



Annual Financial Report

Independent School District No. 508

St, Peter, Minnesota

For the year ended June 30, 2021



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

FOR THE YEAR ENDED
JUNE 30, 2021

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Independent School District No. 508
St. Peter, Minnesota
School District Officials
For the Year Ended June 30, 2021

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
Vickie Hager	12/31/2021	Director
Tracy Stuewe	12/31/2023	Director
Bill Soderlund	12/31/2023	Director

ADMINISTRATION

Bill Gronseth	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, 2021

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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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, 2021, 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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Emphasis of a Matter

As described in Note 7 to the financial statements, a prior period adjustment was needed to record fiscal year 2020 CARES revenue and to reallocated fiscal year 2020 transportation expenditures. The total amount of the prior period adjustment to fiscal year 2021 beginning balances was \$69,217. 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 16, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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
Mankato, Minnesota
December 16, 2021



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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, 2021.

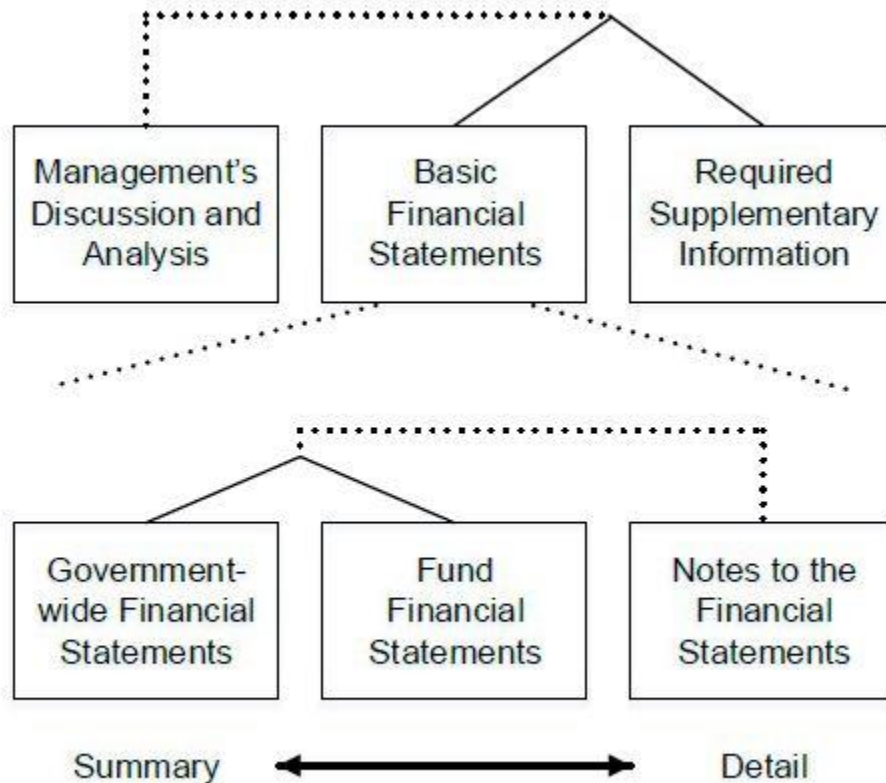
Financial Highlights

- 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 \$2,293,349 (net position deficit). Of this amount, the deficit of \$19,265,363 (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 \$515,036 as compared to a decrease of \$1,335,530 in the prior year. The change in net position is mainly due to the recognition of pension expense in the amount of \$2,794,698 as well as an increase in federal grant revenue in response to COVID-19.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,697,827, an increase of \$1,132,180 in comparison the prior year had an increase of \$691,843, mainly due decreased operating expenditures and additional federal grant revenue due to COVID-19. Of the total fund balance, \$4,755,913 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

	Fund Financial Statements		
	District-wide 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 37 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 39 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 74 of this report.

Other Information. Combining and individual fund financial statements and schedules and table can be found starting on page 82 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 \$2,293,349 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)	
	2021	2020	Amounts	Percent
Current and Other Assets	\$ 20,265,187	\$ 19,282,647	\$ 982,540	5.1 %
Capital Assets	70,092,409	71,734,266	(1,641,857)	(2.3)
Total Assets	<u>90,357,596</u>	<u>91,016,913</u>	<u>(659,317)</u>	(0.7)
Deferred Inflows of Resources	<u>8,567,613</u>	<u>12,741,826</u>	<u>(4,174,213)</u>	(32.8)
Noncurrent Liabilities	78,450,934	76,817,531	1,633,403	2.1
Other Liabilities	3,940,109	4,260,750	(320,641)	(7.5)
Total Liabilities	<u>82,391,043</u>	<u>81,078,281</u>	<u>1,312,762</u>	1.6
Deferred Inflows of Resources	<u>18,827,515</u>	<u>24,527,988</u>	<u>(5,700,473)</u>	(23.2)
Net Position				
Net investment in capital assets	15,252,653	15,778,703	(526,050)	(3.3)
Restricted	1,719,361	1,488,891	230,470	15.5
Unrestricted	<u>(19,265,363)</u>	<u>(19,115,124)</u>	<u>(150,239)</u>	(0.8)
Total Net Position	<u>\$ (2,293,349)</u>	<u>\$ (1,847,530)</u>	<u>\$ (445,819)</u>	(24.1)

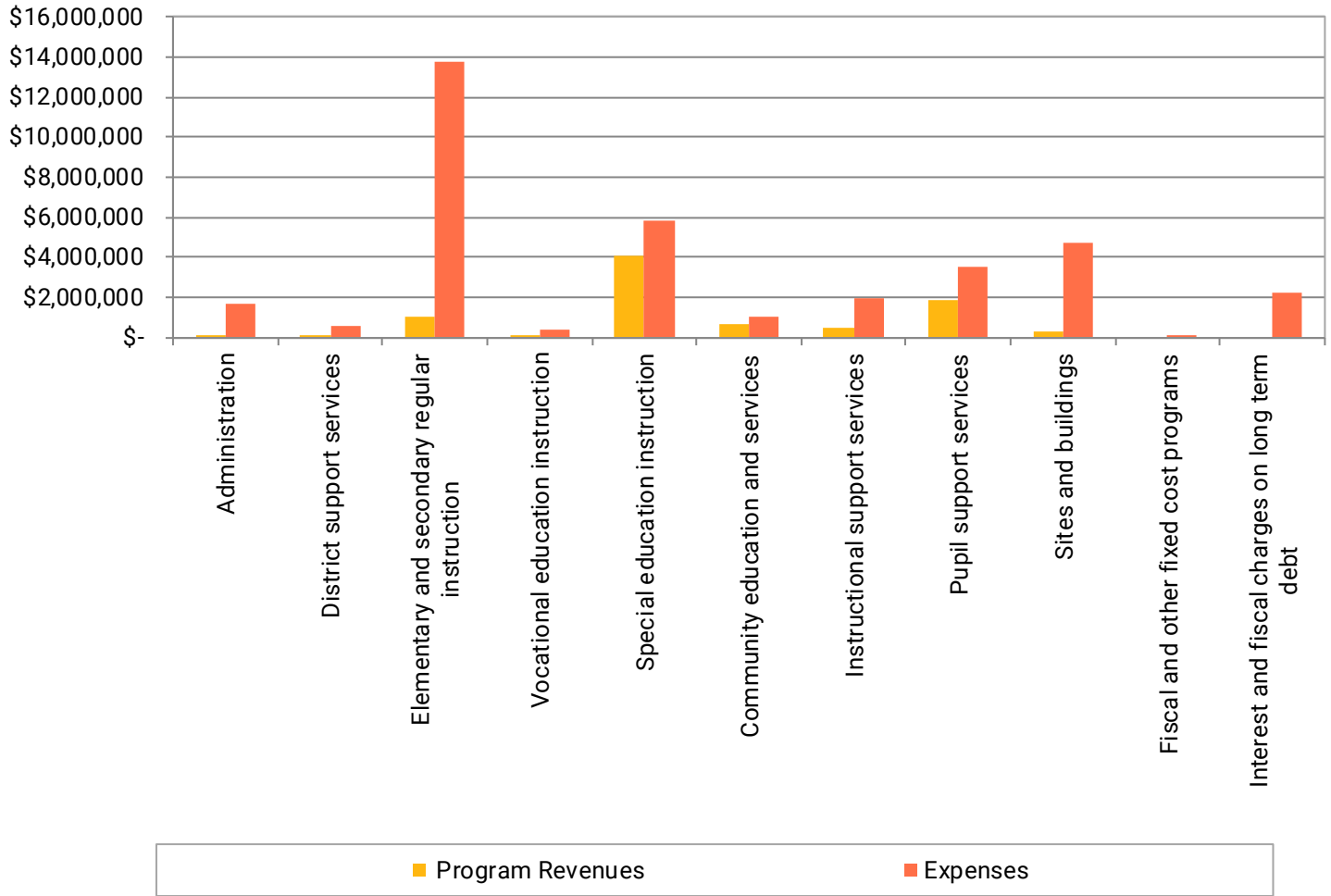
The balance of unrestricted net position is a deficit due to recognition of long-term liabilities in accordance with GASB Statements No. 68 and 75.

Governmental Activities. Governmental activities decreased the District's net position by \$515,036. Key elements of this decrease are as follows:

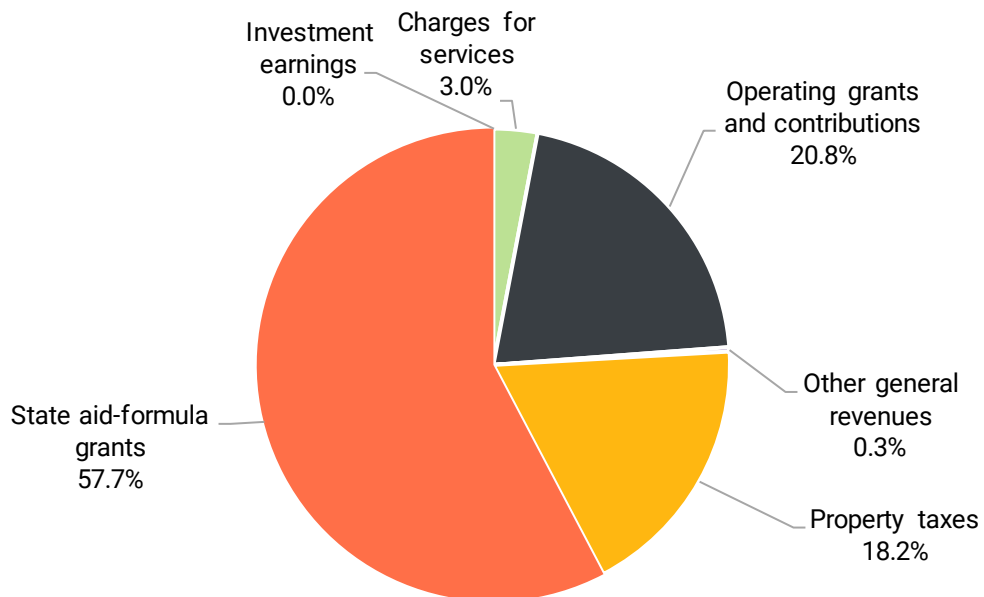
Independent School District No. 508's Changes in Net Position

	Governmental Activities		Increase (Decrease)	
	2021	2020	Amounts	Percent
Revenues				
Program revenues				
Charges for services	\$ 1,051,931	\$ 1,780,093	\$ (728,162)	(40.9) %
Operating grants and contributions	7,341,349	5,561,384	1,779,965	32.0
Capital grants and contributions	-	5,000	(5,000)	(100.0)
General revenues				
Property taxes	6,416,895	6,470,845	(53,950)	(0.8)
State aid-formula grants	20,353,150	20,439,307	(86,157)	(0.4)
Other general revenues	106,311	211,304	(104,993)	(49.7)
Investment earnings	6,624	106,078	(99,454)	(93.8)
Total Revenues	35,276,260	34,574,011	702,249	2.0
Expenses				
Administration	1,686,492	1,737,729	(51,237)	(2.9)
District support services	528,469	487,073	41,396	8.5
Elementary and secondary regular instruction	13,823,369	14,454,076	(630,707)	(4.4)
Vocational education instruction	366,350	339,833	26,517	7.8
Special education instruction	5,786,659	5,707,127	79,532	1.4
Community education and services	1,048,880	935,458	113,422	12.1
Instructional support services	1,986,046	1,624,208	361,838	22.3
Pupil support services	3,536,975	3,325,733	211,242	6.4
Sites and buildings	4,712,255	4,967,041	(254,786)	(5.1)
Fiscal and other fixed cost programs	78,917	59,005	19,912	33.7
Interest and fiscal charges on long-term debt	2,236,884	2,272,258	(35,374)	(1.6)
Total Expenses	35,791,296	35,909,541	(118,245)	(0.3)
Change in Net Position	(515,036)	(1,335,530)	820,494	(61.4)
Net Position, July 1	(1,847,530)	(512,000)	(1,335,530)	(260.8)
Prior Period Adjustment (Note 7)	69,217	-	69,217	N/A
Net Position, July 1 as Restated	(1,778,313)	(512,000)	(1,266,313)	247.3
Net Position, June 30	\$ (2,293,349)	\$ (1,847,530)	\$ (445,819)	(24.1)

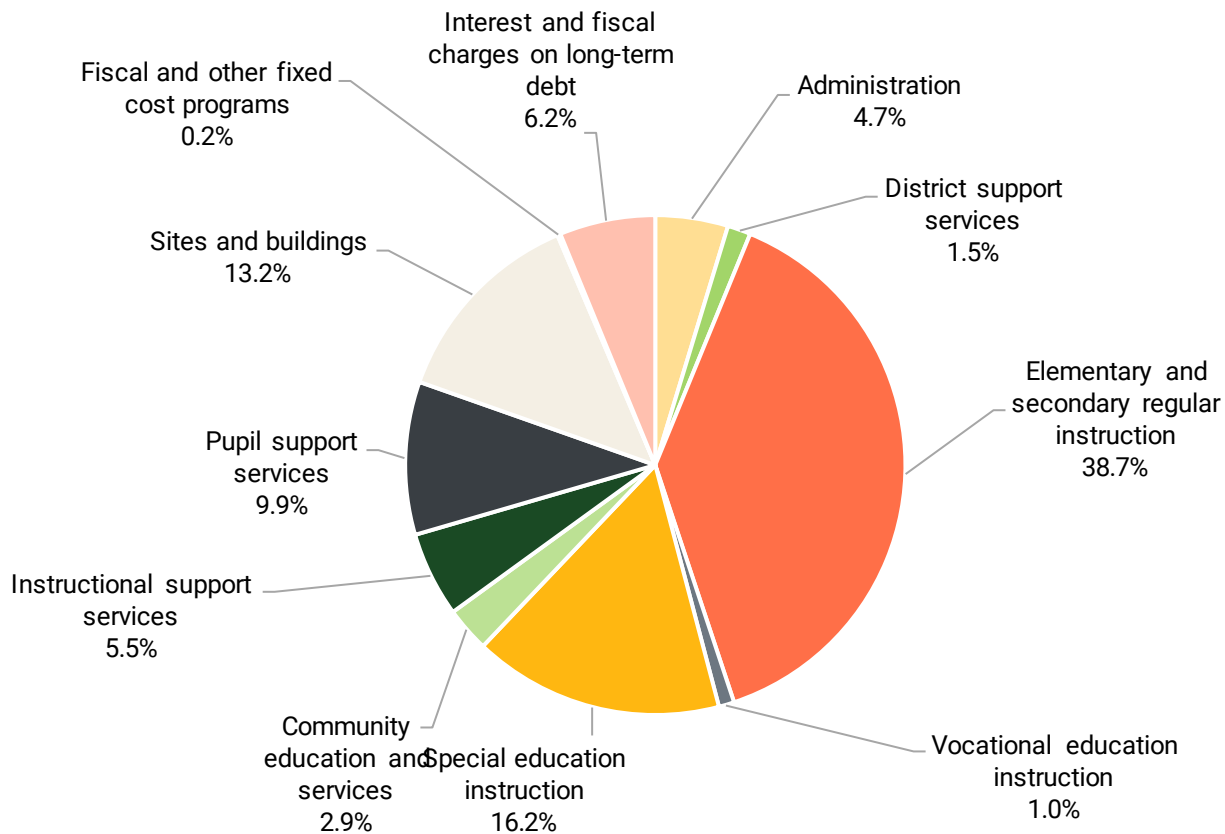
Expenses and Program Revenues - Governmental Activities



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 \$10,697,827, an increase of \$1,132,180 in comparison with the prior year's increase of \$691,843. The General fund had a \$1,047,939 increase in fund balance mainly due to decreased operating costs related to distant learning and fewer LTFM projects completed. The Debt Service fund had a \$96,122 increase in fund balance. This increase was due to the levy exceeding the principal and interest payments. The Capital Projects fund had a \$64,646 decrease in fund balance. This decrease was due to the spend down of prior years' bonding dollars. The Food Service fund had a \$246,577 increase in fund balance. This increase was due to an increase in revenue from federal sources compared to the prior year due to all students eligible for free lunch reimbursement. The Community Service fund had a \$193,812 decrease in fund balance. This decrease due to a decline in user fees due to the impacts of Coronavirus pandemic and an increase in salary expenditures. Of the total fund balance, \$4,755,913 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 \$5,200,081, while total fund balance reached \$9,181,992. 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 18.1 percent of total General fund expenditures, while total fund balance represents 32.0 percent of that same amount.

The fund balance of the District's General fund increased by \$1,047,939 during the current fiscal year. This increase in the General fund was due to revenues being \$190,213 less than budgeted combining with expenditures coming in \$1,733,787 under budget. The District had budgeted a decrease in fund balance of \$495,635 in comparison to the actual increase of \$1,047,939 resulting in a positive variance of \$1,543,574.

General Fund Budgetary Highlights

The District adopted the annual revised operating budget in June of 2021. The District ending the 2020-2021 school year with an unassigned fund balance of \$5,200,081 compared to \$4,257,415 in the prior year. The majority of the revenue under budget was attributable to a decrease in ADM. The District also received over \$1,000,000 in from various local, state and federal sources to offset various COVID-19 related expenditures. Expenditures were under budget mainly because the District operated in distant learning throughout the year which resulted in lower operating costs and fewer LTFM projects completed.

Capital Asset and Debt Administration

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$70,092,409 (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 2.3 percent. The major additions to capital assets during the year were tuckpointing improvements and upgrades to the media center to accommodate distant learning. The total depreciation expense for the year was \$2,343,694. The following is a schedule of capital assets as of June 30, 2021.

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

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	\$ 933,564	\$ 933,564	\$ -
Construction in Progress	16,234	-	16,234
Land Improvements	1,835,633	1,549,133	286,500
Buildings	64,700,732	66,474,839	(1,774,107)
Equipment	2,606,246	2,776,730	(170,484)
Total	<u>\$ 70,092,409</u>	<u>\$ 71,734,266</u>	<u>\$ (1,641,857)</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 \$52,705,000. Most of this amount is to finance capital projects relating to school buildings. The District also had capital lease and notes payable totaling \$899,017 reported as long-term debt at year end.

Independent School District No. 508's Outstanding Debt

	Governmental Activities		
	2021	2020	Increase (Decrease)
General Obligation Bonds Payable	\$ 52,705,000	\$ 53,540,000	\$ (835,000)
Notes Payable	893,578	1,048,060	(154,482)
Capital Leases Payable	5,439	33,478	(28,039)
Total	<u>\$ 53,604,017</u>	<u>\$ 54,621,538</u>	<u>\$ (1,017,521)</u>

The District's total long-term debt decreased by \$1,017,521 or 1.9 percent during the current fiscal year. The District had additional borrowing of \$257,701 and retirement of debt of \$1,275,221.

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 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 over the next several years.
- 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. The District saw a drop in enrollment during FY 2021 which can be contributed to the pandemic. The District has been approved for further COVID-19 response dollars in the coming years.
- We experienced a drop in our fund balance to a deficit in our Community Service fund in fiscal year 2021 and are projecting another drop in fiscal year 2022. This was mainly due to COVID-19 as participation in the various programs were down and most of the revenue is user fee based.

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, 2021

Independent School District No. 508

St. Peter, Minnesota
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and temporary investments	\$ 13,411,269
Receivables	
Taxes	3,527,031
Accounts	22,636
Due from other school districts	514,305
Intergovernmental	2,778,839
Prepaid items	11,107
Capital assets not being depreciated	949,798
Capital assets being depreciated (net of accumulated depreciation)	69,142,611
Total Assets	<u>90,357,596</u>
Deferred Outflows of Resources	
Deferred pension resources	8,293,243
Deferred other post employment benefit resources	274,370
Total Deferred Outflows of Resources	<u>8,567,613</u>
Liabilities	
Salaries and wages payable	1,398,202
Accounts and other payables	440,334
Accrued interest payable	923,793
Due to other school districts	32,589
Due to other governments	56,742
Accrued expenses	1,039,102
Unearned revenue	49,347
Noncurrent liabilities	
Due within one year	
Long-term liabilities	1,568,600
Due in more than one year	
Long-term liabilities	54,901,716
Net pension liability	17,852,835
Other postemployment benefits liability	4,127,783
Total Liabilities	<u>82,391,043</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year	6,500,435
Deferred pension resources	12,143,582
Deferred other postemployment benefit resources	183,498
Total Deferred Inflows of Resources	<u>18,827,515</u>
Net Position	
Net investment in capital assets	15,252,653
Restricted	
Food service	786,058
Educational purposes	928,375
Capital projects tax levy	4,928
Unrestricted	<u>(19,265,363)</u>
Total Net Position	<u>\$ (2,293,349)</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, 2021

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	\$ 1,686,492	\$ 20,371	\$ 46,005	\$ -	\$ (1,620,116)
District support services	528,469	-	672	-	(527,797)
Elementary and secondary regular instruction	13,823,369	202,581	848,509	-	(12,772,279)
Vocational education instruction	366,350	-	33,081	-	(333,269)
Special education instruction	5,786,659	517,645	3,553,954	-	(1,715,060)
Community education and services	1,048,880	298,216	350,737	-	(399,927)
Instructional support services	1,986,046	-	437,637	-	(1,548,409)
Pupil support services	3,536,975	9,188	1,806,699	-	(1,721,088)
Sites and buildings	4,712,255	3,930	264,055	-	(4,444,270)
Fiscal and other fixed cost programs	78,917	-	-	-	(78,917)
Interest and fiscal charges on long term debt	2,236,884	-	-	-	(2,236,884)
Total Governmental Activities	<u>\$ 35,791,296</u>	<u>\$ 1,051,931</u>	<u>\$ 7,341,349</u>	<u>\$ -</u>	<u>(27,398,016)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					
					3,477,079
Property taxes, levied for community service					
					161,279
Property taxes, levied for debt service					
					2,778,537
State aid-formula grants					
					20,353,150
Other general revenues					
					106,311
Investment earnings					
					6,624
Total General Revenues					<u>26,882,980</u>
Change in Net Position					<u>(515,036)</u>
Net Position, July 1					(1,847,530)
Prior Period Adjustment (Note 7)					<u>69,217</u>
Net Position, July 1 as Restated					<u>(1,778,313)</u>
Net Position, June 30					<u>\$ (2,293,349)</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, 2021

Independent School District No. 508

St. Peter, Minnesota

Balance Sheet

Governmental Funds

June 30, 2021

	General	Debt Service	Other Governmental Funds	Total
Assets				
Cash and temporary investments	\$ 10,268,111	\$ 2,114,237	\$ 1,028,921	\$ 13,411,269
Receivables				
Taxes	1,663,759	1,782,676	80,596	3,527,031
Accounts	22,634	-	2	22,636
Due from other school districts	514,305	-	-	514,305
Intergovernmental	2,549,739	38,971	190,129	2,778,839
Prepaid items	11,107	-	-	11,107
Total Assets	\$ 15,029,655	\$ 3,935,884	\$ 1,299,648	\$ 20,265,187
Liabilities				
Salaries and wages payable	\$ 1,343,222	\$ -	\$ 54,980	\$ 1,398,202
Accounts and other payables	267,573	-	172,761	440,334
Due to other school districts	32,589	-	-	32,589
Due to other governments	56,742	-	-	56,742
Accrued expenses	1,039,102	-	-	1,039,102
Unearned revenue	-	-	49,347	49,347
Total Liabilities	2,739,228	-	277,088	3,016,316
Deferred Inflows of Resources				
Property taxes levied for subsequent year	3,085,433	3,254,134	160,868	6,500,435
Unavailable revenue				
Delinquent property taxes	23,002	24,183	3,424	50,609
Total Deferred Inflows of Resources	3,108,435	3,278,317	164,292	6,551,044
Fund Balances				
Nonspendable	11,107	-	-	11,107
Restricted	527,151	657,567	1,302,436	2,487,154
Assigned	3,443,653	-	-	3,443,653
Unassigned	5,200,081	-	(444,168)	4,755,913
Total Fund Balances	9,181,992	657,567	858,268	10,697,827
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,029,655	\$ 3,935,884	\$ 1,299,648	\$ 20,265,187

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, 2021

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

Total Fund Balances - Governmental Funds	\$ 10,697,827
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	70,092,409
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	(52,705,000)
Unamortized premiums	(2,722,463)
Notes payable	(893,578)
Capital leases payable	(5,439)
Severance benefits payable	(111,434)
Compensated absences payable	(32,402)
Net pension liability	(17,852,835)
Other postemployment benefit liability	(4,127,783)
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	50,609
Governmental funds do not report long-term amounts related to pensions. Deferred outflows of pension resources	8,293,243
Deferred inflows of pension resources	(12,143,582)
Governmental funds do not report long-term amounts related to other post employment benefits. Deferred outflows of other postemployment benefit resources	274,370
Deferred inflows of other postemployment benefit resources	(183,498)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(923,793)</u>
Total Net Position - Governmental Activities	<u><u>\$ (2,293,349)</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, 2021

	General	Debt Service	Other Governmental Funds	Total
Revenues				
Local property tax levies	\$ 3,478,290	\$ 2,780,989	\$ 161,989	\$ 6,421,268
Other local and county revenue	1,007,351	-	335,790	1,343,141
Interest earned on investments	4,872	425	585	5,882
Revenue from state sources	23,470,168	389,706	267,302	24,127,176
Revenue from federal sources	1,492,973	-	1,757,522	3,250,495
Sales and other conversion of assets	-	-	9,188	9,188
Total Revenues	<u>29,453,654</u>	<u>3,171,120</u>	<u>2,532,376</u>	<u>35,157,150</u>
Expenditures				
Current				
Administration	1,613,020	-	-	1,613,020
District support services	547,288	-	-	547,288
Elementary and secondary regular instruction	12,664,166	-	-	12,664,166
Vocational education and instruction	360,362	-	-	360,362
Special education instruction	5,518,618	-	-	5,518,618
Community education and services	-	-	1,004,399	1,004,399
Instructional support services	1,910,436	-	-	1,910,436
Pupil support services	2,035,793	-	1,467,679	3,503,472
Sites and buildings	2,444,409	-	-	2,444,409
Fiscal and other fixed cost programs	214,837	-	-	214,837
Capital outlay	899,002	-	71,559	970,561
Debt service				
Principal	439,615	835,000	606	1,275,221
Interest and other costs	15,870	2,239,998	14	2,255,882
Total Expenditures	<u>28,663,416</u>	<u>3,074,998</u>	<u>2,544,257</u>	<u>34,282,671</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	790,238	96,122	(11,881)	874,479
Other Financing Sources (Uses)				
Notes issued	<u>257,701</u>	<u>-</u>	<u>-</u>	<u>257,701</u>
Net Change in Fund Balances	<u>1,047,939</u>	<u>96,122</u>	<u>(11,881)</u>	<u>1,132,180</u>
Fund Balances, July 1	8,074,948	561,445	860,037	9,496,430
Prior Period Adjustment (Note 7)	<u>59,105</u>	<u>-</u>	<u>10,112</u>	<u>69,217</u>
Fund Balances, July 1 as Restated	<u>8,134,053</u>	<u>561,445</u>	<u>870,149</u>	<u>9,565,647</u>
Fund Balances, June 30	<u>\$ 9,181,992</u>	<u>\$ 657,567</u>	<u>\$ 858,268</u>	<u>\$ 10,697,827</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, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ 1,132,180
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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 outlay	701,837
Depreciation expense	(2,343,694)

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.

Notes payable issued	(257,701)
Amortization of premium on bonds	136,124
Principal repayments	1,275,221

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.

18,998

Long-term pension activity is not reported in governmental funds.

Pension expense	(1,483,243)
Direct aid contributions	123,483

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.

(4,373)

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	21,320
Other postemployment benefit costs	164,812

Change in Net Position - Governmental Activities	<u>\$ (515,036)</u>
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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, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	\$ 3,292,417	\$ 3,322,117	\$ 3,478,290	\$ 156,173
Other local and county revenue	89,100	1,138,147	1,007,351	(130,796)
Interest earned on investments	1,097,952	3,955	4,872	917
Revenue from state sources	23,151,746	23,795,857	23,470,168	(325,689)
Revenue from federal sources	1,317,159	1,383,616	1,492,973	109,357
Sales and other conversions of assets	-	175	-	(175)
Total Revenues	<u>28,948,374</u>	<u>29,643,867</u>	<u>29,453,654</u>	<u>(190,213)</u>
Expenditures				
Current				
Administration	1,447,548	1,628,262	1,613,020	15,242
District support services	526,146	569,497	547,288	22,209
Elementary and secondary regular instruction	13,281,046	13,978,063	12,664,166	1,313,897
Vocational education and instruction	127,217	156,094	360,362	(204,268)
Special education instruction	5,644,049	5,486,986	5,518,618	(31,632)
Instructional support services	1,398,202	1,665,605	1,910,436	(244,831)
Pupil support services	2,209,097	2,100,961	2,035,793	65,168
Sites, buildings and equipment	2,453,289	2,597,621	2,444,409	153,212
Fiscal and other fixed cost programs	234,810	225,899	214,837	11,062
Capital outlay				
Administration	29,511	29,511	31,561	(2,050)
District support services	4,000	4,000	1,780	2,220
Elementary and secondary regular instruction	189,862	161,378	134,355	27,023
Special education instruction	7,950	13,405	13,871	(466)
Instructional support services	272,025	287,997	32,244	255,753
Pupil support services	1,200	1,200	240	960
Sites, buildings and equipment	874,358	1,041,139	684,951	356,188
Fiscal and other fixed cost programs				
Principal	488,487	434,910	439,615	(4,705)
Interest and other costs	14,758	14,675	15,870	(1,195)
Total Expenditures	<u>29,203,555</u>	<u>30,397,203</u>	<u>28,663,416</u>	<u>1,733,787</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(255,181)	(753,336)	790,238	1,543,574
Other Financing Sources (Uses)				
Notes Payable issued	-	257,701	257,701	-
Net Change in Fund Balances	(255,181)	(495,635)	1,047,939	1,543,574
Fund Balances, July 1	8,074,948	8,074,948	8,074,948	-
Prior Period Adjustment (Note 7)	-	-	59,105	59,105
Fund Balances, June 30	<u>\$ 7,819,767</u>	<u>\$ 7,579,313</u>	<u>\$ 9,181,992</u>	<u>\$ 1,602,679</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, 2021

	Private Purpose Trust
Assets	
Cash and Temporary Investments	<u>\$ 714,640</u>
Net Position	
Held in Trust for Scholarships	<u>\$ 714,640</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, 2021

	Private Purpose Trust
Additions	
Investment income	\$ 4,753
Contributions	950
Total Additions	<u>5,703</u>
Deductions	
Scholarships	<u>17,000</u>
Change in Net Position	(11,297)
Net Position, July 1	<u>725,937</u>
Net Position, June 30	<u><u>\$ 714,640</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, 2021

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, 2021

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, 2021

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, 2021

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, 2021

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 2021 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 2020 and collectible in 2021. 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.

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

<u>Assets</u>	<u>Years</u>
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, 2021

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, 2021, unpaid vacation pay totaling \$32,402 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, 2021

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 business manager, special programs administrator, technology director, and community education director retire, the District must provide \$52,000 towards the purchase of any of the District's medical insurance plans. For teachers, Superintendent, 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 2021, total expenditures for severance and health insurance benefits were \$51,593 and \$164,812, respectively. At June 30, 2021, 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, 2021

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, 2020. 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 pension expense for the General Employee Plan (GERP) and TRA is as follows:

	<u>GERP</u>	<u>TRA</u>	<u>Total Pension Expense</u>
Pension Expense	\$ 115,724	\$ 2,678,974	\$ 2,794,698

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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 \$4,347,198 for the year ended June 30, 2021. The unassigned fund balance for the General fund at year end was \$5,200,081.

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, 2021

Note 2: Stewardship, Compliance and Accountability

A. 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.

B. Deficit Fund Equity

The follow fund had a fund balance deficit at June 30, 2021:

Fund	Amount
Community Service	\$ 46,368

The above deficit will be eliminated through future charges for services and General fund transfers.

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 \$2,223,139 and the bank balance was \$2,791,345. Of the bank balance, \$648,127 was covered by federal depository insurance. The remaining balance of \$2,143,218 was covered by collateral held by the pledging financial institution's trust department or agent in the District's name.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on all Funds (Continued)

As of June 30, 2021, 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)	AAAm	less than 1 year	\$ 11,284,502			
Brokered cash and sweeps	N/A	less than 1 year	293,193			
Non-pooled Investments at Fair Value						
Taxable Municipal Bond	AA2	more than 5 years	92,326	92,326	-	-
Taxable Municipal Bond	AA3/AA-	more than 5 years	111,949	111,949	-	-
Taxable Municipal Bond	AA1/AA	more than 5 years	120,570	120,570	-	-
Total Investments			\$ 11,902,540	\$ 324,845	\$ -	\$ -

(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	2,223,139
Investments	<u>11,902,540</u>
Total	14,125,909
Less Fiduciary Fund Cash and Temporary Investments	<u>(714,640)</u>
Total Cash and Temporary Investments	<u>\$ 13,411,269</u>

B. Property Taxes Receivable

Current property taxes receivable is recorded for taxes levied in 2020 and payable in 2021. A portion of the current property taxes receivable is recognized as revenue in the fiscal year ended June 30, 2021 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, 2021

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	\$ 1,640,757	\$ 1,758,493	\$ 77,172	\$ 3,476,422
Delinquent Taxes	23,002	24,183	3,424	50,609
	<u>\$ 1,663,759</u>	<u>\$ 1,782,676</u>	<u>\$ 80,596</u>	<u>\$ 3,527,031</u>
Total Taxes Receivable				
	<u>\$ 1,663,759</u>	<u>\$ 1,782,676</u>	<u>\$ 80,596</u>	<u>\$ 3,527,031</u>
Property Taxes Levied for Subsequent Year	<u>\$ 3,085,433</u>	<u>\$ 3,254,134</u>	<u>\$ 160,868</u>	<u>\$ 6,500,435</u>

C. Capital Assets

Capital asset activity for the District for the year ended June 30, 2021 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	-	16,234	-	16,234
Total Capital Assets not Being Depreciated	<u>933,564</u>	<u>16,234</u>	<u>-</u>	<u>949,798</u>
Capital Assets Being Depreciated				
Land improvements	2,842,426	401,976	-	3,244,402
Building	86,442,711	221,502	-	86,664,213
Equipment	4,691,108	62,125	-	4,753,233
Total Capital Assets Being Depreciated	<u>93,976,245</u>	<u>685,603</u>	<u>-</u>	<u>94,661,848</u>
Less Accumulated Depreciation				
Land improvements	(1,293,293)	(115,476)	-	(1,408,769)
Building	(19,967,872)	(1,995,609)	-	(21,963,481)
Equipment	(1,914,378)	(232,609)	-	(2,146,987)
Total Accumulated Depreciation	<u>(23,175,543)</u>	<u>(2,343,694)</u>	<u>-</u>	<u>(25,519,237)</u>
Total Capital Assets Being Depreciated, Net	<u>70,800,702</u>	<u>(1,658,091)</u>	<u>-</u>	<u>69,142,611</u>
Governmental Activities Capital Assets, Net	<u>\$ 71,734,266</u>	<u>\$ (1,641,857)</u>	<u>\$ -</u>	<u>\$ 70,092,409</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on all Funds (Continued)

Depreciation expense was charged to governmental activities as follows:

Administration	\$ 677
Elementary and Secondary Regular Instruction	29,818
Special Education Instruction	6,551
Instructional Support Services	15,626
Pupil Support Services	20,498
Sites and Buildings	2,270,320
Fiscal and Other Fixed Cost Programs	204
	<hr/>
Total Depreciation Expense	<u><u>\$ 2,343,694</u></u>

D. Construction Commitments

The District has an active construction project as of June 30, 2021. At year end the District's commitments are as follows:

Project	Spent-to-Date	Remaining Commitment
	<hr/>	<hr/>
CSP Restrooms	<u><u>\$ 16,234</u></u>	<u><u>\$ 285,936</u></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><u>\$ 1,050,000</u></u>	<u><u>\$ 52,705,000</u></u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on all Funds (Continued)

The annual requirements to amortize all bonds outstanding at June 30, 2021 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
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	1,740,000	1,958,350	3,698,350
2027 - 2031	12,970,000	8,266,750	21,236,750
2032 - 2036	15,820,000	5,428,600	21,248,600
2037 - 2041	17,400,000	2,088,000	19,488,000
Total	<u>\$ 52,705,000</u>	<u>\$ 26,201,850</u>	<u>\$ 78,906,850</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	\$ 23,806	2.11 %	01/05/17	01/10/22	\$ 2,909	\$ 2,909
Copier Lease	38,864	2.11	08/01/17	09/01/21	<u>2,530</u>	<u>2,530</u>
Total Capital Leases					<u>\$ 5,439</u>	<u>\$ 5,439</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 are as follows:

Year Ending June 30	Principal Payments	Interest Payments	Total
2022	<u>\$ 5,439</u>	<u>\$ 29</u>	<u>\$ 5,468</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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 loan. 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	\$ 121,600	\$ 121,600
Technology Loan	122,898	2.11	06/20/17	12/16/21	25,347	25,347
Technology Loan	184,691	2.75	06/22/18	12/15/21	47,421	47,421
Technology Loan	102,790	2.90	06/22/18	12/15/22	20,833	42,278
Technology Loan	174,437	2.35	06/20/19	12/15/22	43,587	88,212
Technology Loan	104,430	2.39	06/20/19	12/15/23	20,622	63,378
Technology Loan	200,338	2.15	06/24/20	12/15/23	48,980	150,167
Technology Loan	121,925	2.25	06/24/20	12/15/24	23,551	97,476
Technology Loan	155,745	1.89	06/24/21	12/15/24	38,995	155,745
Technology Loan	101,955	1.99	06/24/21	12/15/25	20,438	101,954
Total					<u>\$ 411,374</u>	<u>\$ 893,578</u>

The annual requirements to amortize all capital notes payable outstanding at June 30, 2021 are as follows:

<u>Year Ending June 30</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total</u>
2022	\$ 411,374	\$ 18,877	\$ 430,251
2023	219,283	10,504	229,787
2024	156,494	5,527	162,021
2025	85,430	2,179	87,609
2026	20,997	424	21,421
Total	<u>\$ 893,578</u>	<u>\$ 37,511</u>	<u>\$ 931,089</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on all Funds (Continued)

Long-term liability activity for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation bonds	\$ 53,540,000	\$ -	\$ (835,000)	\$ 52,705,000	\$ 1,050,000
Unamortized premium	2,858,586	-	(136,123)	2,722,463	-
Notes Payable	1,048,060	257,701	(412,183)	893,578	411,374
Capital Leases Payable	33,478	-	(28,039)	5,439	5,439
Severance Benefits Payable	134,604	143,964	(167,134)	111,434	69,385
Compensated Absences Payable	30,552	53,443	(51,593)	32,402	32,402
Governmental Activities					
Total Long-term Liabilities	<u>\$ 57,645,280</u>	<u>\$ 455,108</u>	<u>\$ (1,630,072)</u>	<u>\$ 56,470,316</u>	<u>\$ 1,568,600</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 3: Detailed Notes on all Funds (Continued)

F. Components of Fund Balance

At June 30, 2021, 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	\$ 11,107	\$ -	\$ -	\$ 11,107	\$ -	\$ 11,107
Restricted						
Student activities	\$ 131,611	\$ -	\$ -	\$ 131,611	\$ -	\$ 131,611
Scholarships	137,251	-	-	137,251	-	137,251
Staff development	3,850	-	-	3,850	-	3,850
Operating capital	235,515	-	-	235,515	-	235,515
Long term						
facility maintenance	-	-	-	-	(220,248)	(220,248)
Learning and development	312	-	-	312	-	312
Gifted and talented	12	-	-	12	-	12
Basic skills	6,323	-	-	6,323	-	6,323
Achievement and integration	12,277	-	-	12,277	-	12,277
Food service	-	-	786,058	786,058	-	786,058
Community education	-	-	350,469	350,469	-	350,469
Early childhood and						
family education	-	-	45,839	45,839	-	45,839
School readiness	-	-	-	-	(444,168)	(444,168)
Community service	-	-	1,492	1,492	-	1,492
Debt service	-	657,567	-	657,567	-	657,567
Capital projects	-	-	113,650	113,650	-	113,650
Capital project levy	-	-	4,928	4,928	-	4,928
Total Restricted	\$ 527,151	\$ 657,567	\$ 1,302,436	\$ 2,487,154	\$ (664,416)	\$ 1,822,738
Assigned						
Severance	\$ 364,171	\$ -	\$ -	\$ 364,171	\$ -	\$ 364,171
VEBA trust	471,000	-	-	471,000	-	471,000
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	58,444	-	-	58,444	-	58,444
Dental	78,610	-	-	78,610	-	78,610
Depreciation	192,956	-	-	192,956	-	192,956
Bond and CSP projects	223,735	-	-	223,735	-	223,735
Total Assigned	\$ 3,443,653	\$ -	\$ -	\$ 3,443,653	\$ -	\$ 3,443,653
Unassigned	\$ 5,200,081	\$ -	\$ (444,168)	\$ 4,755,913	\$ 664,416	\$ 5,420,329

Independent School District No. 508

St. Peter, Minnesota

Notes to the Financial Statements

June 30, 2021

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 Learning and Development – This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Gifted and Talented – This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

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, 2021

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:	Step Rate Formula	Percentage
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, 2021

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

The District's contributions to TRA for the year ending June 30, 2021, 2020 and 2019 were \$1,053,549, \$942,559 and \$864,983, 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, 2021

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

The following is a reconciliation of employer contributions in TRA's Comprehensive Annual Financial Report "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 Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA's contributions not included in allocation	<u>(508,000)</u>
 Total Employer Contributions	 424,659,000
Total Non-employer Contributions	<u>35,587,000</u>
 Total Contributions Reported in Schedule of Employer and Non-Employer Pension Allocations	 <u><u>\$ 460,246,000</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, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected salary increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% thereafter
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven 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, 2021

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	<u>100.00 %</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2020 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 2019 valuation:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-205 scale.
- Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

6. Net Pension Liability

At June 30, 2021, the District reported a liability of \$15,130,898 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.2048 percent at the end of the measurement period and 0.1979 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	\$ 15,130,898
State's Proportionate Share of Net Pension Liability Associated with the District	1,268,225

For the year ended June 30, 2021 the District recognized pension expense of \$2,562,796. It also recognized \$116,178 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 308,988	\$ 216,398
Changes in Actuarial Assumptions	5,173,308	11,797,160
Net Difference Between Projected and Actual Earnings on Plan Investments	323,721	-
Changes in Proportion	1,046,047	-
Contributions to TRA Subsequent to the Measurement Date	1,053,549	-
Total	<u>\$ 7,905,613</u>	<u>\$ 12,013,558</u>

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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

Deferred outflows of resources totaling \$1,053,549 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, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2022	\$ 701,575
2023	(3,675,981)
2024	(2,679,536)
2025	429,223
2026	63,225
Thereafter	-

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%)
\$ 23,165,245	\$ 15,130,898	\$ 8,511,003

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.

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

All full-time and certain part-time employees of the District, other than teachers, are covered by the General Employees Plan. General Employees Plan members belong to 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, 2021

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.

General Employee Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for 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 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending June 30, 2021, 2020 and 2019 were \$257,903, \$241,812 and \$239,874, respectively. The District's contributions were equal to the contractually required contributions for each year as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of \$2,721,937 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. 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 \$83,935. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0454 percent which was an increase of 0.0002 percent from its proportion measured as of June 30, 2019.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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

For the year ended June 30, 2021, the District recognized expense of \$108,419 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$7,305 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2021, the District reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 24,720	\$ 10,300
Changes in Actuarial Assumptions	-	101,056
Net Difference Between Projected and Actual Earnings on Plan Investments	50,616	-
Changes in Proportion	54,391	18,668
Contributions to PERA Subsequent To the Measurement Date	257,903	-
Total	<u>\$ 387,630</u>	<u>\$ 130,024</u>

The \$257,903 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (111,646)
2023	(9,249)
2024	54,835
2025	65,763

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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

5. Actuarial Assumptions

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

Inflation	2.50% 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changes as recommended in the Jun 20, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the Jun 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
Alternative Assets(Private Markets)	25.00	5.90
Bonds(Fixed Income)	20.00	0.75
International Stocks	17.50	5.30
Cash	2.00	-
Total	<u>100.00 %</u>	

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 \$	4,362,322	\$ 2,721,937	\$ 1,368,752

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.

Independent School District No. 508
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Notes to the Financial Statements
June 30, 2021

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.

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.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

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, 2021, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	38
Active Plan Members Waiving Coverage	7
Active Plan Members	<u>186</u>
Total Plan Members	<u><u>231</u></u>

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 2021, the District directly contributed \$381,158 to the plan.

C. Actuarial Methods and Assumptions

The District's total OPEB liability of \$4,127,783 was measured as of June 30, 2021, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of July 1, 2020.

The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.45%
20-Year Municipal Bond Yield	2.45%
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 late

The discount rate used to measure the total OPEB liability was 2.45 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, 2020 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.

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 6: Postemployment Benefits other than Pensions (Continued)

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2020	<u>\$ 4,059,056</u>
Changes for the Year	
Service cost	182,500
Interest	126,796
Changes in benefit terms	8,447
Changes in assumptions or other inputs	132,142
Benefit payments	<u>(381,158)</u>
Net Changes	<u>68,727</u>
Balance at June 30, 2021	<u><u>\$ 4,127,783</u></u>

Since the prior measurement date, the following assumptions changed:

- The discount rate was changed from 3.13% to 2.45% based on 20-year municipal bond rates.
- The maximum medical benefit payable to eligible retiring principals was increased from \$52,000 to \$60,000.
- Teachers hired after 7/1/2009 are eligible for the same subsidized life insurance after retirement as teachers hired before that date.

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 (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

1 Percent Decrease (1.45%)	Current (2.45%)	1 Percent Increase (3.45%)
\$ 4,322,903	\$ 4,127,783	\$ 3,933,109

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%)
\$ 3,943,792	\$ 4,127,783	\$ 4,338,045

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 6: Postemployment Benefits other than Pensions (Continued)

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

For the year ended June 30, 2021, the District recognized OPEB revenue of \$164,812. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ -	\$ 109,131
Changes in Actuarial Assumptions	179,819	74,367
Contributions to OPEB Subsequent to the Measurement Date	<u>94,551</u>	<u>-</u>
Total	<u>\$ 274,370</u>	<u>\$ 183,498</u>

Deferred outflows of resources totaling \$94,551 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, 2022. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ (6,846)
2023	(6,846)
2024	(6,846)
2025	(6,846)
2026	(6,846)
Thereafter	30,551

Independent School District No. 508
St. Peter, Minnesota
Notes to the Financial Statements
June 30, 2021

Note 7: Prior Period Adjustment

During fiscal year 2021, a prior period adjustment was needed to reallocate fiscal year 2020 transportation expenditures to the General fund in the amount of \$10,112. A prior period adjustment was also needed to record fiscal year 2020 CARES revenue of \$69,217. As a result of the prior period adjustments to beginning balances, the following schedule reconciles the previously reported fund balances in the June 30, 2020 financial statements.

Fund	June 30, 2021		
	Net Position June 30, 2020 as Previously Reported	Prior Period Adjustment	Net Position July 1, 2020 as Restated
Governmental Activities	<u>\$ (1,847,530)</u>	<u>\$ 69,217</u>	<u>\$ (1,778,313)</u>
Governmental Funds			
General fund	\$ 8,074,948	\$ 59,105	\$ 8,134,053
Food Service	<u>529,369</u>	<u>10,112</u>	<u>539,481</u>
Total	<u>\$ 8,604,317</u>	<u>\$ 69,217</u>	<u>\$ 8,673,534</u>

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 508
ST. PETER, MINNESOTA

FOR THE YEAR ENDED
JUNE 30, 2021

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information
For the Year Ended June 30, 2021

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
06/30/20	0.2048 %	\$ 15,130,898	\$ 1,268,225	\$ 16,399,123	\$ 11,900,995	127.1 %	75.5 %
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	285,760	3,900.9	76.8
06/30/14	0.0061	281,084	19,686	300,770	261,187	107.6	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)
06/30/21	\$ 1,053,549	\$ 1,053,549	\$ -	\$ 12,958,786	8.13 %
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, 2021

Notes to the Required Supplementary Information - TRA

Changes in Actuarial Assumptions

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

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 cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information – TRA (Continued)

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

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 - No changes noted.

2016 - No changes noted.

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.

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

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
06/30/20	0.0454 %	\$ 2,721,937	\$ 83,935	\$2,805,872	\$ 3,224,165	84.4 %	79.0 %
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	0.0006	28,185	-	28,185	31,173	90.4	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)
06/30/21	\$ 257,903	\$ 257,903	\$ -	\$ 3,438,707	7.50 %
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, 2021

Notes to the Required Supplementary Information - PERA

Changes in Actuarial Assumptions

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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.

Independent School District No. 508
St. Peter, Minnesota
Required Supplementary Information (Continued)
For the Year Ended June 30, 2021

Notes to the Required Supplementary Information – PERA (Continued)

Changes in Plan Provisions

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

2019 - 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 - No changes noted.

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, 2021

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

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 182,500	\$ 230,106	\$ 217,366	\$ 226,152
Interest	126,796	150,527	147,771	126,844
Changes in benefit terms	8,447	-	-	-
Differences between expected and actual experience	-	(138,785)	-	-
Changes in assumptions	132,142	72,230	7,498	(133,155)
Benefit payments	(381,158)	(366,228)	(389,849)	(418,489)
Net Change in Total OPEB Liability	68,727	(52,150)	(17,214)	(198,648)
Total OPEB Liability - Beginning	4,059,056	4,111,206	4,128,420	4,327,068
Total OPEB Liability - Ending	<u>\$ 4,127,783</u>	<u>\$ 4,059,056</u>	<u>\$ 4,111,206</u>	<u>\$ 4,128,420</u>
Covered - Employee Payroll	\$ 15,379,075	\$ 14,600,000	\$ 13,900,000	\$ 12,700,000
District's Total OPEB Liability as a Percentage of				
Covered - Employee Payroll	26.84 %	27.80 %	29.58 %	32.51 %

Benefit Changes:

In 2021, the maximum medical benefit payable to eligible retiring principals was increased from \$52,000 to \$60,000.

Teachers hired after 7/1/2009 are eligible for the same subsidized life insurance after retirement as teachers hired before the year 2009.

The activities director, district technology director, and special program administrator have a life insurance benefit of \$200,000.

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 2021, the discount rate was changed from 3.13% to 2.45% based on 20-year municipal bond rates.

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, 2021

Independent School District No. 508

St. Peter, Minnesota

Nonmajor Governmental Funds

Combining Balance Sheet

June 30, 2021

	Special Revenue			
	Food Service	Community Service	Capital Projects	Total
Assets				
Cash and temporary investments	\$ 871,110	\$ 30,170	\$ 127,641	\$ 1,028,921
Receivables				
Taxes	-	80,596	-	80,596
Accounts	2	-	-	2
Intergovernmental	159,035	31,094	-	190,129
Total Assets	\$ 1,030,147	\$ 141,860	\$ 127,641	\$ 1,299,648
Liabilities				
Salaries and wages payable	\$ 36,930	\$ 18,050	\$ -	\$ 54,980
Accounts and other payables	157,812	5,886	9,063	172,761
Unearned revenue	49,347	-	-	49,347
Total Liabilities	244,089	23,936	9,063	277,088
Deferred Inflows of Resources				
Property taxes levied for subsequent year	-	160,868	-	160,868
Unavailable revenue				
Delinquent property taxes	-	3,424	-	3,424
Total Deferred Inflows of Resources	-	164,292	-	164,292
Fund Balances				
Restricted				
Food service	786,058	-	-	786,058
Community education	-	350,469	-	350,469
Early childhood family education	-	45,839	-	45,839
Community service	-	1,492	-	1,492
Capital projects	-	-	113,650	113,650
Capital project levy	-	-	4,928	4,928
Unassigned	-	(444,168)	-	(444,168)
Total Fund Balances	786,058	(46,368)	118,578	858,268
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,030,147	\$ 141,860	\$ 127,641	\$ 1,299,648

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, 2021

	Special Revenue			
	Food Service	Community Service	Capital Projects	Total
Revenues				
Local property tax levies	\$ -	\$ 161,989	\$ -	\$ 161,989
Other local and county revenue	2,000	333,416	374	335,790
Interest earned on investments	388	87	110	585
Revenue from state sources	41,633	225,669	-	267,302
Revenue from federal sources	1,667,476	90,046	-	1,757,522
Sales and other conversion of assets	9,188	-	-	9,188
Total Revenues	<u>1,720,685</u>	<u>811,207</u>	<u>484</u>	<u>2,532,376</u>
Expenditures				
Current				
Community education and services	-	1,004,399	-	1,004,399
Pupil support services	1,467,679	-	-	1,467,679
Capital outlay				
Community education and services	-	-	-	-
Pupil support services	6,429	-	-	6,429
Sites and buildings	-	-	65,130	65,130
Fiscal and other fixed cost programs				
Principal	-	606	-	606
Interest and other costs	-	14	-	14
Total Expenditures	<u>1,474,108</u>	<u>1,005,019</u>	<u>65,130</u>	<u>2,544,257</u>
Net Change in Fund Balances	<u>246,577</u>	<u>(193,812)</u>	<u>(64,646)</u>	<u>(11,881)</u>
Fund Balances, July 1	529,369	147,444	183,224	860,037
Prior Period Adjustment	<u>10,112</u>	<u>-</u>	<u>-</u>	<u>10,112</u>
Fund Balances, July 1 as Restated	<u>539,481</u>	<u>147,444</u>	<u>183,224</u>	<u>870,149</u>
Fund Balances, June 30	<u>\$ 786,058</u>	<u>\$ (46,368)</u>	<u>\$ 118,578</u>	<u>\$ 858,268</u>

Independent School District No. 508

St. Peter, Minnesota
General Fund
Balance Sheets
June 30, 2021 and 2020

	2021	2020
Assets		
Cash and temporary investments	\$ 10,268,111	\$ 9,409,939
Receivables		
Taxes	1,663,759	1,634,006
Accounts	22,634	35,310
Due from other school districts	514,305	382,774
Intergovernmental	2,549,739	2,504,021
Prepaid items	11,107	9,172
Total Assets	\$ 15,029,655	\$ 13,975,222
Liabilities		
Salaries and wages payable	\$ 1,343,222	\$ 1,286,842
Accounts and other payables	267,573	418,882
Due to other school districts	32,589	10,712
Due to other governments	56,742	43,749
Accrued expenses	1,039,102	1,039,262
Total Liabilities	2,739,228	2,799,447
Deferred Inflows of Resources		
Property taxes levied for subsequent year	3,085,433	3,076,614
Unavailable revenue		
Delinquent property taxes	23,002	24,213
Total Deferred Inflows of Resources	3,108,435	3,100,827
Fund Balances		
Nonspendable	11,107	9,172
Restricted		
Scholarships	137,251	135,318
Student activities	131,611	130,660
Staff development	3,850	3,464
Operating capital	235,515	141,111
Learning and development	312	-
Gifted and talented	12	-
Basic skills	6,323	2,930
Achievement and integration	12,277	59,093
Assigned		
Severance	364,171	364,171
VEBA trust	471,000	401,000
Donations	10,000	-
Capital outlay	1,670,000	1,670,000
Water mitigation	374,737	-
Academics, arts or athletic programs	58,444	374,737
Dental	78,610	59,186
Depreciation	192,956	40,000
Bond and CSP projects	223,735	192,956
Unassigned	5,200,081	4,491,150
Total Fund Balances	9,181,992	8,074,948
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,029,655	\$ 13,975,222

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Local property tax levies	\$ 3,292,417	\$ 3,322,117	\$ 3,478,290	\$ 156,173
Other local and county revenue	89,100	1,138,147	1,007,351	(130,796)
Interest earned on investments	1,097,952	3,955	4,872	917
Revenue from state sources	23,151,746	23,795,857	23,470,168	(325,689)
Revenue from federal sources	1,317,159	1,383,616	1,492,973	109,357
Sales and other conversion of assets	-	175	-	(175)
Total Revenues	28,948,374	29,643,867	29,453,654	(190,213)
Expenditures				
Current				
Administration				
Salaries	1,005,861	1,114,701	1,106,076	8,625
Employee benefits	345,386	414,326	417,668	(3,342)
Purchased services	37,850	37,850	45,669	(7,819)
Supplies and materials	26,226	23,560	10,469	13,091
Other expenditures	32,225	37,825	33,138	4,687
Total administration	1,447,548	1,628,262	1,613,020	15,242
District support services				
Salaries	279,617	307,345	298,802	8,543
Employee benefits	86,679	121,207	135,541	(14,334)
Purchased services	101,300	93,395	77,731	15,664
Supplies and materials	24,400	10,400	3,227	7,173
Other expenditures	34,150	37,150	31,987	5,163
Total district support services	526,146	569,497	547,288	22,209
Elementary and secondary regular instruction				
Salaries	8,554,396	8,783,571	8,129,020	654,551
Employee benefits	3,121,795	3,435,971	3,324,190	111,781
Purchased services	871,499	1,057,839	692,839	365,000
Supplies and materials	499,818	536,909	424,264	112,645
Other expenditures	233,538	163,773	93,853	69,920
Total elementary and secondary regular instruction	13,281,046	13,978,063	12,664,166	1,313,897

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Variance With Final Budget	Actual	
	Original	Final		Actual	
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 68,200	\$ 90,360	\$ 301,947	\$ (211,587)	\$ 240,734
Employee benefits	29,017	31,734	31,355	379	28,796
Purchased services	-	-	-	-	24,887
Supplies and materials	30,000	34,000	27,060	6,940	32,408
Total vocation education instruction	127,217	156,094	360,362	(204,268)	326,825
Special education instruction					
Salaries	3,415,894	3,441,751	3,332,635	109,116	3,217,462
Employee benefits	1,029,243	1,122,453	1,103,351	19,102	1,037,184
Purchased services	1,168,622	891,847	1,042,886	(151,039)	1,006,326
Supplies and materials	29,390	27,360	35,036	(7,676)	36,966
Other expenditures	900	3,575	4,710	(1,135)	3,212
Total special education instruction	5,644,049	5,486,986	5,518,618	(31,632)	5,301,150
Instructional support services					
Salaries	650,485	743,077	710,149	32,928	694,224
Employee benefits	159,848	171,483	269,955	(98,472)	230,975
Purchased services	164,194	244,135	183,902	60,233	163,511
Supplies and materials	422,050	504,585	745,253	(240,668)	569,310
Other expenditures	1,625	2,325	1,177	1,148	2,184
Total instructional support services	1,398,202	1,665,605	1,910,436	(244,831)	1,660,204
Pupil support services					
Salaries	603,223	642,849	583,853	58,996	535,616
Employee benefits	193,776	198,868	198,188	680	159,423
Purchased services	1,372,573	1,211,239	1,211,354	(115)	1,169,895
Supplies and materials	39,525	48,005	42,398	5,607	50,519
Other expenditures	-	-	-	-	150
Total pupil support services	2,209,097	2,100,961	2,035,793	65,168	1,915,603

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Expenditures (Continued)				
Current (continued)				
Sites and buildings				
Salaries	\$ 874,144	\$ 901,806	\$ 865,889	\$ 35,917
Employee benefits	309,167	358,532	364,216	(5,684)
Purchased services	960,428	977,923	920,975	56,948
Supplies and materials	301,050	351,560	283,416	68,144
Other expenditures	8,500	7,800	9,913	(2,113)
Total sites and buildings	<u>2,453,289</u>	<u>2,597,621</u>	<u>2,444,409</u>	<u>153,212</u>
Fiscal and other fixed cost programs				
Employee benefits	92,810	79,099	59,767	19,332
Purchased services	142,000	146,800	155,070	(8,270)
Total fiscal and other fixed cost programs	<u>234,810</u>	<u>225,899</u>	<u>214,837</u>	<u>11,062</u>
Total current	<u>27,321,404</u>	<u>28,408,988</u>	<u>27,308,929</u>	<u>1,100,059</u>
Capital outlay				
Administration	29,511	29,511	31,561	(2,050)
District support services	4,000	4,000	1,780	2,220
Elementary and secondary regular instruction	189,862	161,378	134,355	27,023
Special education instruction	7,950	13,405	13,871	(466)
Instructional support services	272,025	287,997	32,244	255,753
Pupil support services	1,200	1,200	240	960
Sites and buildings	874,358	1,041,139	684,951	356,188
Total capital outlay	<u>1,378,906</u>	<u>1,538,630</u>	<u>899,002</u>	<u>639,628</u>
Fiscal and other fixed cost programs				
Principal	488,487	434,910	439,615	(4,705)
Interest and other costs	14,758	14,675	15,870	(1,195)
Total debt service	<u>503,245</u>	<u>449,585</u>	<u>455,485</u>	<u>(5,900)</u>
Total Expenditures	<u>29,203,555</u>	<u>30,397,203</u>	<u>28,663,416</u>	<u>1,733,787</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(255,181)	(753,336)	790,238	1,543,574
Other Financing Sources (Uses)				
Notes payable issued	-	257,701	257,701	-
Net Change in Fund Balances	(255,181)	(495,635)	1,047,939	1,543,574
Fund Balances, July 1	8,074,948	8,074,948	8,074,948	-
Prior Period Adjustment (Note 7)	-	-	59,105	59,105
Fund Balances, June 30	<u>\$ 7,819,767</u>	<u>\$ 7,579,313</u>	<u>\$ 9,181,992</u>	<u>\$ 1,602,679</u>
				<u>\$ 8,074,948</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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020	
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final		Final Budget	
Revenues					
Other local and county revenue	\$ -	\$ 2,000	\$ 2,000	\$ -	\$ -
Interest earned on investments	-	-	388	388	3,841
Revenue from state sources	19,600	41,400	41,633	233	52,389
Revenue from federal sources	839,875	1,652,429	1,667,476	15,047	1,128,183
Sales and other conversion of assets	549,825	27,000	9,188	(17,812)	415,957
Total Revenues	1,409,300	1,722,829	1,720,685	(2,144)	1,600,370
Expenditures					
Current					
Pupil support services					
Salaries	220,137	228,150	335,383	(107,233)	244,539
Employee benefits	69,884	86,157	83,247	2,910	78,855
Purchased services	29,195	25,375	50,387	(25,012)	114,639
Supplies and materials	1,024,841	1,289,931	996,019	293,912	941,595
Other expenditures	14,500	2,500	2,643	(143)	13,558
Total current	1,358,557	1,632,113	1,467,679	164,434	1,393,186
Capital outlay					
Pupil support services	32,147	38,669	6,429	32,240	4,492
Total Expenditures	1,390,704	1,670,782	1,474,108	196,674	1,397,678
Net Change in Fund Balances	18,596	52,047	246,577	194,530	202,692
Fund Balances, July 1	529,369	529,369	529,369	-	326,677
Prior Period Adjustment (Note 7)	-	-	10,112	-	-
Fund Balances, June 30	\$ 547,965	\$ 581,416	\$ 786,058	\$ 194,530	\$ 529,369

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Local property tax levies	\$ 161,130	\$ 159,976	\$ 161,989	\$ 159,026
Other local and county revenue	408,588	319,837	333,416	376,637
Interest earned on investments	2,000	50	87	545
Revenue from state sources	302,387	230,268	225,669	247,084
Revenue from federal sources	8,486	88,773	90,046	-
Total Revenues	882,591	798,904	811,207	783,292
Expenditures				
Current				
Community education and services				
Salaries	616,570	703,538	722,744	622,656
Employee benefits	125,046	140,644	137,656	119,511
Purchased services	142,878	92,117	73,995	75,896
Supplies and materials	53,101	65,867	68,307	58,950
Other expenditures	2,710	2,856	1,697	1,720
Total current	940,305	1,005,022	1,004,399	878,733
Capital outlay				
Community education and services	2,559	2,129	-	1,275
Fiscal and other fixed cost programs				
Principal	580	580	606	686
Interest and other costs	100	100	14	47
Total debt service	680	680	620	733
Total Expenditures	943,544	1,007,831	1,005,019	880,741
Net Change in Fund Balances	(60,953)	(208,927)	(193,812)	(97,449)
Fund Balances, July 1	147,444	147,444	147,444	244,893
Fund Balances, June 30	\$ 86,491	\$ (61,483)	\$ (46,368)	\$ 147,444

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance With	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 2,776,641	\$ 2,778,802	\$ 2,780,989	\$ 2,187	\$ 2,741,834
Interest earned on investments	1,500	500	425	(75)	6,811
Revenue from state sources	391,117	389,703	389,706	3	315,857
Total Revenues	<u>3,169,258</u>	<u>3,169,005</u>	<u>3,171,120</u>	<u>2,115</u>	<u>3,064,502</u>
Expenditures					
Fiscal and other fixed cost programs					
Principal	835,000	835,000	835,000	-	625,000
Interest and other costs	2,241,350	2,241,350	2,239,998	1,352	2,270,550
Total Expenditures	<u>3,076,350</u>	<u>3,076,350</u>	<u>3,074,998</u>	<u>1,352</u>	<u>2,895,550</u>
Net Change in Fund Balances	92,908	92,655	96,122	3,467	168,952
Fund Balances, July 1	<u>561,445</u>	<u>561,445</u>	<u>561,445</u>	<u>-</u>	<u>392,493</u>
Fund Balances, June 30	<u>\$ 654,353</u>	<u>\$ 654,100</u>	<u>\$ 657,567</u>	<u>\$ 3,467</u>	<u>\$ 561,445</u>

Independent School District No. 508
St. Peter, Minnesota
Capital Projects Governmental Funds
Combining Balance Sheet
June 30, 2021
(With Comparative Totals for June 30, 2020)

	Capital Projects	High School Construction	Totals	
			2021	2020
Assets				
Cash and temporary investments	\$ 719,674	\$ (592,033)	\$ 127,641	\$ 452,726
Liabilities				
Accounts and other payables	\$ -	\$ 9,063	\$ 9,063	\$ 269,502
Fund Balances				
Restricted				
Capital projects	714,746	-	714,746	714,261
Capital project levy	4,928	-	4,928	53,825
Unassigned	-	(601,096)	(601,096)	(584,862)
Total Fund Balances	719,674	(601,096)	118,578	183,224
Total Liabilities and Fund Balances	<u>\$ 719,674</u>	<u>\$ (592,033)</u>	<u>\$ 127,641</u>	<u>\$ 452,726</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, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Capital Projects	High School Construction	Totals	
			2021	2020
Revenues				
Local property tax levies	\$ -	\$ -	\$ -	\$ 575,902
Other local and county revenue	374	-	374	-
Interest earned on investments	110	-	110	7,615
Total Revenues	<u>484</u>	<u>-</u>	<u>484</u>	<u>583,517</u>
Expenditures				
Capital outlay				
Sites and buildings	<u>48,896</u>	<u>16,234</u>	<u>65,130</u>	<u>534,578</u>
Net Change in Fund Balances	(48,412)	(16,234)	(64,646)	48,939
Fund Balances, July 1	<u>768,086</u>	<u>(584,862)</u>	<u>183,224</u>	<u>134,285</u>
Fund Balances, June 30	<u>\$ 719,674</u>	<u>\$ (601,096)</u>	<u>\$ 118,578</u>	<u>\$ 183,224</u>

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, 2021
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021			2020
	Budgeted Amounts		Variance With	
	Original	Final	Final Budget	Actual
Revenues				
Local property tax levies	\$ 453,012	\$ -	\$ -	\$ 575,902
Other local and county revenue	25,000	-	374	-
Interest earned on investments	41,200	115	(5)	7,615
Total Revenues	519,212	115	369	583,517
Expenditures				
Current				
Sites and buildings				
Salaries	1,440	-	-	-
Employee benefits	285	-	-	-
Other expenditures	1	-	-	-
Total current	1,725	-	-	-
Capital outlay				
Sites and buildings	1,278,389	183,339	118,209	534,578
Total Expenditures	1,280,114	183,339	118,209	534,578
Net Change in Fund Balances	(760,902)	(183,224)	118,578	48,939
Fund Balances, July 1	183,224	183,224	-	134,285
Fund Balances, June 30	<u>\$ (577,678)</u>	<u>\$ -</u>	<u>\$ 118,578</u>	<u>\$ 183,224</u>



Fiscal Compliance Report - 6/30/2021

District: ST. PETER (508-1)

	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$29,453,654	<u>\$29,453,648</u>	<u>\$6</u>
Total Expenditures	\$28,663,416	<u>\$28,663,406</u>	<u>\$10</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$11,107	<u>\$11,107</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$131,611	<u>\$131,611</u>	<u>\$0</u>
4.02 Scholarships	\$137,251	<u>\$137,251</u>	<u>\$0</u>
4.03 Staff Development	\$3,850	<u>\$3,850</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	\$235,515	<u>\$235,517</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	\$312	<u>\$312</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	\$12	<u>\$13</u>	<u>(\$1)</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.41 Basic Skills Programs	\$6,323	<u>\$6,322</u>	<u>\$1</u>
4.48 Achievement and Integration	\$12,277	<u>\$12,278</u>	<u>(\$1)</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	(\$220,248)	<u>(\$220,248)</u>	<u>\$0</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	\$3,443,653	<u>\$3,443,653</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$5,420,329	<u>\$5,420,331</u>	<u>(\$2)</u>

02 FOOD SERVICES

Total Revenue	\$1,720,685	<u>\$1,720,686</u>	<u>(\$1)</u>
Total Expenditures	\$1,474,108	<u>\$1,474,108</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>			
4.52 OPEB Liab Not In Trust			

06 BUILDING CONSTRUCTION

Total Revenue	\$484	<u>\$484</u>	<u>\$0</u>
Total Expenditures	\$65,130	<u>\$65,131</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>			
4.07 Capital Projects Levy	\$4,928	<u>\$4,927</u>	<u>\$1</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	\$113,650	<u>\$113,651</u>	<u>(\$1)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

07 DEBT SERVICE

Total Revenue	\$3,171,120	<u>\$3,171,120</u>	<u>\$0</u>
Total Expenditures	\$3,074,998	<u>\$3,074,998</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	\$657,567	<u>\$657,567</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

08 TRUST

Total Revenue	\$5,703	<u>\$5,703</u>	<u>\$0</u>
Total Expenditures	\$17,000	<u>\$17,000</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	<u>\$0</u>	<u>\$0</u>
4.02 Scholarships	\$714,640	<u>\$714,640</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			

Minnesota Department of Education

	\$0	<u>\$0</u>	<u>\$0</u>		\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$786,058	<u>\$786,059</u>	<u>(\$1)</u>				
<i>Unassigned:</i>							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
04 COMMUNITY SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	\$811,207	<u>\$811,211</u>	<u>(\$4)</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$1,005,019	<u>\$1,005,022</u>	<u>(\$3)</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>				
<i>Restricted / Reserved:</i>				47 OPEB DEBT SERVICE			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>	Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$350,469	<u>\$350,467</u>	<u>\$2</u>	Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.32 E.C.F.E	\$45,839	<u>\$45,837</u>	<u>\$2</u>	<i>Non Spendable:</i>			
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	(\$444,168)	<u>(\$444,166)</u>	<u>(\$2)</u>	<i>Restricted:</i>			
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>	4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>	<i>Unassigned:</i>			
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>							
4.64 Restricted Fund Balance	\$1,492	<u>\$1,494</u>	<u>(\$2)</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, 2021

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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, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2021.

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 insofar as they relate to accounting matters. 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
Mankato, Minnesota
December 16, 2021

**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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2021.

Internal Control Over Financial Reporting

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

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 2021-003 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 2021-001 and 2021-002 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
Mankato, Minnesota
December 16, 2021



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

FOR THE YEAR ENDED
JUNE 30, 2021

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, 2021. 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, 2021.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that 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
Mankato, Minnesota
December 16, 2021



Independent School District No. 508
St. Peter, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

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	Commodity Supplemental Food Program*	10.555	1000003951	\$ 87,991	
U.S. Department of Agriculture	Minnesota Department of Education	Special Milk Program for Children	10.556	1000003951	1,068	
U.S. Department of Agriculture	Minnesota Department of Education	Summer Food Service Program for Children	10.559	1000003951	<u>1,572,294</u>	
Total Child Nutrition Cluster						\$ 1,661,353
U.S. Department of Education	Minnesota Valley Education District Flow Through Payments	Special Education Grants to States	84.027	Unknown	150,000	
U.S. Department of Education	Minnesota Valley Education District Flow Through Payments	Special Education Preschool Grants	84.173	Unknown	<u>20,000</u>	
Total Special Education Cluster						170,000
U.S. Department of Treasury	Minnesota Department of Revenue	COVID-19 - Coronavirus Relief Fund	21.019C	Unknown	609,029	
U.S. Department of Treasury	Local Agencies	COVID-19 - Coronavirus Relief Fund	21.019C	Unknown	80,383	
U.S. Department of Treasury	Minnesota Department of Revenue	American Rescue Plan (ARP) Summer Academic Enrichment and Mental Health	21.027	Unknown	37,102	
U.S. Department of Education	Minnesota Department of Education	Title I Grants to Local Educational Agencies	84.010	S010A150023A	245,272	
U.S. Department of Education	Minnesota Department of Education	Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	S010A150023A	45,023	
U.S. Department of Education	Minnesota Department of Education	English Language Acquisition Grants	84.365	S365A150023A	23,760	
U.S. Department of Education	Minnesota Department of Education	Improving Teacher Quality State Grants	84.367	S367A150022	43,189	
U.S. Department of Education	Minnesota Department of Education	Student Support and Academic Enrichment Program	84.424	Unknown	8,000	
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Governors Emergency Relief Fund	84.425C	Unknown	38,153	
U.S. Department of Education	Minnesota Department of Education	COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	Unknown	<u>246,737</u>	
Total Other Programs						<u>1,376,648</u>
Total Expended						<u><u>\$ 3,208,001</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, 2021

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, 2021, 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, 2021

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

	CFDA No.
Child Nutrition Cluster	
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
COVID-19 - Coronavirus Relief Fund	21.019
COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425

Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
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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, 2021

2021-001 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, 2021

2021-002 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, 2021

2021-003 Year-end Audit Adjustments

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

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

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.



2021-001 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



2021-002 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

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2021-003 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

Independent School District No. 508

St. Peter, Minnesota

Schedule of Prior Year Findings

For the Year Ended June 30, 2021

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 Prior Year Findings (Continued)
For the Year Ended June 30, 2021

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 Prior Year Findings (Continued)
For the Year Ended June 30, 2021

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 Prior Year Findings (Continued)
For the Year Ended June 30, 2021

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.