

INDEPENDENT AUDITOR'S REPORT
INDEPENDENT SCHOOL DISTRICT NO. 403
IVANHOE, MINNESOTA 56142
FOR THE YEAR ENDING JUNE 30, 2021

Meulebroeck, Taubert & Co., PLLP
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Independent School District No. 403
Ivanhoe, Minnesota

BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2021

BOARD OF EDUCATION

Matt Landrus	Chairperson
Becky Paluch	Vice-Chairperson
Dan Popowski	Treasurer
Stacy Kiley	Clerk
Justin Jerzak	Director
Marty Rost	Director

ADMINISTRATIVE PERSONNEL

Dan Deitte	Superintendent
Heather Anderson	Principal
SW/WC Service Cooperative	Business Manager
Nancy Blanchette	Administrative Assistant

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INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District No. 403
Ivanhoe Public Schools
Ivanhoe, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financials 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.

The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2020, and in our report dated October 8, 2020, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for General Fund and Major Special Revenue Funds (Food Service Fund and Community Service Fund) and Debt Service Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the district's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 8, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedules of District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with

management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 403's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents as supplemental information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2021, on our consideration of the Independent School District No. 403'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independent School District No. 403's internal control over financial reporting and compliance.



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

September 16, 2021

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

This section of the Independent School District No. 403's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the other components of the District's annual financial report.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 --*Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* issued in June 1999. Certain comparative information between the current year (2021) and the prior year (2020) is required to be presented in MD&A.

Financial Highlights

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

- Net position increased by \$56,086, or 2.4% over June 30, 2021 due primarily to the GASB 68 adjustment for PERA and TRA pension.
- Total governmental revenues decreased by \$108,813 or 4.0% in comparison to fiscal year 2020, while expenditures decreased by \$195,521 or 6.9% in comparison to fiscal year 2020. Expenditures decrease primarily due to the Capital Lease for boiler of \$117,533.
- Fund Balance decreased by \$27,115 over June 30, 2020.

Overview of the Financial Statements

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

District-Wide Statements

The District-wide statements (statement of net assets and statement of activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Independent School District No. 403
Ivanhoe, Minnesota

Fund Financial Statements

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

The District maintains the following funds:

Governmental Funds - The District's services are included in this type of fund, which generally focuses on 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's activities. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information (reconciliation schedules) immediately following the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

Independent School District No. 403
Ivanhoe, Minnesota

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

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 403, liabilities exceeded assets by \$2,243,010 at the close of the most recent fiscal year. This was an increase of \$56,086 or 2.4% from the previous year total of \$2,299,096.

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

Table 1 Statement of Net Position As of June 30, 2021		
<u>Assets</u>	<u>2021</u>	<u>2020</u>
Current and other assets	1,839,930	1,846,914
Capital assets, net of depreciation	<u>5,148,101</u>	<u>5,681,069</u>
Total Assets	6,988,031	7,527,983
<u>Deferred Outflows of Resources</u>		
Related to Pensions	<u>304,427</u>	<u>522,572</u>
Total Assets and Deferred Outflows of Resources	<u>7,292,458</u>	<u>8,050,555</u>
<u>Liabilities</u>		
Current and other liabilities	696,465	696,633
Long-term liabilities	<u>7,183,776</u>	<u>7,674,108</u>
Total Liabilities	7,880,241	8,370,741
<u>Deferred Inflows of Resources</u>		
Property Taxes Levied for Subsequent Year	996,038	962,775
Related to Pensions	<u>659,189</u>	<u>1,016,135</u>
Total Deferred Inflows of Resources	1,655,227	1,978,910
<u>Net Position</u>		
Invested in capital assets, net of related debt	(1,959,038)	(2,008,613)
Restricted	447,954	479,044
Unrestricted	<u>(731,926)</u>	<u>(769,527)</u>
Net Position	<u>(2,243,010)</u>	<u>(2,299,096)</u>
Total Liabilities and Net Position	<u>7,292,458</u>	<u>8,050,555</u>

Independent School District No. 403
Ivanhoe, Minnesota

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

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

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

	<u>2021</u>	<u>2020</u>
<u>Revenues</u>		
Program Revenues		
Charges for Services	24,146	48,337
Operating Grants and Contributions	277,491	239,392
General Revenues		
Property Taxes	728,907	875,341
Unrestricted Federal and State Aid	1,517,377	1,480,153
Other	<u>59,112</u>	<u>90,332</u>
Total revenues	2,607,033	2,733,555
<u>Expenses</u>		
District and School Administration	34,545	38,546
District Support Services	124,807	123,736
Regular Instruction	858,087	846,061
Exceptional Instruction	162,801	175,030
Instructional Support Services	51,384	39,871
Pupil Support Services	193,778	173,864
Site, Buildings, and Equipment	753,987	712,706
Fiscal and Other Fixed Cost Programs	18,788	18,965
Food Service	71,437	76,604
Community Service	101,188	108,115
Interest and Fiscal Charges on		
Long-term Liabilities	<u>180,145</u>	<u>189,923</u>
Total expenses	<u>2,550,947</u>	<u>2,503,421</u>
<u>Change in Net Position</u>	56,086	230,134
Beginning net position,	(2,299,096)	(2,546,180)
Change in Accounting Principle		<u>16,900</u>
Beginning net position, as restated	<u>(2,299,096)</u>	<u>(2,529,230)</u>
Ending net position	<u>(2,243,010)</u>	<u>(2,299,096)</u>

The district's total revenue consisted of program revenues of \$301,637, property taxes of \$728,907, federal and state aid not restricted to specific purposes of \$1,517,377, and other revenues of \$59,112.

The cost of all governmental activities this year was \$2,550,947.

- The users of the district programs paid for \$24,146 or 0.95% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$277,491 or 10.88% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$1,517,377 or 59.48% of total costs.

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

Figure A - Sources of Revenues for Fiscal Year 2021

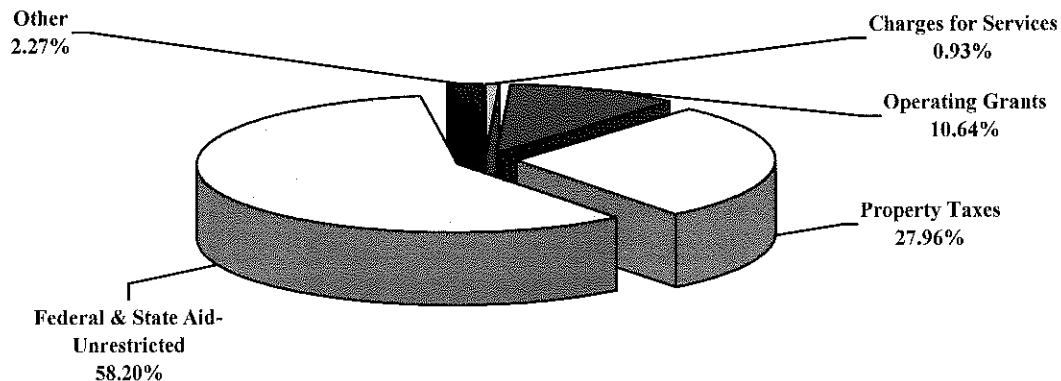
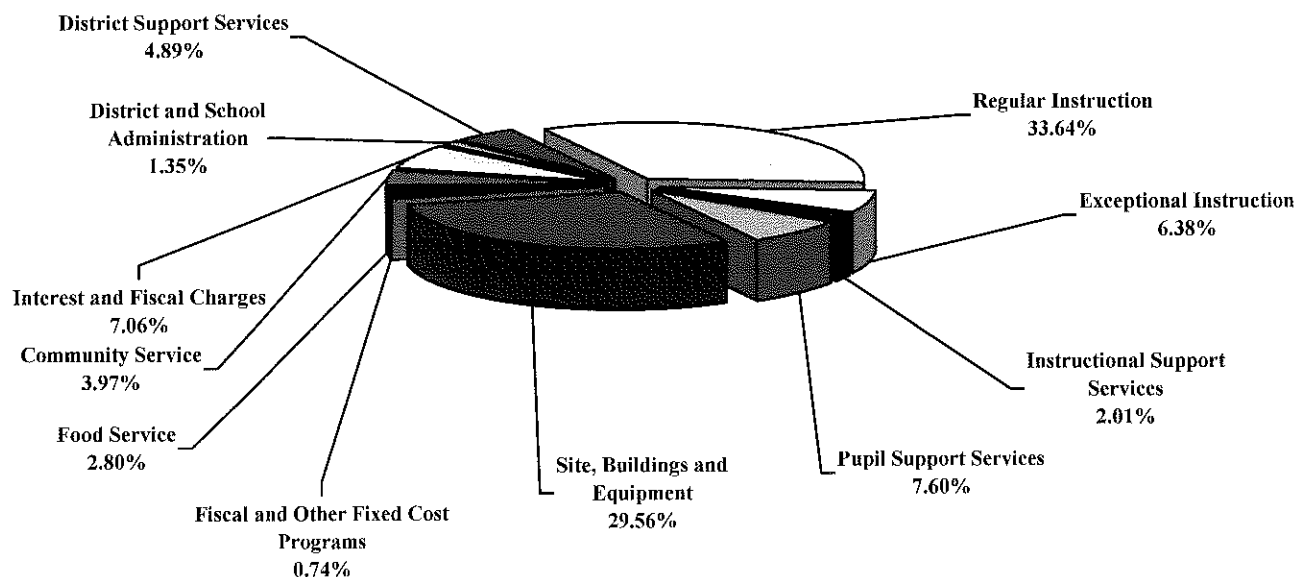


Figure B - Expenses for Fiscal Year 2021



Independent School District No. 403
Ivanhoe, Minnesota

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

Fund Balance

The financial performance of the district as a whole is reflected in its governmental funds as well. As the district completed the year, the governmental funds reported a combined fund balance of \$731,911 which is an decrease of \$27,115 over the prior year fund balance of \$759,026. The General Fund had an increase of \$12,529. The Food Service Fund had an increase of \$14,398. The Community Service Fund an increase of \$2,302. The Debt Service Fund had a decrease of \$56,344.

Revenues and Expenditures/Expenses

Revenues of the district's governmental funds totaled \$2,609,335 while total expenditures were \$2,636,450. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	1,756,344	1,723,815	(20,000)	12,529
Food Service Fund	85,835	71,437		14,398
Community Service Fund	83,355	101,053	20,000	2,302
Debt Service Fund	<u>683,801</u>	<u>740,145</u>		<u>(56,344)</u>
Total	<u>2,609,335</u>	<u>2,636,450</u>	<u>-0-</u>	<u>(27,115)</u>

General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. During fiscal year 2021, the District revised the budget. The district's revised budget anticipated that revenues would exceed expenditures and other financing sources (uses) by \$21,803. The actual results for the year showed revenues exceeding expenditures by \$12,529.

- Actual general fund revenues were over budget by \$38,696 primarily due to differences in state aids.
- Actual general fund expenditures over budget by \$34,510 primarily due to under budgeting expenditures for salaries, benefits.

Capital Assets

During fiscal year 2021, there was no capital assets purchases.

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2021.

Table 3
Capital Assets

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Land	9,694	9,694	
Land Improvements	10,089,080	10,089,080	
Buildings and Improvements	1,177,886	1,177,886	
Equipment	303,249	303,249	
Less: Accumulated Depreciation	<u>(6,431,808)</u>	<u>(5,898,840)</u>	<u>(532,968)</u>
Total	<u>5,148,101</u>	<u>5,681,069</u>	<u>(532,968)</u>
Depreciation Expense	<u>532,968</u>	<u>530,997</u>	<u>(1,971)</u>

Long-Term Liabilities

In fiscal year 2021 the District had General Obligation Judgment Bonds of 2014 with an outstanding balance of \$610,000 and General Obligation Refunding School Building Bonds of 2016 with an outstanding balance of \$6,415,000. The District has an outstanding Capital Lease obligation of \$82,139 for building heating equipment. Pension benefits payable increased by \$102,873. Pension benefits payable totaled \$669,842 at June 30, 2021. More detailed information about the district's long-term liabilities is presented in Note 6.

Factors Bearing on the District's Future

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

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 403 at 421 N. Rebecca St., Ivanhoe, Minnesota 56136.

STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and Investments	1,085,499	1,063,686
Receivables:		
Property Taxes	586,783	576,464
Governmental Units	136,962	183,473
Other	25,111	21,029
Inventory	5,453	1,275
Prepaid Items	122	987
Capital Assets:		
Non-Depreciable	9,694	9,694
Depreciable - net of accumulated depreciation	5,138,407	5,671,375
Total Assets	6,988,031	7,527,983
<u>Deferred Outflows of Resources</u>		
Related to Pensions	304,427	522,572
Total Assets and Deferred Outflows of Resources	7,292,458	8,050,555
<u>Liabilities</u>		
Accounts Payable	15,588	5,938
Salaries Payable	54,646	45,584
Due to Other Governmental Units	4,085	34,277
Payroll Deductions	28,941	28,291
Long-term Liabilities:		
Portion Due Within One Year	593,205	582,543
Portion Due in More Than One Year	6,513,934	7,107,139
Pension Benefit Payable	669,842	566,969
Total Liabilities	7,880,241	8,370,741
<u>Deferred Inflows of Resources</u>		
Property Taxes Levied for Subsequent Year	996,038	962,775
Related to Pensions	659,189	1,016,135
Total Deferred Inflows of Resources	1,655,227	1,978,910
<u>Net Position</u>		
Invested in Capital Assets, Net of Related Debt	(1,959,038)	(2,008,613)
Restricted for:		
General Fund State Mandated Purposes	103,944	95,390
Food Service	23,023	8,625
Community Service	75,561	73,259
Debt Service	245,426	301,770
Unrestricted	(731,926)	(769,527)
Total Net Position	(2,243,010)	(2,299,096)
Total Liabilities, Deferred Inflows of Resources and Net Position	7,292,458	8,050,555

See accompanying notes to the financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Government Activities</u>	
					<u>2021</u>	<u>2020</u>
Governmental Activities						
District and School Administration	34,545				(34,545)	(38,546)
District Support Services	124,807				(124,807)	(123,736)
Regular Instruction	858,087		117,593		(740,494)	(728,468)
Exceptional Instruction	162,801		59,981		(102,820)	(129,508)
Instructional Support Services	51,384				(51,384)	(39,871)
Pupil Support Services	193,778				(193,778)	(173,864)
Site, Buildings and Equipment	753,987				(753,987)	(712,706)
Fiscal and Other Fixed Cost Program	18,788				(18,788)	(18,965)
Food Service	71,437	5,376	80,453		14,392	8,625
Community Service	101,188	18,770	19,464		(62,954)	(68,730)
Interest and Fiscal Charges on						
Long-term Liabilities	180,145				(180,145)	(189,923)
Total	<u>2,550,947</u>	<u>24,146</u>	<u>277,491</u>	<u>-0-</u>	<u>(2,249,310)</u>	<u>(2,215,692)</u>
<u>General Revenues</u>						
Property Taxes Levied for:						
General Purposes					299,388	346,999
Community Service					21,398	26,235
Debt Service					408,121	502,107
Federal and State Aid Not Restricted to Specific Purposes					1,517,377	1,480,153
Earnings on Investments					573	12,297
Miscellaneous					58,539	78,035
Total General Revenues					<u>2,305,396</u>	<u>2,445,826</u>
Change in Net Position					<u>56,086</u>	<u>230,134</u>
Net Position - Beginning, As Originally Stated					<u>(2,299,096)</u>	<u>(2,546,130)</u>
Change in Accounting Principle						<u>16,900</u>
Net Position - Beginning, Restated					<u>(2,299,096)</u>	<u>(2,529,230)</u>
Net Position - Ending					<u>(2,243,010)</u>	<u>(2,299,096)</u>

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2021	2020
<u>Assets</u>						
Cash and Investments	507,124	14,572	98,262	465,541	1,085,499	1,063,686
Current Property Taxes Receivable	108,748		8,770	460,544	578,062	565,441
Delinquent Property Taxes Receivable	7,804		228	689	8,721	11,023
Accounts Receivable	2,448		243		2,691	6,724
Due From Department of Education	107,499		1,929	27,534	136,962	183,473
Due From Other Minnesota School Districts	15,114				15,114	14,305
Due From Federal Government		7,306			7,306	
Inventory		5,453			5,453	1,275
Prepaid Items	122				122	987
Total Assets	748,859	27,331	109,432	954,308	1,839,930	1,846,914
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>						
<u>Liabilities</u>						
Accounts Payable	14,832	268	488		15,588	5,938
Salaries Payable	39,261	4,040	11,345		54,646	45,584
Due to Other Governmental Units	21				21	
Due to Other Minnesota School Districts	4,064				4,064	34,277
Payroll Deductions	28,941				28,941	28,291
Total Liabilities	87,119	4,308	11,833	-0-	103,260	114,090
<u>Deferred Inflows of Resources</u>						
Unearned Revenue-Delinquent Taxes	7,804		228	689	8,721	11,023
Property Taxes Levied for Subsequent Years	266,035		21,810	708,193	996,038	962,775
Total Deferred Inflows of Resources	273,839	-0-	22,038	708,882	1,004,759	973,798
<u>Fund Balance</u>						
Fund Balance-Nonspendable	122	5,453			5,575	2,262
Fund Balance-Restricted	103,822	17,570	75,561	245,426	442,379	476,782
Fund Balance-Unassigned	283,957				283,957	279,982
Total Fund Balance	387,901	23,023	75,561	245,426	731,911	759,026
Total Liabilities, Deferred Inflows of Resources and Fund Balances	748,859	27,331	109,432	954,308	1,839,930	1,846,914

See accompanying notes to the financial statements.

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

	<u>2021</u>	<u>2020</u>
Total Governmental Fund Balances	731,911	759,026
Amounts reported in Governmental Activities in The Statement of Net Position is Different Because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Cost of Capital Assets	11,579,909	11,579,909
Less: Accumulated Depreciation	<u>(6,431,808)</u>	<u>(5,898,840)</u>
	5,148,101	5,681,069
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue.	8,721	11,023
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources related to Pensions	304,427	522,572
Deferred Inflows of Resources related to Pensions	<u>(659,189)</u>	<u>(1,016,135)</u>
	(354,762)	(493,563)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term are reported in the statement of assets. Balances at year-end are:		
Capital Lease	(82,139)	(104,682)
Bonds Payable	(7,025,000)	(7,585,000)
Pension Benefits Payable	<u>(669,842)</u>	<u>(566,969)</u>
	(7,776,981)	(8,256,651)
Net Position of Governmental Activities	<u>(2,243,010)</u>	<u>(2,299,096)</u>

See accompanying notes to the financial statements.

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

	Major Funds				Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	2021	2020
Revenues						
Local Property Tax Levies	301,690		21,398	408,121	731,209	872,785
Other Local and County Revenues	34,689	6	42,493	266	77,454	95,299
Revenue from State Sources	1,323,147	258	19,464	275,414	1,618,283	1,589,512
Revenue from Federal Sources	96,390	80,195			176,585	130,033
Other	428	5,376			5,804	30,519
Total Revenues	1,756,344	85,835	83,355	683,801	2,609,335	2,718,148
Expenditures						
District and School Administration	34,545				34,545	38,546
District Support Services	124,807				124,807	123,736
Regular Instruction	890,210				890,210	886,666
Exceptional Instruction	162,801				162,801	175,030
Community Education and Services			101,053		101,053	107,980
Instructional Support Services	51,384				51,384	39,871
Pupil Support Services	193,778	71,437			265,215	250,468
Site, Buildings and Equipment	247,502				247,502	450,786
Fiscal and Other Fixed Cost Programs	18,788			740,145	758,933	758,888
Total Expenditures	1,723,815	71,437	101,053	740,145	2,636,450	2,831,971
Excess Revenues (Expenditures)						
Before Other Financing Sources (Uses)	32,529	14,398	(17,698)	(56,344)	(27,115)	(113,823)
Other Financing Sources (Uses)						
Lease Transactions/Installment Sales						117,533
Amount Provided by Capital Lease						117,533
Transfer In	24,418		101,425		125,843	
Transfer Out	(44,418)		(81,425)		(125,843)	
Total Other Financing Sources (Uses)	(20,000)	-0-	20,000	-0-	-0-	235,066
Net Change in Fund Balance	12,529	14,398	2,302	(56,344)	(27,115)	121,243
Fund Balance-Beginning	375,372	8,625	73,259	301,770	759,026	620,883
Change in Accounting Principle						16,900
Fund Balance-Beginning, restated	375,372	8,625	73,259	301,770	759,026	637,783
Fund Balance-Ending	387,901	23,023	75,561	245,426	731,911	759,026

See accompanying notes to the financial statements.

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

	<u>2021</u>	<u>2020</u>
Net Change in Governmental Fund Balances	(27,115)	121,243
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures, however, in the statement of activities, assets with an initial, individual cost of more than \$2,000.00 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period		
Capital Outlay		152,187
Disposal of Assets		(4,904)
Depreciation Expense	<u>(532,968)</u>	<u>(530,997)</u>
	(532,968)	(383,714)
Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:		
Capital Lease Proceeds		(117,533)
Capital Lease Payments	22,543	12,851
Bond Payments	<u>560,000</u>	<u>550,000</u>
	582,543	445,318
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, are therefore deferred in the funds.		
	(2,302)	2,556
In the statement of activities, severance and retirement benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).		
	138,801	8,955
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Pension Benefits	(102,873)	35,776
Change in Net Position of Governmental Activities	<u>56,086</u>	<u>230,134</u>

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	300,805	296,683	301,690	5,007
Other Local and County Revenues	39,469	32,433	34,689	2,256
Revenue from State Sources	1,275,786	1,287,763	1,323,147	35,384
Revenue from Federal Sources	54,362	100,269	96,390	(3,879)
Other	700	500	428	(72)
Total Revenues	1,671,122	1,717,648	1,756,344	38,696
<u>Expenditures</u>				
District and School Administration	38,591	38,591	34,545	4,046
District Support Services	99,640	136,156	124,807	11,349
Regular Instruction	888,069	834,621	890,210	(55,589)
Exceptional Instruction	210,917	192,484	162,801	29,683
Instructional Support Services	41,785	61,882	51,384	10,498
Pupil Support Services	188,493	196,853	193,778	3,075
Site, Building and Equipment	235,572	209,867	247,502	(37,635)
Fiscal and Other Fixed Cost Programs	18,000	18,851	18,788	63
Total Expenditures	1,721,067	1,689,305	1,723,815	(34,510)
Excess Revenues (Expenditures)	(49,945)	28,343	32,529	4,186
<u>Other Financing Sources (Uses)</u>				
Transfer In			24,418	24,418
Transfer Out	(6,540)	(6,540)	(44,418)	(37,878)
Total Other Financing Sources (Uses)	(6,540)	(6,540)	(20,000)	(13,460)
Excess Revenues and Other Financing Sources				
Over (Under) Expenditures and				
Other Financing Uses	(56,485)	21,803	12,529	(9,274)
Fund Balance-Beginning			375,372	
Fund Balance-Ending			387,901	

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				
Total Local and County Revenues			6	6
Revenue from State Sources	4,350	166	258	92
Revenue from Federal Sources	28,250	50,450	80,195	29,745
Other	30,200	5,560	5,376	(184)
Total Revenues	62,800	56,176	85,835	29,659
<u>Expenditures</u>				
Pupil Support Services	69,570	70,601	71,437	(836)
Total Expenditures	69,570	70,601	71,437	(836)
Excess Revenues (Expenditures)	<u>(6,770)</u>	<u>(14,425)</u>	14,398	<u>28,823</u>
Fund Balance-Beginning			8,625	
Fund Balance-Ending			<u>23,023</u>	

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	26,793	21,270	21,398	128
Other Local and County Revenues	57,690	34,590	42,493	7,903
Revenue from State Sources	20,573	19,191	19,464	273
Total Revenues	105,056	75,051	83,355	8,304
<u>Expenditures</u>				
Community Education and Services	132,132	119,207	101,053	18,154
Total Expenditures	132,132	119,207	101,053	18,154
Excess Revenues (Expenditures)	(27,076)	(44,156)	(17,698)	26,458
<u>Other Financing Sources (Uses)</u>				
Transfer Out			(81,425)	(81,425)
Transfer In			101,425	101,425
Total Other Financing Sources (Uses)	-0-	-0-	20,000	20,000
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(27,076)	(44,156)	2,302	46,458
Fund Balance-Beginning			73,259	
Fund Balance-Ending			75,561	

See accompanying notes to the financial statements.

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

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>Revenues</u>				
Local Property Tax Levies	674,282	377,704	408,121	30,417
Other Local and County Revenues			266	266
Revenue from State Sources	266,446	275,342	275,414	72
Total Revenues	<u>940,728</u>	<u>653,046</u>	<u>683,801</u>	<u>30,755</u>
<u>Expenditures</u>				
Fiscal and Other Fixed Cost Programs	742,500	740,145	740,145	
Total Expenditures	<u>742,500</u>	<u>740,145</u>	<u>740,145</u>	<u>-0-</u>
Net Change in Fund Balance	<u>198,228</u>	<u>(87,099)</u>	<u>(56,344)</u>	<u>30,755</u>
Fund Balance-Beginning			301,770	
Fund Balance-Ending			<u>245,426</u>	

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY ASSETS
EXPENDABLE TRUST FUND
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Cash and Investments	<u>3,327</u>	<u>3,524</u>
Total Assets	<u><u>3,327</u></u>	<u><u>3,524</u></u>
 <u>Net Position</u>		
Reserved for Scholarships	<u>3,327</u>	<u>3,524</u>
Total Net Position	<u><u>3,327</u></u>	<u><u>3,524</u></u>

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2021

<u>Additions</u>	<u>2021</u>	<u>2020</u>
Interest Income	<u>3</u>	<u>7</u>
Total Additions	<u>3</u>	<u>7</u>
 <u>Deductions</u>		
Scholarships	<u>200</u>	<u>200</u>
Change in Net Position	<u>(197)</u>	<u>(193)</u>
 Net Position - Beginning of Year	<u>3,524</u>	<u>3,717</u>
Net Position - End of Year	<u><u>3,327</u></u>	<u><u>3,524</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Independent School District No. 403 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Independent School District 403, Ivanhoe, was formed and operates pursuant to applicable Minnesota laws and statutes. The Ivanhoe District operates under an elected six-member Board of Education form of government. The Board has control over all activities related to the public-school education in the Ivanhoe District.

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

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

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

C. Basic Financial Statement Presentation

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

C. Basic Financial Statement Presentation- continued

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

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

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

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

D. Basis of Accounting and Measurement Focus

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - 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. "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes are considered to be available if collected within 60 days of fiscal year-end. Federal revenue is recorded in the year in which the related expenditure is made. State revenue is recognized in the year to which it applies according to Minnesota Statutes and U.S. generally accepted accounting principles. Other miscellaneous revenues (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measureable and available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

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

Description of Funds

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Governmental Funds

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for expenditures for specified purposes. These funds include the Food Service and Community Service funds.

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

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

Debt Service Fund

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

Fiduciary Funds

Expendable Trust Fund

The Expendable Trust Fund is used to account for the activity associated with the payment of an annual scholarship.

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process nor in the regular district accounting.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

F. Cash and Temporary Investments

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

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

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

G. Accounts Receivable

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

H. Inventories

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

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments. Prepaid items are reported using the consumption method and recorded as expenditure at the time of consumption.

J. Property Tax Recognition

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

J. Property Tax Recognition - continued

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

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$2,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

L. Long-Term Obligations

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

M. Deferred Outflows/Inflows of Resources

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

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

N. Fund Equity

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 the resources in the governmental funds. The following are the five fund balance categories used by the District:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

N. Fund Equity- continued

Assigned Fund Balance

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

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

Unassigned Fund Balance

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

The school district will strive to maintain a fund balance of between 25% and 34% of total operating expenditures to fund balance. The fund balance shall be defined as the sum of the restricted, committed, assigned and unassigned fund balances in the General Fund, Food Service Fund and the Community Service Fund. Total operating expenditures will include the expenditures in the funds noted above.

If resources from more than one fund balance classification could be spent, the school district established the following order for resource use: non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance. Journal entries at the end of the fiscal year may be used to accomplish this.

O. Net Position

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

P. Pensions

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 1 Summary of Significant Accounting Policies - continued

Q. Certain Comparative Data and Reclassifications

Certain comparative total data for the prior year have been presented in the District-wide and fund financial statements in order to provide an understanding of the changes in the financial position and operations. Such comparative total data does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

R. Estimates

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

S. Subsequent Events

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

Note 2 Deposits and Investments

A. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's bank balance of \$294,793 was exposed to custodial credit risk.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 Cash and Investments - continued

B. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Stat. 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 2 Cash and Investments - continued

B. Investments - continued

	<u>Credit Risk</u>	<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Carrying</u>
	<u>Credit Rating</u>	<u>Over 5% of Portfolio</u>	<u>Maturity Date</u>	<u>Value</u>
Investment Pools:				
Minnesota School District Liquid Asset Fund Plus				
Liquid Class	AAAm	20%	N/A	18,393
MAX Class	AAAm	80%	N/A	772,648
Total Investments				791,041
Nonnegotiable				
Certificates of Deposit				2,763
Cash on Hand				1,950
Deposits				293,072
Total Cash and Investments				<u>1,088,826</u>

Cash and investments are included on the basic financial statements as follows:

Cash and temporary investments – statement of net position	1,085,499
Cash and temporary investments – statement of fiduciary net position	<u>3,327</u>
	<u>1,088,826</u>

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

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

Note 3 Due From Department of Education

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

	<u>June 30</u>	
<u>General Fund</u>	<u>2021</u>	<u>2020</u>
General Education Aid	96,522	144,054
Other State Credits	3,820	3,740
Special Education	<u>7,157</u>	<u>5,665</u>
Total General Fund	107,499	153,665
<u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Summer Camp – Breakfast and Lunch		<u>2,691</u>
Total Food Service Fund	-0-	2,691

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 Due From Department of Education - continued

Special Revenue Funds - continued

Community Service Fund

Early Childhood and Family Education	1,312	697
Other State Credits	<u>617</u>	<u>1,367</u>
Total Special Revenue Funds	1,929	2,064

Debt Service Fund

Other State Credits	<u>27,534</u>	<u>25,053</u>
Total All Funds	<u>136,962</u>	<u>183,473</u>

Note 4 Capital Assets

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

	<u>Balance</u> <u>07/01/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/21</u>
Capital assets not depreciated				
Land	9,694			9,694
Capital assets depreciated				
Land Improvements	10,089,080			10,089,080
Buildings	1,177,886			1,177,886
Equipment	<u>303,249</u>			<u>303,249</u>
Total capital assets depreciated	11,570,215	-0-	-0-	11,570,215
Less accumulated depreciation for				
Land Improvements	(4,792,315)	(504,454)		(5,296,769)
Buildings	(913,232)	(14,746)		(927,978)
Equipment	<u>(193,293)</u>	<u>(13,768)</u>		<u>(207,061)</u>
Total Accumulated Depreciation	<u>(5,898,840)</u>	<u>(532,968)</u>	-0-	<u>(6,431,808)</u>
Total capital assets depreciated --				
Net	<u>5,671,375</u>	-0-	-0-	<u>5,138,407</u>
Net Capital Assets	<u>5,681,069</u>	<u>(532,968)</u>	<u>-0-</u>	<u>5,148,101</u>

Depreciation expense of \$532,968 for the year ended June 30, 2021 was charged to the following governmental functions:

Regular Instruction	2,940
Sites, Buildings, and Equipment	<u>530,028</u>
Total	<u>532,968</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 Due To Other Minnesota School Districts

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

	<u>June 30</u>	
<u>General Fund</u>	<u>2021</u>	<u>2020</u>
Independent School District No. 414		320
Independent School District No. 413		16,963
SW/WC Service Coop – Reimbursements	4,064	16,994
Total General Fund	4,064	34,277
Total All Funds	4,064	34,277

Note 6 Long-Term Liabilities

A. Bonds Payable

Bonds payable at June 30, 2021 are comprised of the following items:

	<u>Balance</u> <u>June 30, 2021</u>
General Obligation Judgment Bonds, Series 2014, Due in annual installments of \$115,000 to \$160,000 through February 1, 2025, Interest at 2.00% to 3.45%	610,000
General Obligation School Building Refunding Bonds Series 2016A, due in annual installments of \$210,000 to \$580,000 through February 1, 2034, Interest at 2.00% to 3.00%.	6,415,000
Total Bonds Payable	<u>7,025,000</u>

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

<u>Year Ended</u>			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	570,000	165,165	735,165
2023	590,000	152,388	742,388
2024	600,000	138,863	738,863
2025	615,000	124,848	739,848
2026	465,000	110,228	575,228
2027-2031	2,510,000	406,023	2,916,023
2032-2034	1,675,000	100,350	1,775,350
Total	<u>7,025,000</u>	<u>1,197,865</u>	<u>8,222,865</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 6 Long-Term Liabilities – continued

B. Capital Lease

Assets under capital lease totaled \$82,139 at June 30, 2021. The following is a schedule of future minimum lease payments under capital lease, together with the net present value of the minimum lease payments as of June 30, 2021.

Year Ended			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	23,205	2,075	25,280
2023	23,887	1,393	25,280
2024	24,589	691	25,280
2025	<u>10,458</u>	<u>78</u>	<u>10,536</u>
Total	<u>82,139</u>	<u>4,237</u>	<u>86,376</u>

C. Changes in Long-Term Liabilities

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

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>7/1/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/21</u>	<u>One Year</u>
Bonds Payable	7,585,000		560,000	7,025,000	570,000
Capital Lease	<u>104,682</u>	<u>-0-</u>	<u>22,543</u>	<u>82,139</u>	<u>23,205</u>
Total	<u>7,689,682</u>	<u>-0-</u>	<u>582,543</u>	<u>7,107,139</u>	<u>593,205</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7 Fund Balances

Non-Spendable Fund Balance

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

General Fund

Prepaid Items	122
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Special Revenue Funds

Food Service

Inventory	5,453
Total Special Revenue Funds	5,453
Total All Funds	5,575

Restricted Fund Balance

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

General Fund

Student Activities	21,618
Deferred Maintenance	76,035
Medical Assistance	1,386
Operating Capital	2,704
Safe Schools	2,079
Total General Fund	103,822

Special Revenue Funds

Food Service

Restricted	17,570
Total Food Service	17,570

Community Services

Community Education	15,345
School Readiness	55,297
Restricted	4,919
Total Community Services	75,561
Total Special Revenue Funds	93,131

Debt Service

Restricted	245,426
Total Debt Service Fund	245,426
Total All Funds	442,379

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 7 Fund Balances – continued

Committed Fund Balance

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

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

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

Assigned Fund Balance

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

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

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

Unassigned Fund Balance

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

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

General Fund

General Fund	<u>283,957</u>
Total All Funds	<u>283,957</u>

Stabilization Amounts

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans

A. 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 (GERF)

All full-time and certain part-time employees of the District other than teachers are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Benefits Provided

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

GERF 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 and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 1.2% of average salary for each of the first ten years of service and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year 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. cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

3. Contributions

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

GERF Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2020; the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2021, were \$12,919. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

At June 30, 2021, the District reported a liability of \$137,896 for its proportionate share of the GERF'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 \$4,304. 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 received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020 relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0023% at the end of the measurement period and 0.0023% for the beginning of the period.

District's proportionate share of the net pension liability	\$137,896
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State of Minnesota's proportionate share of the net pension	
Liability associated with the District	<u>\$ 4,304</u>

Total	<u>\$142,200</u>
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For the year ended June 30, 2021, the District recognized pension expense of \$12,246 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$375 as grant revenue for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

At June 30, 2021, the District reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Differences between expected and actual economic experience	\$2,264	\$522
Changes in actuarial assumptions		\$5,309
Net collective difference between projected and actual investment earnings	\$1,416	
Changes in proportion	\$3,192	\$8,322
Contributions paid to PERA subsequent to the measurement date	\$12,919	
Total	\$18,791	\$14,153

\$12,919 reported as deferred outflows of resources related to pensions resulting from District contributions to GERF 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 GERF pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	(\$9,597)
2023	(\$4,638)
2024	\$2,622
2025	\$3,332

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50% per year

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions -continued

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 for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions – continued

Changes in Plan Provisions:

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

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.30%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash	2.0%	0.00%
Total	100%	

6. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

7. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability at Current Single Discount Rate		
	General Employees Fund	
1% Lower	6.50%	\$209,047
Current Discount Rate	7.50%	\$144,237
1% Higher	8.50%	\$ 59,549

8. Pension Plan Fiduciary Net Position

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

B. Teachers Retirement Association

1. Plan Description

The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354 and 356. TRA is a separate statutory entity and administered by a Board of Trustees. The Board consists of four active members, one retired member and three statutory officials. Teachers employed in Minnesota's public elementary and secondary school, charter schools, and certain educational institutions maintained by the state (except those employed by St. Paul schools or Minnesota State colleges and universities). Educators first hired by Minnesota State may elect either TRA coverage or coverage through Minnesota State's Individual Retirement Account Plan (IRAP) within one year of eligible employment.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

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.

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

With these provisions:

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

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 is applied. For years of service July 1, 2006 and after, a level formula of 1.9 percent per year for Coordinated members and 2.7 for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, for favorable to the members, 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 (A-1) 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 which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rate

Per Minnesota Statute, Chapter 354 sets the contribution rates for employers and employees. Contribution rates can only be modified by the state legislature. Rates for each fiscal year ended June 30, 2019, June 30, 2020, and June 30, 2021 were:

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

3. Contribution Rate – continued

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

Employer contributions reported in TRA's CAFR	
Statement of Changes in Fiduciary Net Position	\$425,223
 Add employer contributions not related to future contribution efforts	 (56)
 Deduct TRA's contributions not included in allocations	 <u>(508)</u>
Total employer contributions	\$424,659
 Total non-employer contributions	 <u>35,587</u>
 Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	 <u>\$460,246</u>

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

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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued
B. Teachers Retirement Association - continued
4. Actuarial Assumptions – continued

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2020
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumptions	
Pre-Retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-Retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-Disability	RP-2014 disabled retiree mortality table, without adjustment.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions – continued

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

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

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The “*Difference between expected and actual experience*”, “*Changes of Assumptions*”, and “*Changes in Proportion*” use the amortization period of 6 years in the schedule presented. The amortization period for “*Net difference between projected and actual investment earnings on pension plan investments*” is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 380 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions-continued

- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

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

On June 30, 2021, the District reported a liability of \$531,946 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 0.0072% at the end of the measurement period and 0.0069% 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	\$531,946
State's proportionate share of the net pension Liability associated with the District	\$44,559

For the year ended June 30, 2021, the District recognized pension expense of \$55,853. It also recognized \$4,082 as an increase to pension expense for the support provided by direct aid.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association – continued

6. Net Pension Liability – continued

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	\$8,890	\$7,890
Net difference between projected and actual earnings on plan inv.		\$3,497
Change in assumptions	\$230,474	\$477,705
Changes in proportion	\$13,279	\$155,944
Contributions paid to TRA subsequent to measurement date	\$32,993	
Total	\$285,636	\$645,036

\$32,993 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in the pension expense as follows:

2022	(\$35,340)
2023	(\$229,306)
2024	(\$141,064)
2025	\$8,816
2026	\$4,501

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's proportionate share of NPL		
1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
\$814,403	\$531,946	\$299,215

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 8 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

7. Pension Liability Sensitivity- continued

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

8. Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in a separately-issued TRA financial report. That report may be accessed at the TRA Web site www.tra.state.mn.us. Alternatively, a copy of the report may be obtained by writing or calling TRA:

Teachers Retirement Association
60 Empire Drive, Suite 400
St Paul MN 55103-4000
(651) 296-2409
(800) 657-3669

Note 9 Vacation and Sick Leave

Full-time year around employees receive vacation based on their years of service. In the event of termination an employee who has completed at least six months of service is reimbursed for any unused accumulated vacation. Maximum vacation accrual is 30 days at the end of any fiscal year. Vacation pay is charged to operations when taken by the employees of the district.

Full-time year-round employees accrue 14 sick days per year and school year employees accrue 11 sick days per year. All employees may accumulate up to 8 times their respective yearly allowance. Sick days do not vest under the District's policy, and accordingly, employees can be paid sick leave only for qualifying absences. Since the employee's accumulating rights to receive compensation for future absences are contingent upon the absences being caused by qualifying events and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

Full-time and school year employees are granted personal days which are subject to approval by the superintendent and charged to sick leave. Teachers earn 2 personal days per year and are allowed to accrue up to 5 days. Any contingent liability for unused personal days is not recognized in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 10 Risk Management

The District is exposed to various risk of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and dental; and natural disasters. Risks of loss associated with workers' compensation claims are insured through participation in the Minnesota School Boards Association Insurance Trust. All other risks of loss are insured by the purchase of commercial insurance. There were no significant reductions in insurance coverage from the previous year.

The Minnesota School Boards Association Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for member school districts. The district pays an annual premium based on its annual payroll and an experience modification factor for workers' compensation coverage.

Note 11 Excess Expenditures over Budget Appropriations

The following fund had excess expenditures over budget appropriations:

General Fund	34,510
Food Service Fund	836

Program needs will be monitored in the future to alleviate expenditure excesses in the General and Food Service Funds.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

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

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (a)	Total (a) + (b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll [(a+b)/c]	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
Pensions							
PERA							
June 30, 2014	0.0036%	169,110			199,151	84.9%	78.7%
June 30, 2015	0.0030%	155,476			184,654	84.2%	78.2%
June 30, 2016	0.0027%	219,227			170,094	128.9%	68.9%
June 30, 2017	0.0024%	153,214	1,912	155,126	153,480	101.1%	75.9%
June 30, 2018	0.0026%	144,237	1,109	145,346	172,800	84.1%	79.5%
June 30, 2019	0.0023%	127,162	287	127,449	160,307	79.5%	80.2%
June 30, 2020	0.0023%	137,896	375	138,271	163,827	84.4%	79.0%
TRA							
June 30, 2014	0.0165%	760,308			753,049	101.0%	81.5%
June 30, 2015	0.0101%	624,785			502,632	124.3%	76.8%
June 30, 2016	0.0087%	2,075,158			452,027	459.1%	44.9%
June 30, 2017	0.0073%	1,616,907	156,600	1,773,507	435,076	407.6%	51.6%
June 30, 2018	0.0081%	458,508	43,155	501,663	435,076	115.3%	58.3%
June 30, 2019	0.0073%	439,807	38,867	478,674	383,418	124.8%	78.1%
June 30, 2020	0.0072%	531,946	44,559	576,505	407,321	141.5%	75.5%

See Note 8, Defined Benefit Pension Plans, for more information

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015.
 Information for prior years is not available. Additional years will be reported as they become available.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
PERA					
2015	13,584	13,584	-0-	181,120	7.5%
2016	12,828	13,023	(195)	173,640	7.5%
2017	12,397	12,524	(127)	166,987	7.5%
2018	11,511	11,868	(357)	158,240	7.5%
2019	12,960	12,960	-0-	172,800	7.5%
2020	12,023	12,023	-0-	160,307	7.5%
2021	12,287	12,287	-0-	163,827	7.5%
TRA					
2015	52,713	52,713	-0-	702,840	7.5%
2016	38,499	35,514	2,985	473,520	7.5%
2017	33,902	33,902	-0-	452,027	7.5%
2018	32,631	32,631	-0-	435,076	7.5%
2019	30,342	30,342	-0-	394,052	7.7%
2020	30,290	30,290	-0-	383,418	7.9%
2021	32,993	32,993	-0-	407,321	8.1%

See Note 8, Defined Benefit Pension Plans, for more information

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015.
Information for prior years is not available. Additional years will be reported as they become available.

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

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

General Employees Fund - continued

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

General Employees Fund - continued

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

TRA Retirement Funds

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

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

TRA Retirement Funds – continued

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5 percent, but remain at 2.0 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4 percent to 0.0 percent, the vested inactive load increased from 4.0 percent to 7.0% and the non-vested inactive load increased from 4.0 percent to 9.0 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.

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

TRA Retirement Funds – continued

2017 Changes – continued

Changes in Actuarial Assumptions – continued

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

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66 to 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price of inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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

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GENERAL FUND
BALANCE SHEET
JUNE 30, 2021

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and Investments	507,124	466,195
Current Property Taxes Receivable	108,748	123,882
Delinquent Property Taxes Receivable	7,804	10,320
Accounts Receivable	2,448	6,649
Due From Department of Education	107,499	153,665
Due From Federal Government	15,114	14,305
Prepaid Expense	122	987
Total Assets	<u>748,859</u>	<u>776,003</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Salaries Payable	39,261	29,704
Accounts Payable	14,832	5,677
Due to Other Governmental Units	21	
Due to Other Minnesota School Districts	4,064	34,277
Payroll Deductions	28,941	28,291
Total Liabilities	<u>87,119</u>	<u>97,949</u>
 <u>Deferred Inflows of Resources</u>		
Unearned Revenue-Delinquent Taxes	7,804	10,320
Property Taxes Levied for Subsequent Years	266,035	292,362
Total Deferred Inflows of Resources	<u>273,839</u>	<u>302,682</u>
 <u>Fund Equity</u>		
Fund Balance-Nonspendable	122	987
Fund Balance-Restricted	103,822	94,403
Fund Balance-Unassigned	283,957	279,982
Total Fund Equity	<u>387,901</u>	<u>375,372</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>748,859</u>	<u>776,003</u>

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

	Year Ended June 30			
	2021			2020
	Budget	Actual	Variance With Final Budget	Actual
<u>Revenues</u>				
<u>Local Property Tax Levy</u>				
Local Tax Levy	296,683	301,690	5,007	344,443
	296,683	301,690	5,007	344,443
 <u>Other Local and County Revenues</u>				
County Apportionment	7,843	10,701	2,858	12,395
Gifts	771	4,418	3,647	6,279
Interest Income	800	257	(543)	4,517
Rent of Facilities	4,285	1,791	(2,494)	
Other Revenues	18,734	17,522	(1,212)	27,589
Total Other Local and County Revenues	32,433	34,689	2,256	50,780
 <u>Revenue From State Sources</u>				
Disparity Reduction Aid	1,304	1,305	1	844
Endowment Fund Apportionment	6,623	6,058	(565)	6,131
General Education Aid	1,221,321	1,244,288	22,967	1,240,555
Market Value Credit	3,219	3,219		4,130
Other State Aids	8,296	8,296		14,161
Special Education	47,000	59,981	12,981	45,522
Total Revenue From State Sources	1,287,763	1,323,147	35,384	1,311,343
 <u>Revenue From Federal Sources</u>				
Federal Aid Programs	100,269	96,390	(3,879)	80,748
 <u>Sales and Other Conversion of Assets</u>				
Sale of Materials	500	428	(72)	600
Total Sales and Other Conversion of Assets	500	428	(72)	600
Total Revenues	1,717,648	1,756,344	38,696	1,787,914

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

	Year Ended June 30			
	2021			2020
			Variance With	
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
Dues and Memberships	4,000	4,093	(93)	4,041
Fixed Charges and Employee Benefits	4,100	3,955	145	4,010
Insurance	2,700		2,700	2,628
Professional Services	1,300	1,422	(122)	1,795
Salaries	26,491	25,075	1,416	26,072
Total District and School Administration	38,591	34,545	4,046	38,546
 <u>District Support</u>				
Dues and Memberships	40	40		
Equipment Leased	650	658	(8)	1,196
Principal	3,175		3,175	3,200
Fixed Charges and Employee Benefits	16,689	15,361	1,328	11,550
Professional Services	41,310	42,573	(1,263)	46,777
Salaries	61,766	55,126	6,640	49,079
Other	90		90	93
Supplies	12,436	11,049	1,387	11,667
Travel and Transportation				174
Total District Support Services	136,156	124,807	11,349	123,736
 <u>Regular Instruction</u>				
<u>Elementary School</u>				
Equipment				2,327
Fixed Charges and Employee Benefits	93,274	99,264	(5,990)	89,574
Professional Services	1,300	1,136	164	1,349
Rent	9,500	6,673	2,827	7,026
Repairs and Maintenance	800	1,136	(336)	
Salaries	318,807	363,328	(44,521)	322,266
Supplies	13,822	13,735	87	35,196
Travel and Transportation	4,903	4,017	886	10,713
Tuition to Other Minnesota School Districts				30,402
Total Elementary	442,406	489,289	(46,883)	498,853

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

	Year Ended June 30			
	2021			2020
	Budget	Actual	Variance With Final Budget	Actual
<u>Expenditures - continued</u>				
<u>Regular Instruction - continued</u>				
<u>Secondary School</u>				
Instructional Supplies	2,965	2,964	1	597
Equipment		320	(320)	316
Travel and Transportation	1,000	920	80	573
Tuition to Other Minnesota School Districts	388,250	396,717	(8,467)	386,327
Total Secondary	392,215	400,921	(8,706)	387,813
Total Regular Instruction	834,621	890,210	(55,589)	886,666
 <u>Exceptional Instruction</u>				
Fixed Charges and Employee Benefits	25,889	29,588	(3,699)	20,693
Instructional Supplies				595
Professional Services		275	(275)	
Salaries	79,900	77,256	2,644	76,349
Travel and Transportation	2,551	2,771	(220)	2,525
Tuition to Other Minnesota School Districts	84,144	52,911	31,233	74,868
Total Exceptional Instruction	192,484	162,801	29,683	175,030
 <u>Instructional Support Services</u>				
Fixed Charges and Employee Benefits	653	303	350	2,850
Instructional Supplies	205	240	(35)	36
Dues	2,340	2,215	125	858
Professional Services	11,669	21,288	(9,619)	17,489
Salaries	21,869	2,198	19,671	16,506
Supplies	24,996	25,020	(24)	365
Travel and Transportation	150	120	30	1,767
Total Instructional Support	61,882	51,384	10,498	39,871

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

	Year Ended June 30			
	2021			2020
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Actual</u>
<u>Pupil Support</u>				
Fixed Charges and Employee Benefits	3,353	12,367	(9,014)	9,835
Fuel	10,000	12,658	(2,658)	10,787
Professional Services	4,424	8,069	(3,645)	1,764
Pupil Transportation	157,640	145,498	12,142	150,540
Salaries	7,474	9,983	(2,509)	9,396
Supplies	478	564	(86)	16
Property Insurance	1,711	1,705	6	
Transportation Chargebacks	(45,000)	(54,741)	9,741	(69,799)
Travel and Transportation	56,773	57,675	(902)	61,325
Total Pupil Support	196,853	193,778	3,075	173,864
<u>Site, Building and Equipment</u>				
Equipment	895	895		22,255
Fixed Charges and Employee Benefits	2,169	4,142	(1,973)	1,977
Fuel	400	28,302	(27,902)	6,960
Other	55	55		94
Professional Services	37,641	41,812	(4,171)	45,612
Repair and Maintenance Service	20,519	23,910	(3,391)	16,201
Salaries	18,806	20,359	(1,553)	14,250
Supplies	28,603	27,461	1,142	15,395
Building Construction				117,533
Capital Lease				117,533
Lease Interest	2,736	2,738	(2)	1,895
Lease Principal	22,543	22,543		12,852
Utilities	75,500	75,285	215	78,229
Total Site, Building and Equipment	209,867	247,502	(37,635)	450,786
<u>Fixed Cost Programs</u>				
Property Insurance	18,851	18,788	63	18,965
Total Fixed Cost Programs	18,851	18,788	63	18,965
Total Expenditures	1,689,305	1,723,815	(34,510)	1,907,464
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	28,343	32,529	4,186	(119,550)
<u>Other Financing Sources (Uses)</u>				
Transfer In		24,418	24,418	
Transfer Out	(6,540)	(44,418)	(37,878)	
Lease Transactions/Installment Sales				117,533
Amount Provided by Capital Lease				117,533
Total Other Financing Sources (Uses)	(6,540)	(20,000)	(13,460)	235,066
Excess Revenues and Other Financing Sources				
Over (Under) Expenditures and				
Other Financing Uses	21,803	12,529	(9,274)	115,516
Fund Balance-July 1		375,372		242,956
Change in Accounting Principle				16,900
Fund Balance-July 1, restated		375,372		259,856
Fund Balance-June 30		387,901		375,372

ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

			Total	
			(Memo Only)	
	Food	Community	2021	2020
<u>Assets</u>	<u>Service</u>	<u>Service</u>		
Cash and Investments	14,572	98,262	112,834	103,651
Current Property Taxes Receivable		8,770	8,770	9,261
Delinquent Property Taxes Receivable		228	228	384
Accounts Receivable		243	7,549	75
Due from Department of Education		1,929	1,929	4,755
Due From Federal Government	7,306		7,306	
Inventory	5,453		5,453	1,275
Total Assets	<u>27,331</u>	<u>109,432</u>	<u>144,069</u>	<u>119,401</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Accounts Payable	268	488	756	261
Salaries Payable	4,040	11,345	15,385	15,880
Total Liabilities	<u>4,308</u>	<u>11,833</u>	<u>16,141</u>	<u>16,141</u>
<u>Deferred Inflows of Resources</u>				
Unearned Revenue - Delinquent Taxes		228	228	384
Property Taxes Levied for Subsequent Years		21,810	21,810	20,992
Total Deferred Inflows of Resources	<u>-0-</u>	<u>22,038</u>	<u>22,038</u>	<u>21,376</u>
<u>Fund Equity</u>				
Fund Balance-Nonspendable	5,453		5,453	1,275
Fund Balance-Restricted	17,570	75,561	93,131	80,609
Total Fund Equity	<u>23,023</u>	<u>75,561</u>	<u>98,584</u>	<u>81,884</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>27,331</u>	<u>109,432</u>	<u>136,763</u>	<u>119,401</u>

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

	<u>Food</u>	<u>Community</u>	<u>Total</u>	
	<u>Service</u>	<u>Service</u>	<u>(Memo Only)</u>	
<u>Revenues</u>			<u>2021</u>	<u>2020</u>
Local Property Tax Levy		21,398	21,398	26,235
Other Local and County Revenues	6	42,493	42,499	38,249
Revenue from State Sources	258		258	6,025
Revenue from Federal Sources	80,195	19,464	99,659	70,252
Other	<u>5,376</u>		<u>5,376</u>	<u>29,919</u>
Total Revenues	<u>85,835</u>	<u>83,355</u>	<u>169,190</u>	<u>170,680</u>
<u>Expenditures</u>				
Community Education and Services		101,053	101,053	107,980
Pupil Support Services	<u>71,437</u>		<u>71,437</u>	<u>76,604</u>
Total Expenditures	<u>71,437</u>	<u>101,053</u>	<u>172,490</u>	<u>184,584</u>
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	14,398	(17,698)	(3,300)	(13,904)
<u>Other Financing Sources (Uses)</u>				
Transfers Out		(81,425)	(81,425)	
Transfers In		<u>101,425</u>	<u>101,425</u>	
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>20,000</u>	<u>20,000</u>	<u>-0-</u>
Excess Revenues and Other Financing Sources				
Over (Under) Expenditures and				
Other Financing Uses	14,398	2,302	16,700	(13,904)
Fund Balance-July 1	<u>8,625</u>	<u>73,259</u>	<u>81,884</u>	<u>95,788</u>
Fund Balance-June 30	<u><u>23,023</u></u>	<u><u>75,561</u></u>	<u><u>98,584</u></u>	<u><u>81,884</u></u>

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

	Year Ended June 30			2020
	2021		Variance With	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
<u>Other Local and County Revenues</u>				
Interest Income		6	6	
Total Local and County Revenues	-0-	6	6	-0-
<u>Revenue From State Sources</u>				
Lunch Reimbursement	62	61	(1)	1,610
Summer Food Service Program				2,691
Other State Aid	104	197	93	1,724
Total Revenue from State Sources	166	258	92	6,025
<u>Revenue From Federal Sources</u>				
Breakfast Reimbursement	50	33	(17)	3,342
Summer Food Service Program	50,000	75,384	25,384	35,020
Commodities		4,427	4,427	
Lunch Reimbursement	400	351	(49)	10,923
Total Revenue From Federal Sources	50,450	80,195	29,745	49,285
<u>Sales and Other Conversion of Assets</u>				
Sale of Lunches	5,560	5,376	(184)	29,919
Total Revenues	56,176	85,835	29,659	85,229
<u>Expenditures</u>				
<u>Pupil Support Services</u>				
Commodities		4,388	(4,388)	
Fixed Charges and Employee Benefits	3,723	3,338	385	7,379
Food	29,000	24,831	4,169	32,414
Milk	9,356	10,999	(1,643)	11,659
Other	650	642	8	590
Repairs and Maintenance	1,000	919	81	408
Salaries	24,572	23,708	864	22,315
Supplies	2,300	2,612	(312)	1,839
Total Expenditures	70,601	71,437	(836)	76,604
Excess Revenues (Expenditures)	(14,425)	14,398	28,823	8,625
Fund Balance-July 1		8,625		-0-
Fund Balance-June 30		23,023		8,625

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

	Year Ended June 30			
	2021			2020
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	20,239	20,367	128	25,542
Misc. Local Taxes	1,031	1,031		693
Total Local Property Tax Levies	21,270	21,398	128	26,235
<u>Other Local and County Revenues</u>				
Fees from Patrons	14,400	18,770	4,370	18,418
Grant	20,000	23,679	3,679	18,321
Interest Income	190	44	(146)	1,510
Total Other Local and County Revenues	34,590	42,493	7,903	38,249
<u>Revenue From State Sources</u>				
Disparity Aid	243	243		143
Homestead/Agriculture Credit	589	589		703
Other State Aids	18,359	18,632	273	20,121
Total Revenue From State Sources	19,191	19,464	273	20,967
Total Revenues	75,051	83,355	8,304	85,451
<u>Expenditures</u>				
<u>Community Education and Services</u>				
Fixed Charges and Employee Benefits	20,112	17,486	2,626	17,698
Instructional Supplies	400	318	82	849
Other	275		275	955
Rent	6,500	6,300	200	6,282
Salaries	83,270	68,445	14,825	73,775
Supplies	3,650	4,116	(466)	880
Travel	5,000	4,388	612	7,541
Total Expenditures	119,207	101,053	18,154	107,980
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	(44,156)	(17,698)	26,458	(22,529)
<u>Other Financing Sources (Uses)</u>				
Transfers Out		(81,425)	(81,425)	
Transfers In		101,425	101,425	
Total Other Financing Sources (Uses)	-0-	20,000	20,000	-0-
Excess Revenues and Other Financing Sources				
Over (Under) Expenditures and Other Financing Uses	(44,156)	2,302	46,458	(22,529)
Fund Balance-July 1		73,259		95,788
Fund Balance-June 30		75,561		73,259

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

	Year Ended June 30			2020
	2021			
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	347,079	377,496	30,417	477,824
Misc. Local Taxes	30,625	30,625		24,283
Total Local Property Tax Levy	377,704	408,121	30,417	502,107
<u>Other Local and County Revenues</u>				
Interest Income		266	266	6,270
Total Other Local and County Revenues	-0-	266	266	6,270
<u>Revenue From State Sources</u>				
Disparity Aid	5,112	5,112		5,207
Homestead Credit	252,021	252,021		220,192
Market Value Credit	18,209	18,281	72	25,778
Total Revenue From State Sources	275,342	275,414	72	251,177
Total Revenues	653,046	683,801	30,755	759,554
<u>Expenditures</u>				
Bond Interest	177,345	177,345		188,975
Bond Principal	560,000	560,000		550,000
Other Bond Expenses	2,800	2,800		948
Total Expenditures	740,145	740,145	-0-	739,923
Excess Revenues (Expenditures)	(87,099)	(56,344)	30,755	19,631
Fund Balance-July 1		301,770		282,139
Fund Balance-June 30		245,426		301,770

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

	Audit	UFARS	Audit - UFARS
<u>01 GENERAL FUND</u>			
Total Revenues	<u>1,756,344</u>	<u>1,756,342</u>	<u>2</u>
Total Expenditures	<u>1,723,815</u>	<u>1,723,812</u>	<u>3</u>
Non Spendable:			
4.60 Non Spendable	122	122	-0-
Restricted:			
4.01 Student Activities	21,618	21,618	-0-
4.67 Deferred Maintenance	76,035	76,036	(1)
4.72 Medical Assistance	1,386	1,386	-0-
4.24 Operating Capital	2,704	2,704	-0-
4.49 Safe Schools	2,079	2,079	-0-
Unassigned:			
4.22 Unassigned	283,957	283,959	(2)
<u>02 FOOD SERVICE</u>			
Total Revenues	<u>85,835</u>	<u>85,834</u>	<u>1</u>
Total Expenditures	<u>71,437</u>	<u>71,435</u>	<u>2</u>
Non Spendable:			
4.60 Non Spendable	5,453	5,453	-0-
Restricted:			
4.64 Restricted Fund Balance	17,570	17,570	-0-
Unreserved:			
4.63 Unassigned	-0-	-0-	-0-
<u>04 COMMUNITY SERVICE</u>			
Total Revenues	<u>83,355</u>	<u>83,356</u>	<u>(1)</u>
Total Expenditures	<u>101,053</u>	<u>101,054</u>	<u>(1)</u>
Restricted:			
4.31 Community Education	15,345	15,346	(1)
4.44 School Readiness	55,297	55,298	(1)
4.64 Restricted Fund Balance	4,919	4,919	-0-
<u>07 DEBT SERVICE</u>			
Total Revenues	<u>683,801</u>	<u>683,800</u>	<u>1</u>
Total Expenditures	<u>740,145</u>	<u>740,145</u>	<u>-0-</u>
Restricted:			
4.64 Restricted	245,426	245,428	(2)
<u>07 TRUST</u>			
Total Revenues	<u>3</u>	<u>3</u>	<u>-0-</u>
Total Expenditures	<u>200</u>	<u>200</u>	<u>-0-</u>
Unassigned:			
4.22 Unassigned	3,327	3,326	1

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**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**

To The Board of Education
Independent School District No. 403
Ivanhoe Public Schools
Ivanhoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 403, Ivanhoe Public Schools, Ivanhoe, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Independent School District No. 403's basic financial statements and have issued our report thereon dated September 16, 2021.

Internal Control Financial Reporting

In planning and performing our audit, we considered the Independent School District No. 403's internal control over financial reporting to determine the auditing 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 Independent School District No. 403's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 403's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Independent School District No. 403's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations that we consider to be material weaknesses (2021-I and 2021-II).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 403's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main 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 study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 403 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. 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 Independent School District No. 403's noncompliance with the above referenced provisions.

Independent School District No. 403
Ivanhoe, Minnesota
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Independent School District No. 403's Response to Findings

The Independent School District No. 403's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Independent School District No. 403's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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

September 16, 2021

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021

I. Financial Statement Audit-Internal Controls

Previously Reported Items Not Resolved

2021-I Lack of Segregation of Duties

Due to the limited number of office personnel within the accounting department, proper segregation of the accounting functions necessary to ensure adequate internal accounting control in the areas of bank reconciliation, receipts, disbursements, payroll, journal entries and budgets are not possible. Although this is not unusual in small office situations, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

The District has implemented internal control procedures which utilize the existing staff to provide for segregation of duties in accounting functions whenever possible.

We recommend that the District's management be aware of the lack of segregation of the accounting functions and, if possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented internal control procedures that will address the areas of segregation the district is lacking, including bank reconciliation's, receipts, disbursements, payroll, journal entries, and budget. The procedures will utilize staff and board members to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Board of Education is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2021

Plan to monitor completion of CAP:

The Superintendent and Board of Education will monitor the internal control system.

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021

I. Financial Statement Audit-Internal Controls-continued

Previously Reported Items Not Resolved-continued
2021-II GAAP Financial Statements

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

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District will continue to have the auditor prepare the financial statements; however, the district has established an internal control policy to document the annual review of the financial statements, disclosures and schedules.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Board of Education is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2021

Plan to Monitor Completion of CAP:

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