>	<u>28,184,614</u>	<u>255,917</u>	<u>27,501,520</u>
Expenditures				
Current				
Administration				
Salaries	1,035,131	1,040,718	(42,834)	1,077,382
Employee benefits	355,437	347,608	(11,786)	347,682
Purchased services	37,850	57,000	11,358	34,060
Supplies and materials	26,226	26,453	4,879	11,117
Other expenditures	40,025	41,525	4,347	47,312
Total administration	<u>1,494,669</u>	<u>1,513,304</u>	<u>(34,036)</u>	<u>1,517,553</u>
District support services				
Salaries	228,066	240,350	7,639	207,287
Employee benefits	104,804	97,502	(2,727)	78,608
Purchased services	101,300	103,800	(2,974)	82,819
Supplies and materials	24,400	24,400	17,187	24,506
Other expenditures	34,150	(165,850)	(193,229)	42,896
Total district support services	<u>492,720</u>	<u>300,202</u>	<u>(174,104)</u>	<u>436,116</u>
Elementary and secondary regular instruction				
Salaries	8,426,735	8,695,125	499,657	7,782,403
Employee benefits	3,108,068	3,317,980	67,419	2,962,014
Purchased services	909,499	897,358	171,004	812,457
Supplies and materials	499,818	691,080	25,456	561,352
Other expenditures	233,216	151,716	9,445	167,836
Total elementary and secondary regular instruction	<u>13,177,336</u>	<u>13,753,259</u>	<u>772,981</u>	<u>12,286,062</u>

Independent School District No. 508
St. Peter, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019	
	Budgeted Amounts		Variance With Final Budget	Actual	
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 70,185	\$ 70,625	\$ 240,734	\$ (170,109)	\$ 172,613
Employee benefits	29,018	27,972	28,796	(824)	28,496
Purchased services	-	-	24,887	(24,887)	35,432
Supplies and materials	30,000	34,000	32,408	1,592	34,069
Total vocation education instruction	<u>129,203</u>	<u>132,597</u>	<u>326,825</u>	<u>(194,228)</u>	<u>270,610</u>
Special education instruction					
Salaries	3,340,926	3,219,718	3,217,462	2,256	3,192,582
Employee benefits	1,010,088	996,229	1,037,184	(40,955)	978,067
Purchased services	1,040,622	1,041,942	1,006,326	35,616	892,753
Supplies and materials	29,390	29,360	36,966	(7,606)	37,513
Other expenditures	900	1,300	3,212	(1,912)	4,280
Total special education instruction	<u>5,421,926</u>	<u>5,288,549</u>	<u>5,301,150</u>	<u>(12,601)</u>	<u>5,105,195</u>
Instructional support services					
Salaries	566,504	605,926	694,224	(88,298)	681,652
Employee benefits	164,500	161,126	230,975	(69,849)	224,120
Purchased services	164,194	210,780	163,511	47,269	142,323
Supplies and materials	180,050	199,250	569,310	(370,060)	476,661
Other expenditures	1,625	2,325	2,184	141	6,881
Total instructional support services	<u>1,076,873</u>	<u>1,179,407</u>	<u>1,660,204</u>	<u>(480,797)</u>	<u>1,531,637</u>
Pupil support services					
Salaries	620,777	562,509	535,616	26,893	432,300
Employee benefits	199,415	192,067	159,423	32,644	122,365
Purchased services	1,315,208	1,357,119	1,169,895	187,224	1,109,233
Supplies and materials	39,525	39,525	50,519	(10,994)	48,048
Other expenditures	-	-	150	(150)	-
Total pupil support services	<u>2,174,925</u>	<u>2,151,220</u>	<u>1,915,603</u>	<u>235,617</u>	<u>1,711,946</u>

Independent School District No. 508
St. Peter, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual (Continued)
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance With	
	Original	Final	Actual	Final Budget	Actual
Expenditures (Continued)					
Current (continued)					
Sites and buildings					
Salaries	\$ 817,254	\$ 866,478	\$ 869,485	\$ (3,007)	\$ 798,942
Employee benefits	318,163	354,310	354,820	(510)	307,651
Purchased services	980,428	1,056,126	921,571	134,555	936,279
Supplies and materials	301,050	322,300	276,191	46,109	267,745
Other expenditures	8,500	8,500	9,328	(828)	8,689
Total sites and buildings	<u>2,425,395</u>	<u>2,607,714</u>	<u>2,431,395</u>	<u>176,319</u>	<u>2,319,306</u>
Fiscal and other fixed cost programs					
Employee benefits	92,810	98,585	88,325	10,260	93,298
Purchased services	142,000	147,000	106,599	40,401	139,868
Total fiscal and other fixed cost programs	<u>234,810</u>	<u>245,585</u>	<u>194,924</u>	<u>50,661</u>	<u>233,166</u>
Total current	<u>26,627,857</u>	<u>27,171,837</u>	<u>26,832,025</u>	<u>339,812</u>	<u>25,411,591</u>
Capital outlay					
Administration	29,511	29,511	47,315	(17,804)	19,342
District support services	4,000	4,000	4,950	(950)	1,836
Elementary and secondary regular instruction	189,862	126,955	190,320	(63,365)	177,495
Special education instruction	7,950	9,205	6,964	2,241	6,608
Instructional support services	14,325	337,988	13,554	324,434	40,059
Pupil support services	1,200	1,200	819	381	125
Sites and buildings	1,047,178	728,507	696,655	31,852	1,834,509
Total capital outlay	<u>1,294,026</u>	<u>1,237,366</u>	<u>960,577</u>	<u>276,789</u>	<u>2,079,974</u>
Fiscal and other fixed cost programs					
Principal	488,487	418,235	431,227	(12,992)	500,373
Interest and other costs	14,758	15,037	16,076	(1,039)	16,730
Total debt service	<u>503,245</u>	<u>433,272</u>	<u>447,303</u>	<u>(14,031)</u>	<u>517,103</u>
Total Expenditures	<u>28,425,128</u>	<u>28,842,475</u>	<u>28,239,905</u>	<u>602,570</u>	<u>28,008,668</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	<u>(938,623)</u>	<u>(657,861)</u>	<u>200,626</u>	<u>858,487</u>	<u>(507,148)</u>
Other Financing Sources (Uses)					
Capital leases issued	<u>323,663</u>	<u>323,663</u>	<u>322,265</u>	<u>(1,398)</u>	<u>278,867</u>
Net Change in Fund Balances	<u>(614,960)</u>	<u>(334,198)</u>	<u>522,891</u>	<u>857,089</u>	<u>(228,281)</u>
Fund Balances, July 1	7,431,210	7,431,210	7,431,210	-	7,659,491
Prior Period Restatement (Note 7)	<u>-</u>	<u>-</u>	<u>120,847</u>	<u>120,847</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 6,816,250</u>	<u>\$ 7,097,012</u>	<u>\$ 8,074,948</u>	<u>\$ 977,936</u>	<u>\$ 7,431,210</u>

Independent School District No. 508
St. Peter, Minnesota
Food Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Interest earned on investments	\$ -	\$ -	\$ 3,841	\$ 4,817
Revenue from state sources	61,600	54,150	(1,761)	52,651
Revenue from federal sources	664,000	931,650	196,533	625,510
Sales and other conversion of assets	568,750	423,500	(7,543)	534,645
Total Revenues	<u>1,294,350</u>	<u>1,409,300</u>	<u>191,070</u>	<u>1,217,623</u>
Expenditures				
Current				
Pupil support services				
Salaries	234,207	202,930	(41,609)	213,692
Employee benefits	69,884	68,731	(10,124)	68,400
Purchased services	29,195	124,305	9,666	49,174
Supplies and materials	910,301	966,181	24,586	785,277
Other expenditures	14,500	14,500	942	14,957
Total current	<u>1,258,087</u>	<u>1,376,647</u>	<u>(16,539)</u>	<u>1,131,500</u>
Capital outlay				
Pupil support services	<u>32,147</u>	<u>32,147</u>	<u>27,655</u>	<u>4,268</u>
Total Expenditures	<u>1,290,234</u>	<u>1,408,794</u>	<u>11,116</u>	<u>1,135,768</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,116	506	202,186	81,855
Other Financing Sources				
Transfers in	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	19,116	506	202,186	81,855
Fund Balances, July 1	<u>326,677</u>	<u>326,677</u>	<u>-</u>	<u>244,822</u>
Fund Balances, June 30	<u>\$ 345,793</u>	<u>\$ 327,183</u>	<u>\$ 202,186</u>	<u>\$ 326,677</u>

Independent School District No. 508
St. Peter, Minnesota
Community Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020				2019
	Budgeted Amounts			Variance With	
	Original	Final	Actual	Final Budget	Actual
Revenues					
Local property tax levies	\$ 160,781	\$ 159,620	\$ 159,026	\$ (594)	\$ 162,267
Other local and county revenue	406,888	328,620	376,637	48,017	413,751
Interest earned on investments	2,000	2,000	545	(1,455)	4,405
Revenue from state sources	302,170	245,447	247,084	1,637	314,990
Total Revenues	871,839	735,687	783,292	47,605	895,413
Expenditures					
Current					
Community education and services					
Salaries	592,509	604,082	622,656	(18,574)	602,604
Employee benefits	132,046	121,918	119,511	2,407	125,921
Purchased services	142,878	104,023	75,896	28,127	106,438
Supplies and materials	53,101	67,763	58,950	8,813	57,026
Other expenditures	2,710	2,856	1,720	1,136	1,783
Total current	923,244	900,642	878,733	21,909	893,772
Capital outlay					
Community education and services	2,559	2,129	1,275	854	1,042
Fiscal and other fixed cost programs					
Principal	580	580	686	(106)	603
Interest and other costs	100	100	47	53	73
Total debt service	680	680	733	(53)	676
Total Expenditures	926,483	903,451	880,741	22,710	895,490
Net Change in Fund Balances	(54,644)	(167,764)	(97,449)	70,315	(77)
Fund Balances, July 1	244,893	244,893	244,893	-	244,970
Fund Balances, June 30	\$ 190,249	\$ 77,129	\$ 147,444	\$ 70,315	\$ 244,893

Independent School District No. 508
St. Peter, Minnesota
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Revenues				
Local property tax levies	\$ 2,752,980	\$ 2,737,070	\$ 2,741,834	\$ 2,627,290
Interest earned on investments	1,500	3,500	6,811	6,625
Revenue from state sources	300,000	315,908	315,857	321,409
Total Revenues	<u>3,054,480</u>	<u>3,056,478</u>	<u>3,064,502</u>	<u>2,955,324</u>
Expenditures				
Fiscal and other fixed cost programs				
Principal	625,000	625,000	625,000	580,000
Interest and other costs	2,256,975	2,273,050	2,270,550	2,302,050
Total Expenditures	<u>2,881,975</u>	<u>2,898,050</u>	<u>2,895,550</u>	<u>2,882,050</u>
Net Change in Fund Balances	172,505	158,428	168,952	73,274
Fund Balances, July 1	<u>392,493</u>	<u>392,493</u>	<u>392,493</u>	<u>319,219</u>
Fund Balances, June 30	<u>\$ 564,998</u>	<u>\$ 550,921</u>	<u>\$ 561,445</u>	<u>\$ 392,493</u>

Independent School District No. 508
St. Peter, Minnesota
Capital Projects Governmental Funds
Combining Balance Sheet
June 30, 2020
(With Comparative Totals for June 30, 2019)

	Capital Projects	High School Construction	Totals	
			2020	2019
Assets				
Cash and temporary investments	\$ 842,183	\$ (389,457)	\$ 452,726	\$ 1,132,745
Receivables				
Accounts	-	-	-	296
Intergovernmental	-	-	-	12,128
Total Assets	<u>\$ 842,183</u>	<u>\$ (389,457)</u>	<u>\$ 452,726</u>	<u>\$ 1,145,169</u>
Liabilities				
Accounts and other payables	\$ 74,097	\$ 195,405	\$ 269,502	\$ 1,005,588
Due to other school districts	-	-	-	5,296
Total Liabilities	<u>74,097</u>	<u>195,405</u>	<u>269,502</u>	<u>1,010,884</u>
Fund Balances				
Restricted				
Capital projects	714,261	-	714,261	706,646
Capital project levy	53,825	-	53,825	-
Unassigned	-	(584,862)	(584,862)	(572,361)
Total Fund Balances	<u>768,086</u>	<u>(584,862)</u>	<u>183,224</u>	<u>134,285</u>
Total Liabilities and Fund Balances	<u>\$ 842,183</u>	<u>\$ (389,457)</u>	<u>\$ 452,726</u>	<u>\$ 1,145,169</u>

Independent School District No. 508
St. Peter, Minnesota
Capital Projects Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Capital Projects	High School Construction	Totals	
			2020	2019
Revenues				
Local property tax levies	\$ 575,902	\$ -	\$ 575,902	\$ 400,000
Other local and county revenue	-	-	-	80,269
Interest earned on investments	7,615	-	7,615	27,772
Total Revenues	583,517	-	583,517	508,041
Expenditures				
Capital outlay				
Sites and buildings	337,234	197,344	534,578	1,198,063
Excess (Deficiency) of Revenues Over (Under) Expenditures	246,283	(197,344)	48,939	(690,022)
Other Financing Sources (Uses)				
Transfers in	-	-	-	56,895,259
Transfers out	-	-	-	(56,895,259)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	246,283	(197,344)	48,939	(690,022)
Fund Balances, July 1	521,803	(387,518)	134,285	824,307
Fund Balances, June 30	\$ 768,086	\$ (584,862)	\$ 183,224	\$ 134,285

Independent School District No. 508
St. Peter, Minnesota
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2020
(With Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020			2019
	Budgeted Amounts		Variance With Final Budget	Actual
	Original	Final		
Revenues				
Local property tax levies	\$ 575,902	\$ 575,902	\$ -	\$ 400,000
Other local and county revenue	-	8,848	(8,848)	80,269
Interest earned on investments	10,000	7,500	115	27,772
Total Revenues	585,902	592,250	(8,733)	508,041
Expenditures				
Capital outlay				
Sites and buildings	649,307	703,269	168,691	1,198,063
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,405)	(111,019)	159,958	(690,022)
Other Financing Sources (Uses)				
Transfers in	-	-	-	56,895,259
Transfers out	-	-	-	(56,895,259)
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	(63,405)	(111,019)	159,958	(690,022)
Fund Balances, July 1	134,285	134,285	-	824,307
Fund Balances, June 30	<u>\$ 70,880</u>	<u>\$ 23,266</u>	<u>\$ 183,224</u>	<u>\$ 134,285</u>



Fiscal Compliance

Fiscal Compliance Report - 6/30/2020 District: ST. PETER (508-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$28,440,531	<u>\$28,440,530</u>	<u>\$1</u>
Total Expenditures	\$28,239,905	<u>\$28,239,905</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$9,172	<u>\$9,172</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$130,660	<u>\$130,660</u>	<u>\$0</u>
4.02 Scholarships	\$135,318	<u>\$135,317</u>	<u>\$1</u>
4.03 Staff Development	\$3,464	<u>\$3,464</u>	<u>\$0</u>
4.07 Capital Projects Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.08 Cooperative Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.14 Operating Debt	\$0	<u>\$0</u>	<u>\$0</u>
4.16 Levy Reduction	\$0	<u>\$0</u>	<u>\$0</u>
4.17 Taconite Building Maint	\$0	<u>\$0</u>	<u>\$0</u>
4.24 Operating Capital	\$141,111	<u>\$141,113</u>	<u>(\$2)</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.27 Disabled Accessibility	\$0	<u>\$0</u>	<u>\$0</u>
4.28 Learning & Development	\$0	<u>\$0</u>	<u>\$0</u>
4.34 Area Learning Center	\$0	<u>\$0</u>	<u>\$0</u>
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	<u>\$0</u>
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	<u>\$0</u>
4.38 Gifted & Talented	\$0	<u>\$1</u>	<u>(\$1)</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$2,930	<u>\$2,930</u>	<u>\$0</u>
4.48 Achievement and Integration	\$59,093	<u>\$59,093</u>	<u>\$0</u>
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	<u>\$0</u>
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	(\$717,328)	<u>(\$717,327)</u>	<u>(\$1)</u>
4.72 Medical Assistance	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	<u>\$0</u>
<i>Committed:</i>			
4.18 Committed for Separation	\$0	<u>\$0</u>	<u>\$0</u>
4.61 Committed Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$3,335,785	<u>\$3,335,785</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$4,974,743	<u>\$4,974,741</u>	<u>\$2</u>

02 FOOD SERVICES

Total Revenue	\$1,600,370	<u>\$1,600,367</u>	<u>\$3</u>
Total Expenditures	\$1,397,678	<u>\$1,397,675</u>	<u>\$3</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust			

06 BUILDING CONSTRUCTION

Total Revenue	\$583,517	<u>\$583,517</u>	<u>\$0</u>
Total Expenditures	\$534,578	<u>\$534,578</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$53,825	<u>\$53,823</u>	<u>\$2</u>
4.13 Project Funded by COP	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$129,399	<u>\$129,401</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

Total Revenue	\$3,064,502	<u>\$3,064,502</u>	<u>\$0</u>
Total Expenditures	\$2,895,550	<u>\$2,895,550</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	<u>\$0</u>
4.51 QZAB Payments	\$0	<u>\$0</u>	<u>\$0</u>
4.67 LTFM	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$561,445	<u>\$561,445</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

Total Revenue	\$27,473	<u>\$27,473</u>	<u>\$0</u>
Total Expenditures	\$17,200	<u>\$17,200</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$725,937	<u>\$725,937</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

18 CUSTODIAL

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$0	<u>\$0</u>	<u>\$0</u>
4.48 Achievement and Integration	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

20 INTERNAL SERVICE

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

25 OPEB REVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures			

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$529,369	<u>\$529,369</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE			
Total Revenue	\$783,292	<u>\$783,293</u>	<u>(\$1)</u>
Total Expenditures	\$880,741	<u>\$880,742</u>	<u>(\$1)</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$392,587	<u>\$392,584</u>	<u>\$3</u>
4.32 E.C.F.E	\$35,601	<u>\$35,599</u>	<u>\$2</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$281,543)	<u>(\$281,542)</u>	<u>(\$1)</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$799	<u>\$801</u>	<u>(\$2)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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

45 OPEB IRREVOCABLE TRUST

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

47 OPEB DEBT SERVICE

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

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OTHER REPORTS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the School Board
Independent School District No. 508
St. Peter, 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 governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 508 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2020.

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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for School Districts, except as described in the Schedule of Findings, Responses and Questioned Costs as items 2020-004 and 2020-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 14, 2020

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

Members of the School Board
Independent School District No. 508
St. Peter, 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 the Independent School District No. 508, Minnesota (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2020-003 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2020-001 and 2020-002 to be significant deficiencies.

Compliance and Other Matters

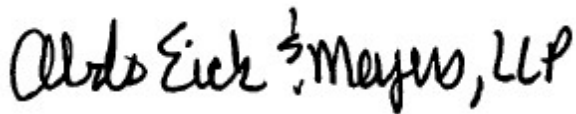
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

The District's Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the District's responses 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.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 14, 2020

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FEDERAL AWARD PROGRAMS
INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2020



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Members of the School Board
Independent School District No. 508
St. Peter, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 508's, St. Peter, Minnesota (the District) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

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 for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, the District 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, 2020.

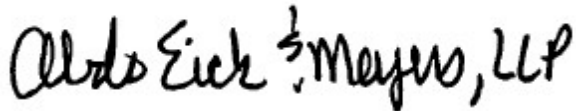
Report on Internal Control Over Compliance

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 have not been 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.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
December 14, 2020

Independent School District No. 508
St. Peter, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Funding Source	Administering Department	Program Name	Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Program Clusters	Total Federal Expenditures
U.S. Department of Agriculture	Minnesota Department of Education	School Breakfast Program	10.553	1000003951	\$ 103,811	
U.S. Department of Agriculture	Minnesota Department of Education	National School Lunch Program	10.555	1000003951	361,201	
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556	1000003951	1,237	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003951	38,763	
U.S. Department of Agriculture	Minnesota Department of Education	COVID-19 - Summer Food Service Program for Children	10.559	1000003951	<u>527,755</u>	
Total Child Nutrition Cluster						\$ 1,032,767
U.S. Department of Agriculture	Minnesota Department of Education	Commodity Supplemental Food Program	10.565	Unknown	<u>95,417</u>	
Total Food Distribution Cluster						95,417
U.S. Department of Education	Minnesota Valley Education District Flow Through Payments	Special Education Grants to States	84.027		<u>150,000</u>	
Total Special Education Cluster						150,000
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A150023A	268,387	
U.S. Department of Education	Minnesota Department of Education	Title I State Agency Program for Neglected and Delinquent Children	84.013	S010A150023A	45,773	
U.S. Department of Education	Minnesota Department of Education	English Language Acquisition Grants	84.365	S365A150023A	24,748	
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367	S367A150022	<u>50,795</u>	
Total Other Programs						<u>389,703</u>
Total Expended						<u><u>\$ 1,667,887</u></u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of the Independent School District No. 508, St. Peter, Minnesota (the District). The District's reporting entity is defined in Note 1A to the District's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). All federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, Cost Principles for Non-Profit-Organizations, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended June 30, 2020, the District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and
Questioned Costs
For the Year Ended June 30, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a) of the Uniform Guidance?	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Department of Agriculture - Child Nutrition Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Title I	84.010
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

A material weakness and two significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Finding 2020-003 is reported as a material weakness.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There were prior year audit findings that are attached.

Independent School District No. 508

St. Peter, Minnesota

Schedule of Findings, Responses and

Questioned Costs (Continued)

For the Year Ended June 30, 2020

2020-001

Annual Financial Report Preparation

Condition:

As in prior years, the auditor was requested to draft the audited financial statements and related footnote disclosures as part of their regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. The District has adopted an internal control to review the financial statements prepared by the auditors. This control includes review of a draft copy of the financial statements by the business manager and superintendent, along with comparing UFARS guidelines and additional financial reports to the draft prepared by auditors. However, the District has not adopted a control over disclosures included in the annual financial report therefore, the potential exists that a material misstatement related to the disclosures in the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Criteria:

The District should have controls in place to provide reasonable assurance over financial reporting and be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Questioned Costs:

None.

Cause:

From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size. The District has not adopted an internal control policy over the annual financial reporting; however, they have reviewed and approved the annual financial statement drafts as prepared by the audit firm.

Effect:

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting, including footnote disclosures.

Recommendation:

It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, the audit firm has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management Response:

Management is aware of the control deficiency. The Business Manager is attending a training program dealing with UFARS financial/accounting practices. The District does not have an internal control policy in place over annual financial reporting under GAAP and that they do not have the necessary staff and expertise to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and
Questioned Costs (Continued)
For the Year Ended June 30, 2020

2020-002

Limited Segregation of Duties within Food Service

Condition: One employee has the primary responsibility of entering deposits into student accounts and collecting and counting the money. As a result, certain aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities. The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner.

Questioned Costs: None.

Effect: The existence of this limited segregation of duties increases the risk of fraud.

Cause: As a result of the small staff, the District has not established controls for adequate segregation of duties within food service to ensure that all accounts are adjusted to their appropriate monthly and year end balances in accordance with GAAP.

Recommendation: We recommend the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP. Specific controls might include separation of the handling of cash from the entering of data into the Infinite Campus system, reconciling the Infinite Campus system to the general ledger monthly, and reviewing adjustments to student accounts for propriety.

Management Response:

The District will separate the food service financial duties between two or more personnel. Management will also reconcile the student account balances and meals served to the general ledger monthly and review adjustments to student accounts.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and
Questioned Costs (Continued)
For the Year Ended June 30, 2020

2020-003 Year-end Audit Adjustments

Condition: During our audit, adjustments were needed to record several audit adjustments, including some material.

Criteria: The financial statements are the responsibility of the District's management.

Questioned Costs: None.

Cause: District staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.

Effect: It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management Response:

The business office has changed a number of personnel over the past three years and is beginning to work on the office organization. This will allow the shifting of projects from the Business Manager to other staff which will then give the Business Manager the time needed to have a firm understanding of the proper year-end adjustments.

2020-004 Collateral Coverage

Condition: Auditing of legal compliance requires a review of the District's deposits and investments. Our study indicated an instance of noncompliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 118A.03, the District is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The District had \$755 of deposits uncollateralized on June 30, 2020. The bank had indicated collateral would be sufficient, however, this was inaccurate.

Effect: At year end, the District did not have sufficient collateral pledged and therefore was not in compliance with state statute.

Recommendation: We recommend the District establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the District's responsibility to have adequate coverage regardless of the bank's process.

Management Response:

The Business Manager has taken the appropriate action to ensure that District's deposits are sufficiently covered by collateral throughout the entire month.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Findings, Responses and
Questioned Costs (Continued)
For the Year Ended June 30, 2020

2020-005

Student Activities

Condition: Auditing of legal compliance requires a review of the District's student activities. Our study indicated an instance of noncompliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 123B.49 and Minnesota Rules, part 3545.0800, the District is required to have specific procedures in place around student activities.

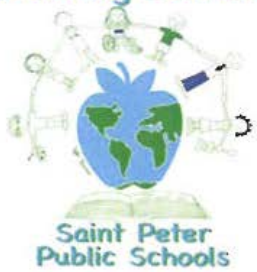
Cause: The District did not follow the MAFA manual.

Effect: At year end, the District was out of compliance with various statutes and rules related to activity disbursements, inactive accounts and negative balances.

Recommendation: We recommend the District establish enhanced procedures around student activities.

Management Response:

The Business Manager will review student activity procedures to ensure future compliance.



2020-001 Annual Financial Report Preparation

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:

The Business Manager will attend financial statement training offered by MASBO or other sources, as they become available.

3. Official Responsible for Ensuring CAP:

Tim Regner, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2021.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,



Bill Gronseth
Superintendent



2020-002 Limited Segregation of Duties Within Food Service

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:

The District will separate the food service financial duties between two or more personnel. Management will reconcile the student account balance and meals served to the general ledger monthly and review adjustments to student accounts.

3. Official Responsible for Ensuring CAP:

Tim Regner, Business Manager, is the official responsible for ensuring corrective action of the deficiency.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2021.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,

Bill Gronseth
Superintendent



2020-003 Year-end Audit Adjustments

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:

The District will review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

3. Official Responsible for Ensuring CAP:

Tim Regner, Business Manager, is the official responsible for ensuring corrective action of the material weakness.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2021.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan through the District Finance Committee on a twice a year basis.

Sincerely,

Bill Gronseth
Superintendent



2020-004 Collateral Coverage

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:

The District will review their collateral agreement and modify, if necessary, with the bank.

3. Official Responsible for Ensuring CAP:

Tim Regner, Business Manager, is the official responsible for ensuring corrective action for compliance..

4. Planned Completion Date for CAP:

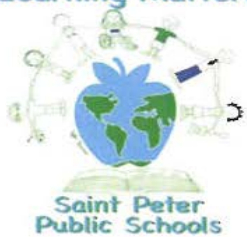
The planned completion date is immediately.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,

Bill Gronseth
Superintendent



2020-005 Student Activities

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:

The District will review their student activity procedures.

3. Official Responsible for Ensuring CAP:

Tim Regner, Business Manager, is the official responsible for ensuring corrective action for compliance.

4. Planned Completion Date for CAP:

The planned completion date is June 30, 2021.

5. Plan to Monitor Completion of CAP:

The School Board of ISD No. 508 will be monitoring this corrective action plan.

Sincerely,

Bill Gronseth
Superintendent

Independent School District No. 508

St. Peter, Minnesota

Schedule of Prior Year Findings

For the Year Ended June 30, 2020

2019-001

Annual Financial Report Preparation

Condition:

As in prior years, the auditor was requested to draft the audited financial statements and related footnote disclosures as part of their regular audit services. Auditing standards require auditors to communicate this situation to the Board as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process. The District has adopted an internal control to review the financial statements prepared by the auditors. This control includes review of a draft copy of the financial statements by the business manager and superintendent, along with comparing UFARS guidelines and additional financial reports to the draft prepared by auditors. However, the District has not adopted a control over disclosures included in the annual financial report therefore, the potential exists that a material misstatement related to the disclosures in the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Criteria:

The District should have controls in place to provide reasonable assurance over financial reporting and be able to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Questioned Costs:

None.

Cause:

From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size. The District has not adopted an internal control policy over the annual financial reporting; however, they have reviewed and approved the annual financial statement drafts as prepared by the audit firm.

Effect:

The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting, including footnote disclosures.

Recommendation:

It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, the audit firm has instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the District is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the District should agree its financial software to the numbers reported in the financial statements.

Management Response:

Management is aware of the control deficiency. The Business Manager is attending a training program dealing with UFARS financial/accounting practices. The District does not have an internal control policy in place over annual financial reporting under GAAP and that they do not have the necessary staff and expertise to prevent or detect a material misstatement in the annual financial statements including footnote disclosures.

Updated Progress Since Prior Year:

No changes have been made in addressing this finding in the current year.

Independent School District No. 508
St. Peter, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2020

2019-002 Limited Segregation of Duties Within Food Service

Condition: One or two employees have the primary responsibility of entering deposits into student accounts, collecting and counting the money, and taking the deposit to the bank. As a result, certain aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing.

Criteria: There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities. The District should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner.

Questioned Costs: None.

Effect: The existence of this limited segregation of duties increases the risk of fraud.

Cause: As a result of the small staff, the District has not established controls for adequate segregation of duties within food service to ensure that all accounts are adjusted to their appropriate monthly and year end balances in accordance with GAAP.

Recommendation: We recommend the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year end balances in accordance with GAAP. Specific controls might include separation of the handling of cash from the entering of data into the PCS system, reconciling the PCS system to the general ledger monthly, and reviewing adjustments to student accounts for propriety.

Management Response:

The District will separate the food service financial duties between two or more personnel. Management will also reconcile the student account balances and meals served to the general ledger monthly and review adjustments to student accounts.

Updated Progress Since Prior Year:

No changes have been made in addressing this finding in the current year.

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Independent School District No. 508
St. Peter, Minnesota
Schedule of Prior Year Findings (Continued)
For the Year Ended June 30, 2020

2019-003 Year-end Audit / Accounting Adjustments

Condition: During our audit, adjustments were needed to record several accounting and audit adjustments.

Criteria: The financial statements are the responsibility of the District's management.

Questioned Costs: None.

Cause: District staff has not prepared a year-end trial balance reflecting all necessary accruals and year-end adjustments without auditor assistance.

Effect: It is likely that if a misstatement were to occur, it would not be detected by the District's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Management Response:

The Business Office is currently one and a half years into a reorganization plan and has hired office staff with a strong accounting background. This person will be expected to take a number of projects from the Business Manager, which will give the Business Manager the time needed to have a firm understanding of the proper year end adjustments.

Updated Progress Since Prior Year:

No changes have been made in addressing this finding in the current year.