

**INDEPENDENT AUDITOR'S REPORT**  
**INDEPENDENT SCHOOL DISTRICT NO. 403**  
**IVANHOE, MINNESOTA 56142**  
**FOR THE YEAR ENDING JUNE 30, 2020**

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



**CONTENTS OF REPORT**

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



**CONTENTS OF REPORT**  
**-Continued-**

EXHIBIT J	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	22
EXHIBIT K	Statement of Fiduciary Assets – Expendable Trust Fund	23
EXHIBIT L	Statement of Changes in Fiduciary Net Assets – Expendable Trust Fund	24
NOTES TO THE FINANCIAL STATEMENTS		25 - 54
Required Supplementary Information		
Schedule 1	Schedule of Proportionate Share of the Net Pension Liability	55
Schedule 2	Schedule of Employer Contributions	56
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES:</b>		
Schedule 3	General Fund Balance Sheet	57
Schedule 4	General Fund Statement of Revenues, Expenditures and Changes in Fund Balance	58 - 61
Schedule 5	All Special Revenue Funds Combining Balance Sheet	62
Schedule 6	Special Revenue Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balance	63
Schedule 7	Food Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance	64
Schedule 8	Community Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance	65



Independent School District No. 403  
Ivanhoe, Minnesota

**CONTENTS OF REPORT**  
**-Continued-**

Schedule 9	Debt Service Fund Statement of Revenues, Expenditures and Changes in Fund Balance	66
------------	---	----

**OTHER SCHEDULES**

Schedule 10	Uniform Financial Accounting and Reporting Standards Compliance Table	67
-------------	--	----

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	69 - 71
---	---------

Schedule 11	Schedule of Findings and Recommendations	72 - 73
-------------	--	---------





Independent School District No. 403  
Ivanhoe, Minnesota

**BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL**  
**JUNE 30, 2020**

**BOARD OF EDUCATION**

Matt Landrus	Chairperson
Becky Paluch	Vice-Chairperson
Lindsay Gratz	Treasurer
Stacy Kiley	Clerk
Adam Gillund	Director-Resigned 7/17/2019
Marty Rost	Director
Dan Popowski	Director-Appointed 9/23/19

**ADMINISTRATIVE PERSONNEL**

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

THIS  
PAGE  
LEFT  
BLANK  
INTENTIONALLY

**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
[contactl@mtcocpa.com](mailto:contactl@mtcocpa.com)

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
[contactp@mtcocpa.com](mailto:contactp@mtcocpa.com)

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

**PARTNERS**

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

**WITH THE FIRM**

David L. Meulebroeck, CPA

**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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, 2019, and in our report dated September 17, 2019, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 17, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Accounting Implementation of GASB 84***

As discussed in Note 12 to the financial statements, the District has adopted new accounting guidance, Governmental Standards Board (GASB) Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 6 –12 and the Schedules of District's Proportionate Share of Net Pension Liability and Schedule of District's Contributions on page 55 - 56 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 October 8, 2020, 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

October 8, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FISCAL YEAR ENDED JUNE 30, 2020**

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, 2020. 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 (2020) and the prior year (2019) is required to be presented in MD&A.

**Financial Highlights**

Key financial highlights for the 2019-2020 fiscal year include the following:

- Net position increased by \$247,034, or 9.7% over June 30, 2020 due primarily to the GASB 68 adjustment for PERA and TRA pension.
- Total governmental revenues increased by \$125,531 or 4.8% in comparison to fiscal year 2019, while expenditures increased by \$301,226 or 11.92% in comparison to fiscal year 2019. Expenditures increase primarily due to the Capital Lease for boiler of \$117,533.
- Fund Balance increased by \$121,243 over June 30, 2019.

**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.

**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 \$2,299,096 at the close of the most recent fiscal year. This was an increase of \$247,034 or 9.7% from the previous year total of \$2,546,130.

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

<b>Table 1</b> <b>Statement of Net Position</b> <b>As of June 30, 2020</b>		
<b><u>Assets</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Current and other assets	1,846,914	1,933,710
Capital assets, net of depreciation	<u>5,681,069</u>	<u>6,064,784</u>
<b>Total Assets</b>	<b>7,527,983</b>	<b>7,998,494</b>
<b><u>Deferred Outflows of Resources</u></b>		
Related to Pensions	<u>522,572</u>	<u>792,535</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>8,050,555</u></b>	<b><u>8,791,029</u></b>
<b><u>Liabilities</u></b>		
Current and other liabilities	696,633	760,972
Long-term liabilities	<u>7,674,108</u>	<u>8,187,745</u>
<b>Total Liabilities</b>	<b>8,370,741</b>	<b>8,948,717</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes Levied for Subsequent Year	962,775	1,093,388
Related to Pensions	<u>1,016,135</u>	<u>1,295,054</u>
<b>Total Deferred Inflows of Resources</b>	<b>1,978,910</b>	<b>2,388,442</b>
<b><u>Net Position</u></b>		
Invested in capital assets, net of related debt	(2,008,613)	(2,070,216)
Restricted	479,044	422,803
Unrestricted	<u>(769,527)</u>	<u>(898,717)</u>
<b>Net Position</b>	<b><u>(2,299,096)</u></b>	<b><u>(2,546,130)</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>8,050,555</u></b>	<b><u>8,791,029</u></b>



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, 2020**

	<u>2020</u>	<u>2019</u>
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	48,337	51,827
Operating Grants and Contributions	239,392	224,664
General Revenues		
Property Taxes	875,341	817,679
Unrestricted Federal and State Aid	1,480,153	1,426,550
Other	<u>90,332</u>	<u>69,032</u>
<b>Total revenues</b>	<b>2,733,555</b>	<b>2,589,752</b>
<b><u>Expenses</u></b>		
District and School Administration	38,546	33,183
District Support Services	123,736	84,420
Regular Instruction	846,061	509,074
Exceptional Instruction	175,030	168,949
Instructional Support Services	39,871	47,972
Pupil Support Services	173,864	169,886
Site, Buildings, and Equipment	712,706	732,059
Fiscal and Other Fixed Cost Programs	18,965	18,556
Food Service	76,604	71,395
Community Service	108,115	117,530
Interest and Fiscal Charges on		
Long-term Liabilities	<u>189,923</u>	<u>203,678</u>
<b>Total expenses</b>	<b><u>2,503,421</u></b>	<b><u>2,156,702</u></b>
<b><u>Change in Net Position</u></b>	<b>230,134</b>	<b>433,050</b>
Beginning net position,	(2,979,180)	(2,979,180)
Change in Accounting Principle	<u>16,900</u>	
Beginning net position, as restated	<u>(2,529,230)</u>	<u>(2,979,180)</u>
Ending net position	<u>(2,299,096)</u>	<u>(2,546,130)</u>

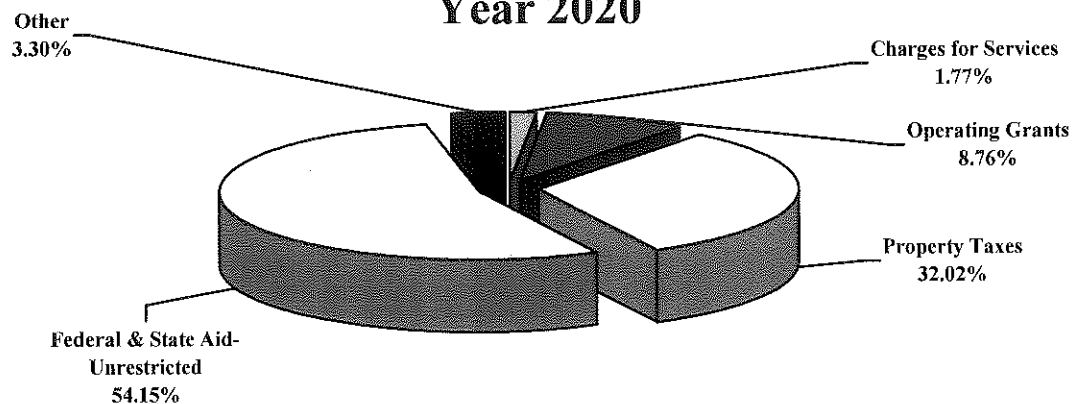
The district's total revenue consisted of program revenues of \$287,729, property taxes of \$875,341, federal and state aid not restricted to specific purposes of \$1,480,153, and other revenues of \$90,332.

The cost of all governmental activities this year was \$2,503,421.

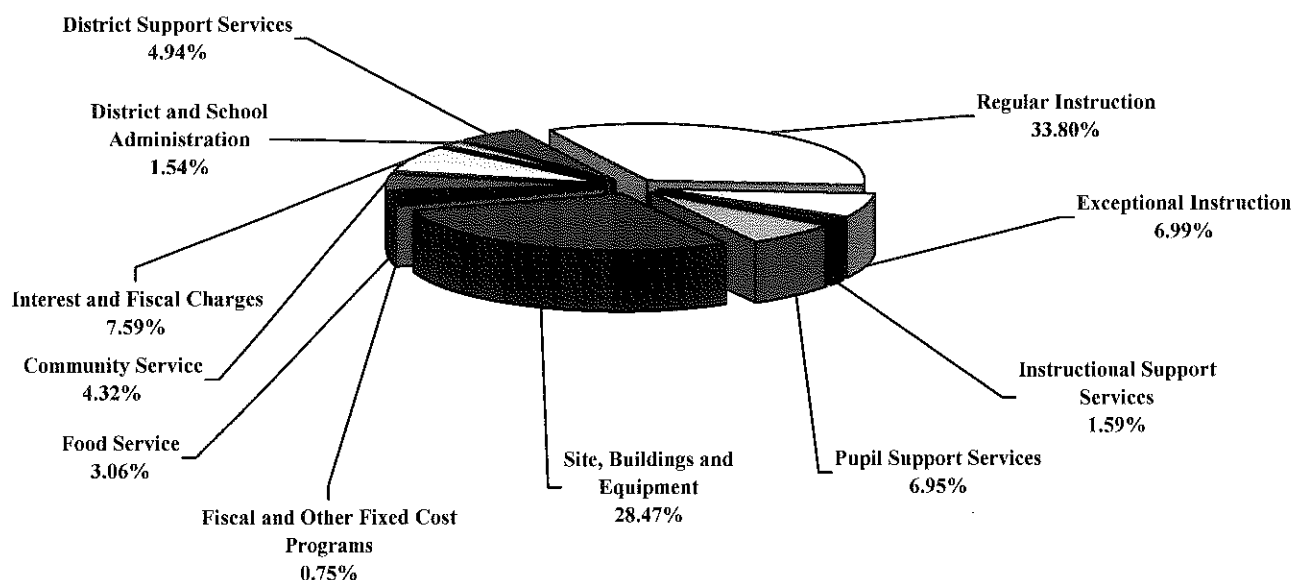
- The users of the district programs paid for \$48,337 or 1.93% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$239,392 or 9.56% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$1,480,153 or 59.12% 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 2020**



**Figure B - Expenses for Fiscal Year 2020**



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 \$759,026 which is an increase of \$138,143 over the prior year fund balance of \$620,883. The General Fund had an increase of \$115,516. The Food Service Fund had an increase of \$8,624. The Community Service Fund a decrease of \$22,529. The Debt Service Fund had an increase of \$19,631.

#### **Revenues and Expenditures/Expenses**

Revenues of the district's governmental funds totaled \$2,718,148 while total expenditures were \$2,831,971. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	<b>Revenue</b>	<b>Expenditures</b>	<b>Other Financing Sources (Uses)</b>	<b>Fund Balance Increase (Decrease)</b>
General Fund	1,787,914	1,907,464	235,066	115,516
Food Service Fund	85,229	76,604		8,625
Community Service Fund	85,451	107,980		(22,529)
Debt Service Fund	<u>759,554</u>	<u>739,923</u>	<u>          </u>	<u>19,631</u>
Total	<u>2,718,148</u>	<u>2,831,971</u>	<u>235,066</u>	<u>121,243</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 2020, the District revised the budget. The district's revised budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$58,219. The actual results for the year showed revenues exceeding expenditures by \$115,516.

- Actual general fund revenues were over budget by \$11,149 primarily due to differences in state aids.
- Actual general fund expenditures under budget by \$38,513 primarily due to under budgeting expenditures for salaries, benefits.

### **Capital Assets**

During fiscal year 2020, the capital asset additions included boiler, internet switches, and lawnmower

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, 2020.

**Table 3**  
**Capital Assets**

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	9,694	9,694	
Land Improvements	10,089,080	10,089,080	
Buildings and Improvements	1,177,886	1,060,353	117,533
Equipment	303,249	300,495	2,754
Less: Accumulated Depreciation	<u>(5,898,840)</u>	<u>(5,394,838)</u>	<u>(504,002)</u>
Total	<u>5,681,069</u>	<u>6,064,784</u>	<u>(383,715)</u>
Depreciation Expense	<u>530,997</u>	<u>528,011</u>	<u>(2,986)</u>

### **Long-Term Liabilities**

In fiscal year 2020 the District had General Obligation Judgment Bonds of 2014 with an outstanding balance of \$750,000 and General Obligation Refunding School Building Bonds of 2016 with an outstanding balance of \$6,835,000. The District has an outstanding Capital Lease obligation of \$104,682 for building heating equipment. Pension benefits payable decreased by \$35,776. Pension benefits payable totaled \$566,969 at June 30, 2020. More detailed information about the district's long-term liabilities is presented in Note 8.

### **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, 2020**

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
<b><u>Current Assets</u></b>		
Cash and Investments	1,063,686	1,271,012
Receivables:		
Property Taxes	576,464	585,574
Governmental Units	183,473	66,353
Other	21,029	4,648
Inventory	1,275	5,039
Prepaid Items	987	1,084
Capital Assets:		
Non-Depreciable	9,694	9,694
Depreciable - net of accumulated depreciation	5,671,375	6,055,090
<b>Total Assets</b>	<u>7,527,983</u>	<u>7,998,494</u>
<b><u>Deferred Outflows of Resources</u></b>		
Related to Pensions	522,572	792,535
<b>Total Assets and Deferred Outflows of Resources</b>	<u>8,050,555</u>	<u>8,791,029</u>
<b><u>Liabilities</u></b>		
Accounts Payable	5,938	11,698
Salaries Payable	45,584	47,730
Due to Other Governmental Units	34,277	124,259
Payroll Deductions	28,291	27,285
Long-term Liabilities:		
Portion Due Within One Year	582,543	550,000
Portion Due in More Than One Year	7,107,139	7,585,000
Pension Benefit Payable	566,969	602,745
<b>Total Liabilities</b>	<u>8,370,741</u>	<u>8,948,717</u>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes Levied for Subsequent Year	962,775	1,093,388
Related to Pensions	1,016,135	1,295,054
<b>Total Deferred Inflows of Resources</b>	<u>1,978,910</u>	<u>2,388,442</u>
<b><u>Net Position</u></b>		
Invested in Capital Assets, Net of Related Debt	(2,008,613)	(2,070,216)
Restricted for:		
General Fund State Mandated Purposes	95,390	40,064
Food Service	8,625	4,812
Community Service	73,259	95,788
Debt Service	301,770	282,139
Unrestricted	(769,527)	(898,717)
<b>Total Net Position</b>	<u>(2,299,096)</u>	<u>(2,546,130)</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u>8,050,555</u>	<u>8,791,029</u>

See accompanying notes to the financial statements.

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b><u>Functions</u></b>	<b><u>Expenses</u></b>	<b><u>Program Revenues</u></b>			<b><u>Net (Expense) Revenue and Changes in Net Assets</u></b>	
		<b><u>Charges For Services</u></b>	<b><u>Operating Grants and Contributions</u></b>	<b><u>Capital Grants and Contributions</u></b>	<b><u>Total Government Activities</u></b>	
					<b><u>2020</u></b>	<b><u>2019</u></b>
Governmental Activities						
District and School Administration	38,546				(38,546)	(33,183)
District Support Services	123,736				(123,736)	(84,420)
Regular Instruction	846,061		117,593		(728,468)	(382,456)
Exceptional Instruction	175,030		45,522		(129,508)	(122,448)
Instructional Support Services	39,871				(39,871)	(47,972)
Pupil Support Services	173,864				(173,864)	(169,886)
Site, Buildings and Equipment	712,706				(712,706)	(732,059)
Fiscal and Other Fixed Cost Program	18,965				(18,965)	(18,556)
Food Service	76,604	29,919	55,310		8,625	(3,102)
Community Service	108,115	18,418	20,967		(68,730)	(82,451)
Interest and Fiscal Charges on Long-term Liabilities	189,923				(189,923)	(203,678)
Total	<u>2,503,421</u>	<u>48,337</u>	<u>239,392</u>	<u>-0-</u>	<u>(2,215,692)</u>	<u>(1,880,211)</u>
<b><u>General Revenues</u></b>						
Property Taxes Levied for:						
General Purposes					346,999	266,235
Community Service					26,235	30,670
Debt Service					502,107	520,774
Federal and State Aid Not Restricted to Specific Purposes					1,480,153	1,426,550
Earnings on Investments					12,297	17,888
Miscellaneous					78,035	51,144
Total General Revenues					<u>2,445,826</u>	<u>2,313,261</u>
Change in Net Position					230,134	433,050
Net Position - Beginning, As Originally Stated					(2,546,130)	(2,979,180)
Change in Accounting Principle					16,900	
Net Position - Beginning, Restated					<u>(2,529,230)</u>	<u>(2,979,180)</u>
Net Position - Ending					<u>(2,299,096)</u>	<u>(2,546,130)</u>

See accompanying notes to the financial statements.

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>	
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Debt Service</b>	<b>2020</b>	<b>2019</b>
<b><u>Assets</u></b>						
Cash and Investments	466,195	8,790	94,861	493,840	1,063,686	1,271,012
Current Property Taxes Receivable	123,882		9,261	432,298	565,441	577,147
Delinquent Property Taxes Receivable	10,320		384	319	11,023	8,427
Accounts Receivable	6,649		75		6,724	2,284
Due From Department of Education	153,665	2,691	2,064	25,053	183,473	66,353
Due From Other Minnesota School Districts	14,305				14,305	2,364
Due from Other Funds						1,366
Inventory		1,275			1,275	5,039
Prepaid Items	987				987	1,084
Total Assets	<u>776,003</u>	<u>12,756</u>	<u>106,645</u>	<u>951,510</u>	<u>1,846,914</u>	<u>1,935,076</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>						
<b><u>Liabilities</u></b>						
Accounts Payable	5,677	229	32		5,938	11,698
Salaries Payable	29,704	3,902	11,978		45,584	47,730
Due to Other Minnesota School Districts	34,277				34,277	124,259
Due to Other Funds						1,366
Payroll Deductions	28,291				28,291	27,285
Total Liabilities	<u>97,949</u>	<u>4,131</u>	<u>12,010</u>		<u>114,090</u>	<u>212,338</u>
<b><u>Deferred Inflows of Resources</u></b>						
Unearned Revenue-Delinquent Taxes	10,320		384	319	11,023	8,467
Property Taxes Levied for Subsequent Years	292,362		20,992	649,421	962,775	1,093,388
Total Deferred Inflows of Resources	<u>302,682</u>	<u>-0-</u>	<u>21,376</u>	<u>649,740</u>	<u>973,798</u>	<u>1,101,855</u>
<b><u>Fund Balance</u></b>						
Fund Balance-Nonspendable	987	1,275			2,262	6,123
Fund Balance-Restricted	94,403	7,350	73,259	301,770	476,782	421,719
Fund Balance-Unassigned	279,982				279,982	193,041
Total Fund Balance	<u>375,372</u>	<u>8,625</u>	<u>73,259</u>	<u>301,770</u>	<u>759,026</u>	<u>620,883</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>776,003</u>	<u>12,756</u>	<u>106,645</u>	<u>951,510</u>	<u>1,846,914</u>	<u>1,935,076</u>

See accompanying notes to the financial statements.

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO**  
**NET ASSETS OF GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2020**

	<u>2020</u>		<u>2019</u>
Total Governmental Fund Balances	759,026		620,883
Amounts reported in Governmental Activities in The Statement of Net Assets are Different Because:			
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds			
Cost of Capital Assets	11,579,909		11,459,622
Less: Accumulated Depreciation	<u>(5,898,840)</u>	5,681,069	<u>(5,394,838)</u>
			6,064,784
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.		11,023	8,467
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	522,572		792,535
Deferred Inflows of Resources related to Pensions	<u>(1,016,135)</u>	(493,563)	<u>(1,295,054)</u>
			(502,519)
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	(104,682)		
Bonds Payable	(7,585,000)		(8,135,000)
Pension Benefits Payable	<u>(566,969)</u>	<u>(8,256,651)</u>	<u>(602,745)</u>
			(8,737,745)
Net Position of Governmental Activities		<u>(2,299,096)</u>	<u>(2,546,130)</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, 2020**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>	
	<b>General</b>	<b>Food Service</b>	<b>Community Service</b>	<b>Debt Service</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>						
Local Property Tax Levies	344,443		26,235	502,107	872,785	820,543
Other Local and County Revenues	50,780		38,249	6,270	95,299	88,100
Revenue from State Sources	1,311,343	6,025	20,967	251,177	1,589,512	1,555,535
Revenue from Federal Sources	80,748	49,285			130,033	95,679
Other	600	29,919			30,519	32,759
Total Revenues	1,787,914	85,229	85,451	759,554	2,718,148	2,592,616
<b>Expenditures</b>						
District and School Administration	38,546				38,546	33,183
District Support Services	123,736				123,736	84,420
Regular Instruction	886,666				886,666	857,524
Exceptional Instruction	175,030				175,030	168,949
Community Education and Services			107,980		107,980	117,395
Instructional Support Services	39,871				39,871	47,972
Pupil Support Services	173,864	76,604			250,468	241,281
Site, Buildings and Equipment	450,786				450,786	222,787
Fiscal and Other Fixed Cost Programs	18,965			739,923	758,888	757,234
Total Expenditures	1,907,464	76,604	107,980	739,923	2,831,971	2,530,745
Excess Revenues (Expenditures)						
Before Other Financing Sources (Uses)	(119,550)	8,625	(22,529)	19,631	(113,823)	61,871
<b>Other Financing Sources (Uses)</b>						
Lease Transactions/Installment Sales	117,533				117,533	
Amount Provided by Capital Lease	117,533				117,533	
Total Other Financing Sources (Uses)	235,066	-0-	-0-	-0-	235,066	-0-
Net Change in Fund Balance	115,516	8,625	(22,529)	19,631	121,243	61,871
Fund Balance-Beginning	242,956	-0-	95,788	282,139	620,883	559,012
Change in Accounting Principle	16,900				16,900	
Fund Balance-Beginning, restated	259,856	-0-	95,788	282,139	637,783	559,012
Fund Balance-Ending	375,372	8,625	73,259	301,770	759,026	620,883

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, 2020**

	<u>2020</u>	<u>2019</u>
Net Change in Governmental Fund Balances	121,243	61,871
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	36,653
Disposal of Assets	(4,904)	-0-
Depreciation Expense	<u>(530,997)</u>	<u>(528,011)</u>
	(383,714)	(491,358)
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	12,851	
Bond Payments	<u>550,000</u>	535,000
	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.	2,556	(2,864)
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).	8,955	(836,975)
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	35,776	1,167,376
Change in Net Position of Governmental Activities	<u><u>230,134</u></u>	<u><u>433,050</u></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, 2020**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Better/(Worse)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	346,917	350,063	344,443	(5,620)
Other Local and County Revenues	46,400	46,400	50,780	4,380
Revenue from State Sources	1,376,242	1,315,193	1,311,343	(3,850)
Revenue from Federal Sources	62,837	64,409	80,748	16,339
Other	700	700	600	(100)
Total Revenues	<u>1,833,096</u>	<u>1,776,765</u>	<u>1,787,914</u>	<u>11,149</u>
<b><u>Expenditures</u></b>				
District and School Administration	38,559	39,485	38,546	(939)
District Support Services	116,676	113,949	123,736	9,787
Regular Instruction	918,334	876,950	886,666	9,716
Exceptional Instruction	180,394	189,445	175,030	(14,415)
Instructional Support Services	38,856	48,756	39,871	(8,885)
Pupil Support Services	187,258	184,768	173,864	(10,904)
Site, Building and Equipment	227,849	473,659	450,786	(22,873)
Fiscal and Other Fixed Cost Programs	18,965	18,965	18,965	
Total Expenditures	<u>1,726,891</u>	<u>1,945,977</u>	<u>1,907,464</u>	<u>(38,513)</u>
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	106,205	(169,212)	(119,550)	49,662
<b><u>Other Financing Sources (Uses)</u></b>				
Permanant Transfer	(6,540)	(6,540)		6,540
Lease Transactions/Installment Sales		117,533	117,533	
Amount Provided by Capital Lease			117,533	117,533
Total Other Financing Sources (Uses)	<u>(6,540)</u>	<u>110,993</u>	<u>235,066</u>	<u>124,073</u>
Net Change in Fund Balance	<u>99,665</u>	<u>(58,219)</u>	<u>115,516</u>	<u>173,735</u>
Fund Balance-Beginning			242,956	
Change in Aaccounting Principle			16,900	
Fund Balance-Beginning, restated			259,856	
Fund Balance-Ending			<u>375,372</u>	

See accompanying notes to the financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**MAJOR FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Better/(Worse)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Revenue from State Sources	4,350	4,350	6,025	1,675
Revenue from Federal Sources	28,250	28,250	49,285	21,035
Other	30,200	30,200	29,919	(281)
Total Revenues	62,800	62,800	85,229	22,429
<b><u>Expenditures</u></b>				
Pupil Support Services	69,340	72,500	76,604	(4,104)
Total Expenditures	69,340	72,500	76,604	(4,104)
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	(6,540)	(9,700)	8,625	18,325
<b><u>Other Financing Sources (Uses)</u></b>				
Permanent Transfer	6,540	6,540		(6,540)
Total Other Financing Sources (Uses)	6,540	6,540	-0-	(6,540)
Net Change in Fund Balance	-0-	(3,160)	8,625	11,785
Fund Balance-Beginning			-0-	
Fund Balance-Ending			8,625	

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, 2020**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Better/(Worse)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	24,478	24,672	26,235	1,563
Other Local and County Revenues	55,690	55,690	38,249	(17,441)
Revenue from State Sources	14,846	20,684	20,967	283
Total Revenues	95,014	101,046	85,451	(15,595)
<b><u>Expenditures</u></b>				
Community Education and Services	127,581	131,310	107,980	23,330
Total Expenditures	127,581	131,310	107,980	23,330
Net Change in Fund Balance	(32,567)	(30,264)	(22,529)	7,735
Fund Balance-Beginning			95,788	
Fund Balance-Ending			73,259	

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, 2020**

	<b><u>Budgeted Amounts</u></b>		<b><u>Actual</u></b>	<b><u>Better/(Worse)</u></b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Than Final</u></b>
				<b><u>Budget</u></b>
<b><u>Revenues</u></b>				
Local Property Tax Levies	483,968	499,085	502,107	3,022
Other Local and County Revenues			6,270	6,270
Revenue from State Sources	266,446	251,328	251,177	(151)
Total Revenues	<u>750,414</u>	<u>750,413</u>	<u>759,554</u>	<u>9,141</u>
<b><u>Expenditures</u></b>				
Fiscal and Other Fixed Cost Programs	742,500	742,500	739,923	2,577
Total Expenditures	<u>742,500</u>	<u>742,500</u>	<u>739,923</u>	<u>2,577</u>
Net Change in Fund Balance	<u>7,914</u>	<u>7,913</u>	19,631	<u>11,718</u>
Fund Balance-Beginning			282,139	
Fund Balance-Ending			<u>301,770</u>	

See accompanying notes to the financial statements.

**STATEMENT OF FIDUCIARY ASSETS**  
**EXPENDABLE TRUST FUND**  
**JUNE 30, 2020**

	<u>2020</u>	<u>2019</u>
<b><u>Assets</u></b>		
Cash and Investments	3,524	3,717
<b>Total Assets</b>	<u>3,524</u>	<u>3,717</u>
 <b><u>Net Position</u></b>		
Reserved for Scholarships	3,524	3,717
<b>Total Net Position</b>	<u>3,524</u>	<u>3,717</u>

See accompanying notes to the financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b><u>Additions</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Interest Income	<u>7</u>	<u>29</u>
Total Additions	<u>7</u>	<u>29</u>
 <b><u>Deductions</u></b>		
Scholarships	<u>200</u>	<u>250</u>
Change in Net Position	<u>(193)</u>	<u>(221)</u>
 Net Position - Beginning of Year	<u>3,717</u>	<u>3,938</u>
Net Position - End of Year	<u><u>3,524</u></u>	<u><u>3,717</u></u>

See accompanying notes to the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

**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, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

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

**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, 2020**

**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, 2020**

**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, 2020**

**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 2<sup>nd</sup> 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, 2020**

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

**K.     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, 2020, and will be recognized as revenue during the fiscal year ending June 30, 2021. The delinquent taxes receivable are reserved as 100% uncollectible except for the amount received during the first sixty days of the subsequent fiscal year.

**L.     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.

**M.     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, 2020**

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

**N.     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.

**O.     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, 2020**

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

**O.     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.

**P.     Net Position**

Net position represents the difference between assets and liabilities in the District-wide and Fiduciary Fund financial statements. Net investment in capital assets 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.

**Q.     Pensions**

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**R.      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, 2019, from which the summarized information was derived.

**S.      Estimates**

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

**T.      Subsequent Events**

Subsequent events have been evaluated through October 8, 2020, 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, 2020, none of the District's bank balance of \$299,818 was exposed to custodial credit risk.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020**

**Note 2      Cash and Investments - continued**

**B.      Investments - continued**

	<u>Credit Risk</u>		<u>Concentration</u>	<u>Interest</u>	<u>Carrying</u>
	<u>Credit</u>	<u>Rating</u>	<u>Risk</u>	<u>Rate Risk</u>	
	<u>Rating</u>	<u>Agency</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Value</u>
			<u>of Portfolio</u>	<u>Date</u>	
Investment Pools:					
Minnesota School District Liquid Asset Fund Plus					
Liquid Class	AAAm	S & P	20%	N/A	39,725
MAX Class	AAAm	S & P	80%	N/A	729,158
Total Investments					768,883
Nonnegotiable					
Certificates of					
Deposit					2,960
Cash on Hand					1,950
Deposits					293,417
Total Cash and Investments					1,067,210

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

Cash and temporary investments – statement of net position	1,063,686
Cash and temporary investments – statement of fiduciary net position	3,524
	<u>1,067,210</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](http://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>2019</u>	<u>2019</u>
General Education Aid	144,054	28,816
Other State Credits	3,740	3,622
Special Education	5,871	5,785
Total General Fund	153,665	38,223
 <u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Summer Camp – Breakfast and Lunch	2,691	
Total Food Service Fund	2,691	-0-

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 3    Due From Department of Education - continued**

**Special Revenue Funds - continued**

**Community Service Fund**

Early Childhood and Family Education	697	87
Other State Credits	<u>1,367</u>	<u>1,398</u>
Total Special Revenue Funds	2,064	1,485

**Debt Service Fund**

Other State Credits	<u>25,053</u>	<u>26,645</u>
Total All Funds	<u>183,473</u>	<u>66,353</u>

**Note 4    Capital Assets**

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

	<b><u>Balance</u></b> <b><u>07/01/19</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>Balance</u></b> <b><u>06/30/20</u></b>
Capital assets not depreciated				
Land	9,694			9,694
Capital assets depreciated				
Land Improvements	10,089,080			10,089,080
Buildings	1,060,353	117,533		1,177,886
Equipment	300,495	34,654	(31,900)	303,249
Total capital assets depreciated	11,449,928	152,187	(31,900)	11,570,215
Less accumulated depreciation for				
Land Improvements	(4,287,861)	(504,454)		(4,792,315)
Buildings	(901,423)	(11,807)		(913,232)
Equipment	(205,554)	(14,735)	26,996	(193,293)
Total Accumulated Depreciation	<u>(5,394,838)</u>	<u>(530,997)</u>	<u>26,996</u>	<u>(5,898,840)</u>
Total capital assets depreciated –				
Net	6,055,090	(378,810)	(4,904)	5,671,375
Net Capital Assets	<u>6,064,784</u>	<u>(378,810)</u>	<u>(4,904)</u>	<u>5,681,069</u>

Depreciation expense of \$530,997 for the year ended June 30, 2020 was charged to the following governmental functions:

Regular Instruction	3,965
Sites, Buildings, and Equipment	<u>527,032</u>
Total	<u>530,997</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 5     Due To Other Minnesota School Districts**

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

	<b><u>June 30</u></b>	
<b><u>General Fund</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Independent School District No. 414	320	97,817
Independent School District No. 413	16,963	
Independent School District No. 347		50
SW/WC Service Coop – Reimbursements	<u>16,994</u>	<u>26,392</u>
Total General Fund	<u>34,277</u>	<u>124,259</u>
Total All Funds	<u>34,277</u>	<u>124,259</u>

**Note 6     Long-Term Liabilities**

**A.     Bonds Payable**

Bonds payable at June 30, 2020 are comprised of the following items:

	<b><u>Balance</u></b> <b><u>June 30, 2020</u></b>
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%	750,000
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%.	<u>6,835,000</u>
Total Bonds Payable	<u>7,585,000</u>

The annual requirements to amortize the bonds payable outstanding as of June 30, 2020, including interest payments, are listed below.

<b><u>Year Ended</u></b>			
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2021	560,000	177,345	737,345
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
2026-2030	2,450,000	455,538	2,905,538
2031-2034	<u>2,200,000</u>	<u>161,063</u>	<u>2,361,063</u>
Total	<u>7,585,000</u>	<u>1,375,210</u>	<u>8,960,210</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 6    Long-Term Liabilities – continued**

**B.    Capital Lease**

Assets under capital lease totaled \$104,682 at June 30, 2020. 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, 2020.

<b><u>Year Ended</u></b>			
<b><u>June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2021	22,543	2,737	25,280
2022	23,205	2,075	25,280
2023	23,887	1,393	25,280
2024	24,589	691	25,280
2025	10,458	78	10,536
Total	<u>104,682</u>	<u>6,974</u>	<u>111,656</u>

**C.    Changes in Long-Term Liabilities**

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

	<b><u>Balance</u></b>			<b><u>Balance</u></b>	<b><u>Due Within</u></b>
	<b><u>7/1/19</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>6/30/20</u></b>	<b><u>One Year</u></b>
Bonds Payable	8,135,000		550,000	7,585,000	560,000
Capital Lease		117,533	12,851	104,682	22,543
Total	<u>8,135,000</u>	<u>117,533</u>	<u>562,851</u>	<u>7,689,682</u>	<u>582,543</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 7    Fund Balances**

**Non-Spendable Fund Balance**

The District has the following non-spendable fund balances as of June 30, 2020:

General Fund	987
--------------	-----

**Special Revenue Funds**

**Food Service**

Inventory	1,275
Total Special Revenue Funds	<u>1,275</u>
Total All Funds	<u><u>2,262</u></u>

**Restricted Fund Balance**

The District has various restricted fund balances that are based on state requirements to track certain program funding, to provide funding for long-term debt requirements, or for other requirements. The District has the following restricted fund balances as of June 30, 2020:

**General Fund**

Student Activities	21,308
Deferred Maintenance	46,619
Achievement and Integration	6,219
Gifted & Talented	4,711
Basic Skills	2,332
Safe Schools	13,214
Total General Fund	<u>94,403</u>

**Special Revenue Funds**

**Food Service**

Restricted	7,350
Total Food Service	<u>7,350</u>

**Community Services**

Community Education	27,550
Early Childhood and Family Education	58,991
School Readiness	(17,459)
Restricted	4,177
Total Community Services	<u>73,259</u>
Total Special Revenue Funds	<u>80,609</u>

**Debt Service**

Restricted	301,770
Total Debt Service Fund	<u>301,770</u>
Total All Funds	<u><u>476,782</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020.

**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, 2020.

**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, 2020:

**General Fund**

General Fund	<u>279,982</u>
Total All Funds	<u>279,982</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, 2020.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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. Increases are related to the funding ratio of the plan. General Employees Plan benefit recipients receive a future annual 1.0 percent increase. If the General Employees Plan is at least 90 percent funded for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent. A benefit recipient, who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020, were \$12,287. The District's contributions were equal to the required contributions for each year as set by state statute.

**4.     Pension Costs**

At June 30, 2020, the District reported a liability of \$127,162 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 \$3,833. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportion share was 0.0023 percent, which is an increase in proportion share of .0003 percent as of June 30, 2018.

District's proportionate share of the net pension liability	\$127,162
State of Minnesota's proportionate share of the net pension Liability associated with the District	<u>\$ 3,833</u>
Total	<u>\$130,995</u>

For the year ended June 30, 2020, the District recognized pension expense of \$11,233 for its proportionate share of GERF's pension expense. In addition, the District recognized an additional \$287 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, 2020**

**Note 8     Defined Benefit Pension Plans - continued**

**A.     Public Employees Retirement Association (PERA)-continued**

**4.     Pension Costs - continued**

At June 30, 2020, the District reported its proportionate share of GERS'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	\$3,607	
Changes in actuarial assumptions		\$10,601
Net collective difference between projected and actual investment earnings		\$13,301
Changes in proportion	\$6,384	\$18,572
Contributions paid to PERA subsequent to the measurement date	\$12,287	
<b>Total</b>	<b>\$22,278</b>	<b>\$42,474</b>

\$22,278 reported as deferred outflows of resources related to pensions resulting from District contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2021	(\$13,621)
2022	(\$12,013)
2023	(\$7,054)
2024	\$205

**5.     Actuarial Assumptions**

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disability were based on RP-2014 tables for the General Employees Plan. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

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

**General Employees Fund**

Changes in Actuarial Assumptions:

- The morality 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 per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%	

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 8     Defined Benefit Pension Plans - continued**

**A.     Public Employees Retirement Association (PERA) - continued**

**6.     Discount Rate**

The discount rate used to measure the total pension liability in 2019 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.

**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](http://www.mnpera.org).

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 8     Defined Benefit Pension Plans – continued**

**B.     Teachers Retirement Association**

**1.   Plan Description**

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

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.

**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.

<b><u>Tier 1</u></b>	<b><u>Step Rate Formula</u></b>	<b><u>Percentage</u></b>
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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 8     Defined Benefit Pension Plans - continued**

**B.     Teachers Retirement Association - continued**

**2. Benefits Provided - continued**

- (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).

**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, 2018, June 30, 2019, and June 30, 2020 were:

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 8    Defined Benefit Pension Plans - continued**  
**B.        Teachers Retirement Association - continued**  
**3.    Contribution Rate – continued**

	<b>June 30, 2017</b>		<b>June 30, 2018</b>		<b>June 30, 2019</b>	
	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer</b>	<b>Employee</b>	<b>Employer</b>
<b>Basic</b>	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
<b>Coordinated</b>	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

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	\$403,300
Add employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocations	<u>(486)</u>
Total employer contributions	\$402,126
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$437,714</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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.



**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Valuation Date	July 1, 2019
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
<b>Actuarial Assumptions:</b>	
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
<b>Mortality Assumptions</b>	
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, 2020**

**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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return (Geometric Mean)</b>
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%
<b>Total</b>	<b>100%</b>	

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” and “Changes of Assumptions” 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, 2020**

**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 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**6.     Net Pension Liability**

On June 30, 2020, the District reported a liability of \$439,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0081% at the end of the measurement period and 0.0073% 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	\$439,807
State's proportionate share of the net pension Liability associated with the District	\$38,867

For the year ended June 30, 2020, the District recognized pension expense of \$33,314. It also recognized \$2,954 as an increase to pension expense for the support provided by direct aid.

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**Note 8    Defined Benefit Pension Plans - continued**

**B.    Teachers Retirement Association – continued**

**6.    Net Pension Liability – continued**

On June 30, 2019, the District had deferred resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$117	\$11,057
Net difference between projected and actual earnings on plan inv.		\$39,153
Change in assumptions	\$469,886	\$654,707
Changes in proportion		\$268,744
Contributions paid to TRA subsequent to measurement date	\$30,290	
<b>Total</b>	<b>\$500,294</b>	<b>\$973,661</b>

\$30,290 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in the pension expense as follows:

2020	(\$54,821)
2021	(\$48,326)
2022	(\$242,291)
2023	(\$154,049)
2024	(\$4,169)

**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%)
\$701,161	\$439,807	\$224,326

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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](http://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, 2020**

**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:

Food Service Fund	4,104
-------------------	-------

Program needs will be monitored in the future to alleviate expenditure excesses in the Food Service Fund.

**Note 12   Change in Accounting Principle**

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the District moved the student activity accounts in the amount of \$16,900 to the general fund and governmental activities.

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**DEFINED BENEFIT PENSION PLANS**  
**JUNE 30, 2020**

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)]	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
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	0.2300%	127,162	287	127,449	160,307	79.5%	80.2%
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%	81.5%
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%	51.57%
June 30, 2018	0.0081%	458,508	43,155	501,663	435,076	115.3%	78.07%
June 30, 2019	0.0073%	439,807	38,867	478,674	392,866	121.8%	78.07%

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, 2020**

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					
2014	13,584	13,584	-0-	199,151	6.8%
2015	12,828	13,023	(195)	184,654	7.1%
2016	12,397	12,524	(127)	170,094	7.4%
2017	11,511	11,868	(357)	153,480	7.7%
2018	12,960	12,960	-0-	172,800	7.5%
2019	12,023	12,023	-0-	160,307	7.5%
TRA					
2014	52,713	52,713	-0-	753,049	7.0%
2015	38,499	35,514	2,985	502,632	7.1%
2016	33,902	33,902	-0-	452,027	7.5%
2017	32,631	32,631	-0-	435,076	7.5%
2018	30,342	30,342	-0-	404,560	7.5%
2019	30,290	30,290	-0-	392,866	7.7%

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.



**GENERAL FUND**  
**BALANCE SHEET**  
**JUNE 30, 2020**

<b><u>Assets</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and Investments	466,195	604,927
Current Property Taxes Receivable	123,882	135,366
Delinquent Property Taxes Receivable	10,320	4,615
Accounts Receivable	6,649	1,244
Due From Department of Education	153,665	38,223
Due From Federal Government	14,305	2,364
Due From Other Funds		1,366
Prepaid Expense	987	1,084
Total Assets	<u>776,003</u>	<u>789,189</u>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>		
<b><u>Liabilities</u></b>		
Salaries Payable	29,704	31,528
Accounts Payable	5,677	10,431
Due to Other Minnesota School Districts	34,277	124,259
Payroll Deductions	28,291	27,285
Total Liabilities	<u>97,949</u>	<u>193,503</u>
<b><u>Deferred Inflows of Resources</u></b>		
Unearned Revenue-Delinquent Taxes	10,320	4,615
Property Taxes Levied for Subsequent Years	292,362	348,115
Total Deferred Inflows of Resources	<u>302,682</u>	<u>352,730</u>
<b><u>Fund Equity</u></b>		
Fund Balance-Nonspendable	987	1,084
Fund Balance-Restricted	94,403	38,980
Fund Balance-Unassigned	279,982	202,892
Total Fund Equity	<u>375,372</u>	<u>242,956</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>776,003</u>	<u>789,189</u>

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			
	2020			2019
			Better/(Worse)	
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	350,063	344,443	(5,620)	269,099
	350,063	344,443	(5,620)	269,099
<u>Other Local and County Revenues</u>				
County Apportionment	5,925	12,395	6,470	4,251
Gifts	7,500	6,279	(1,221)	
Interest Income	17,750	4,517	(13,233)	7,531
Rent of Facilities	2,475		(2,475)	
Other Revenues	12,750	27,589	14,839	8,575
Total Other Local and County Revenues	46,400	50,780	4,380	20,357
<u>Revenue From State Sources</u>				
Disparity Reduction Aid	872	844	(28)	696
Endowment Fund Apportionment	6,753	6,131	(622)	6,152
General Education Aid	1,238,900	1,240,555	1,655	1,204,563
Market Value Credit	4,143	4,130	(13)	3,254
Other State Aids	14,161	14,161		7,781
Special Education	50,364	45,522	(4,842)	46,501
Total Revenue From State Sources	1,315,193	1,311,343	(3,850)	1,268,947
<u>Revenue From Federal Sources</u>				
Federal Aid Programs	64,409	80,748	16,339	64,275
<u>Sales and Other Conversion of Assets</u>				
Sale of Materials	700	600	(100)	818
Total Sales and Other Conversion of Assets	700	600	(100)	818
Total Revenues	1,776,765	1,787,914	11,149	1,623,496

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			
	2020			2019
			Better/(Worse)	
<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>District and School Administration</u>				
Dues and Memberships	4,100	4,041	(59)	4,022
Fixed Charges and Employee Benefits	4,166	4,010	(156)	3,623
Insurance	2,628	2,628	0	
Professional Services	1,600	1,795	195	1,341
Salaries	26,991	26,072	(919)	24,197
Total District and School Administration	39,485	38,546	(939)	33,183
 <u>District Support</u>				
Dues and Memberships				25
Equipment Leased	866	1,196	330	749
Principal	3,200	3,200		4,432
Fixed Charges and Employee Benefits	12,419	11,550	(869)	8,596
Professional Services	41,310	46,777	5,467	38,916
Salaries	49,080	49,079	(1)	30,267
Other	100	93	(7)	88
Supplies	6,800	11,667	4,867	1,210
Travel and Transportation	174	174		137
Total District Support Services	113,949	123,736	9,787	84,420
 <u>Regular Instruction</u>				
<u>Elementary School</u>				
Equipment	5,000	2,327	(2,673)	22,501
Fixed Charges and Employee Benefits	95,197	89,574	(5,623)	85,956
Professional Services	1,800	1,349	(451)	1,496
Rent	9,500	7,026	(2,474)	8,744
Repairs and Maintenance	800		(800)	810
Salaries	312,656	322,266	9,610	316,517
Supplies	35,191	35,196	5	16,468
Travel and Transportation	9,232	10,713	1,481	19,708
Tuition to Other Minnesota School Districts	30,000	30,402	402	30,679
Total Elementary	499,376	498,853	(523)	502,879

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			2019
	2020		Better/(Worse)	
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Than Budget</u>	<u>Actual</u>
<u>Regular Instruction - continued</u>				
<u>Secondary School</u>				
Instructional Supplies		597	597	582
Equipment		316	316	
Travel and Transportation	200	573	373	600
Tuition to Other Minnesota School Districts	377,374	386,327	8,953	353,463
Total Secondary	377,574	387,813	10,239	354,645
Total Regular Instruction	876,950	886,666	9,716	857,524
<u>Exceptional Instruction</u>				
Fixed Charges and Employee Benefits	25,188	20,693	(4,495)	15,516
Instructional Supplies	555	595	40	
Professional Services	300		(300)	452
Salaries	77,420	76,349	(1,071)	82,445
Travel and Transportation	3,015	2,525	(490)	3,029
Tuition to Other Minnesota School Districts	82,967	74,868	(8,099)	67,507
Total Exceptional Instruction	189,445	175,030	(14,415)	168,949
<u>Instructional Support Services</u>				
Fixed Charges and Employee Benefits	2,515	2,850	335	2,616
Instructional Supplies	200	36	(164)	144
Dues	1,800	858	(942)	1,740
Professional Services	22,900	17,489	(5,411)	24,515
Salaries	16,042	16,506	464	15,283
Supplies	799	365	(434)	480
Travel and Transportation	4,500	1,767	(2,733)	3,194
Total Instructional Support	48,756	39,871	(8,885)	47,972

**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			2019
	2020			
	Budget	Actual	Better/(Worse) Than Budget	Actual
<b><u>Expenditures - continued</u></b>				
<u>Pupil Support</u>				
Fixed Charges and Employee Benefits	3,765	9,835	6,070	14,642
Fuel	17,000	10,787	(6,213)	18,328
Professional Services	500	1,764	1,264	345
Pupil Transportation	147,857	150,540	2,683	141,455
Salaries	10,120	9,396	(724)	9,134
Supplies	200	16	(184)	48
Transportation Chargebacks	(45,000)	(69,799)	(24,799)	(76,260)
Travel and Transportation	50,326	61,325	10,999	62,194
Total Pupil Support	184,768	173,864	(10,904)	169,886
<u>Site, Building and Equipment</u>				
Equipment	22,104	22,255	151	12,296
Fixed Charges and Employee Benefits	2,267	1,977	(290)	1,834
Fuel	3,300	6,960	3,660	2,159
Other	55	94	39	55
Professional Services	56,017	45,612	(10,405)	44,460
Repair and Maintenance Service	15,150	16,201	1,051	16,719
Salaries	14,962	14,250	(712)	13,169
Supplies	18,040	15,395	(2,645)	17,947
Building Construction	117,533	117,533		
Capital Lease	117,533	117,533		
Lease Interest	839	1,895	1,056	
Lease Principal	5,482	12,852	7,370	
Utilities	100,377	78,229	(22,148)	114,148
Total Site, Building and Equipment	473,659	450,786	(22,873)	222,787
<u>Fixed Cost Programs</u>				
Interest				1,208
Property Insurance	18,965	18,965		17,348
Total Fixed Cost Programs	18,965	18,965	-0-	18,556
Total Expenditures	1,945,977	1,907,464	(38,513)	1,603,277
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	(169,212)	(119,550)	49,662	20,219
<b><u>Other Financing Sources (Uses)</u></b>				
Permanent Transfer	(6,540)		6,540	(3,102)
Lease Transactions/Installment Sales	117,533	117,533		
Amount Provided by Capital Lease		117,533	117,533	
Total Other Financing Sources (Uses)	110,993	235,066	124,073	(3,102)
Excess Revenues (Expenditures) After				
Other Financing Sources (Uses)	(58,219)	115,516	173,735	17,117
Fund Balance-July 1		242,956		225,839
Change in Accounting Principle		16,900		
Fund Balance-July 1, restated		259,856		
Fund Balance-June 30		375,372		242,956

**ALL SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2020**

	<b>Food</b>	<b>Community</b>	<b>Total</b>	
	<b>Service</b>	<b>Service</b>	<b>(Memo Only)</b>	
<b><u>Assets</u></b>			<b><u>2020</u></b>	<b><u>2019</u></b>
Cash and Investments	8,790	94,861	103,651	118,661
Current Property Taxes Receivable		9,261	9,261	8,158
Delinquent Property Taxes Receivable		384	384	376
Accounts Receivable		75	75	1,040
Due from Department of Education	2,691	2,064	4,755	1,485
Inventory	1,275		1,275	5,039
<b>Total Assets</b>	<b><u>12,756</u></b>	<b><u>106,645</u></b>	<b><u>119,401</u></b>	<b><u>134,759</u></b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts Payable	229	32	261	1,267
Due to Other Funds				1,366
Salaries Payable	3,902	11,978	15,880	16,202
<b>Total Liabilities</b>	<b><u>4,131</u></b>	<b><u>12,010</u></b>	<b><u>16,141</u></b>	<b><u>18,835</u></b>
<b><u>Deferred Inflows of Resources</u></b>				
Unearned Revenue - Delinquent Taxes		384	384	416
Property Taxes Levied for Subsequent Years		20,992	20,992	19,720
<b>Total Deferred Inflows of Resources</b>	<b><u>-0-</u></b>	<b><u>21,376</u></b>	<b><u>21,376</u></b>	<b><u>20,136</u></b>
<b><u>Fund Equity</u></b>				
Fund Balance-Nonspendable	1,275		1,275	5,039
Fund Balance-Restricted	7,350	73,259	80,609	100,600
Fund Balance-Unassigned				(9,851)
<b>Total Fund Equity</b>	<b><u>8,625</u></b>	<b><u>73,259</u></b>	<b><u>81,884</u></b>	<b><u>95,788</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>12,756</u></b>	<b><u>106,645</u></b>	<b><u>119,401</u></b>	<b><u>134,759</u></b>

**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<b><u>Food</u></b>	<b><u>Community</u></b>	<b><u>Total</u></b>	
	<b><u>Service</u></b>	<b><u>Service</u></b>	<b><u>(Memo Only)</u></b>	
<b><u>Revenues</u></b>			<b><u>2020</u></b>	<b><u>2019</u></b>
Local Property Tax Levy		26,235	26,235	30,670
Other Local and County Revenues		38,249	38,249	59,314
Revenue from State Sources	6,025		6,025	4,948
Revenue from Federal Sources	49,285	20,967	70,252	46,597
Other	29,919		29,919	31,941
Total Revenues	<u>85,229</u>	<u>85,451</u>	<u>170,680</u>	<u>173,470</u>
 <b><u>Expenditures</u></b>				
Community Education and Services		107,980	107,980	117,395
Pupil Support Services	76,604		76,604	71,395
Total Expenditures	<u>76,604</u>	<u>107,980</u>	<u>76,604</u>	<u>188,790</u>
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	8,625	(22,529)	153,208	(15,320)
 <b><u>Other Financing Sources</u></b>				
Permanent Transfer				3,102
Excess Revenues (Expenditures) After				
Other Financing Sources (Uses)	8,625	(22,529)	153,208	(12,218)
Excess Revenues (Expenditures)	8,625	(22,529)	(13,904)	(12,218)
Fund Balance-July 1	-0-	95,788	95,788	108,006
Fund Balance-June 30	<u>8,625</u>	<u>73,259</u>	<u>81,884</u>	<u>95,788</u>

**FOOD SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			2019 <u>Actual</u>
	2020 <u>Budget</u>	2020 <u>Actual</u>	Better/(Worse) <u>Than Budget</u>	
<b><u>Revenues</u></b>				
<u>Revenue From State Sources</u>				
Lunch Reimbursement	2,500	1,610	(890)	2,773
Summer Food Service Program		2,691	2,691	
Other State Aid	<u>1,850</u>	<u>1,724</u>	<u>(126)</u>	<u>2,175</u>
Total Revenue from State Sources	4,350	6,025	1,675	4,948
 <u>Revenue From Federal Sources</u>				
Breakfast Reimbursement	5,250	3,342	(1,908)	5,660
Summer Food Service Program		35,020	35,020	
Commodities	3,000		(3,000)	5,230
Lunch Reimbursement	<u>20,000</u>	<u>10,923</u>	<u>(9,077)</u>	<u>20,514</u>
Total Revenue From Federal Sources	28,250	49,285	21,035	31,404
 <u>Sales and Other Conversion of Assets</u>				
Sale of Lunches	<u>30,200</u>	<u>29,919</u>	<u>(281)</u>	<u>31,941</u>
Total Revenues	62,800	85,229	22,429	68,293
 <b><u>Expenditures</u></b>				
<u>Pupil Support Services</u>				
Commodities	3,000		3,000	5,165
Fixed Charges and Employee Benefits	3,693	7,379	(3,686)	3,657
Food	25,500	32,414	(6,914)	23,034
Milk	9,625	11,659	(2,034)	10,256
Other	650	590	60	588
Repairs and Maintenance	1,000	408	592	1,047
Salaries	27,532	22,315	5,217	26,282
Supplies	<u>1,500</u>	<u>1,839</u>	<u>(339)</u>	<u>1,366</u>
Total Expenditures	72,500	76,604	(4,104)	71,395
Excess Revenues (Expenditures)				
Before Other Financing Sources (Uses)	(9,700)	8,625	18,325	(3,102)
 <b><u>Other Financing Sources</u></b>				
Permanent Transfer	<u>6,540</u>		<u>(6,540)</u>	<u>3,102</u>
Excess Revenues (Expenditures) After Other Financing Sources (Uses)	<u>(3,160)</u>	8,625	<u>11,785</u>	-0-
Fund Balance-July 1		<u>-0-</u>		<u>-0-</u>
Fund Balance-June 30		<u>8,625</u>		<u>-0-</u>



**COMMUNITY SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			2019
	2020			
<b><u>Revenues</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Better/ (Worse)</u></b> <b><u>Than Budget</u></b>	<b><u>Actual</u></b>
<b><u>Local Property Tax Levy</u></b>				
Local Tax Levy	23,872	25,542	1,670	30,056
Misc. Local Taxes	800	693	(107)	614
Total Local Property Tax Levies	24,672	26,235	1,563	30,670
<b><u>Other Local and County Revenues</u></b>				
Fees from Patrons	18,000	18,418	418	19,886
Grant	37,500	18,321	(19,179)	37,500
Interest Income	190	1,510	1,320	1,928
Total Other Local and County Revenues	55,690	38,249	(17,441)	59,314
<b><u>Revenue From State Sources</u></b>				
Disparity Aid	145	143	(2)	178
Homestead/Agriculture Credit	705	703	(2)	866
Other State Aids	19,834	20,121	287	14,149
Total Revenue From State Sources	20,684	20,967	283	15,193
Total Revenues	101,046	85,451	(15,595)	105,177
<b><u>Expenditures</u></b>				
<b><u>Community Education and Services</u></b>				
Fixed Charges and Employee Benefits	20,626	17,698	2,928	18,154
Instructional Supplies	2,000	849	1,151	820
Other	2,775	955	1,820	1,366
Rent	6,282	6,282		6,228
Salaries	83,037	73,775	9,262	75,565
Supplies	3,090	880	2,210	2,952
Travel	13,500	7,541	5,959	12,310
Total Expenditures	131,310	107,980	23,330	117,395
Excess Revenues (Expenditures)	(30,264)	(22,529)	7,735	(12,218)
Fund Balance-July 1		95,788		108,006
Fund Balance-June 30		73,259		95,788

**DEBT SERVICE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Year Ended June 30			2019
	2020			
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Better/(Worse) Than Budget</u>	<u>Actual</u>
<u>Local Property Tax Levy</u>				
Local Tax Levy	474,224	477,824	3,600	502,679
Misc. Local Taxes	24,861	24,283	(578)	18,095
Total Local Property Tax Levy	499,085	502,107	3,022	520,774
<u>Other Local and County Revenues</u>				
Interest Income		6,270	6,270	8,429
Total Other Local and County Revenues	-0-	6,270	6,270	8,429
<u>Revenue From State Sources</u>				
Disparity Aid	5,207	5,207		5,352
Homestead Credit	220,192	220,192		234,503
Market Value Credit	25,929	25,778	(151)	26,592
Total Revenue From State Sources	251,328	251,177	(151)	266,447
Total Revenues	750,413	759,554	9,141	795,650
<u>Expenditures</u>				
Bond Interest	188,500	188,975	(475)	199,878
Bond Principal	550,000	550,000		535,000
Other Bond Expenses	4,000	948	3,052	3,800
Total Expenditures	742,500	739,923	2,577	738,678
Excess Revenues (Expenditures)	7,913	19,631	11,718	56,972
Fund Balance-July 1		282,139		225,167
Fund Balance-June 30		301,770		282,139

**UNIFORM FINANCIAL ACCOUNTING & REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Audit	UFARS	Audit - UFARS
<b><u>01 GENERAL FUND</u></b>			
Total Revenues	<u>1,787,914</u>	<u>1,787,914</u>	<u>-0-</u>
Total Expenditures	<u>1,907,464</u>	<u>1,907,466</u>	<u>(2)</u>
Non Spendable:			
4.60 Non Spendable	987	987	-0-
Restricted:			
4.01 Student Activities	21,308	21,308	-0-
4.38 Gifted & Talented	4,711	4,711	-0-
4.48 Achievement and Intergration	6,219	6,219	-0-
4.49 Safe Schools	13,214	13,214	-0-
4.59 Basic Skills Extended Time	2,332	2,332	-0-
4.67 Deferred Maintenance	46,619	46,620	(1)
Unassigned:			
4.22 Unassigned	279,982	279,982	-0-
<b><u>02 FOOD SERVICE</u></b>			
Total Revenues	<u>85,229</u>	<u>85,229</u>	<u>-0-</u>
Total Expenditures	<u>76,604</u>	<u>76,603</u>	<u>1</u>
Non Spendable:			
4.60 Non Spendable	1,275	1,275	-0-
Restricted:			
4.64 Restricted Fund Balance	7,350	7,350	-0-
Unreserved:			
4.63 Unassigned	-0-	-0-	-0-
<b><u>04 COMMUNITY SERVICE</u></b>			
Total Revenues	<u>85,451</u>	<u>85,449</u>	<u>2</u>
Total Expenditures	<u>107,980</u>	<u>107,977</u>	<u>3</u>
Restricted:			
4.31 Community Education	27,550	27,550	-0-
4.32 Early Child & Family Education	58,991	58,991	-0-
4.44 School Readiness	(17,459)	(17,459)	-0-
4.64 Restricted Fund Balance	4,177	4,177	-0-
<b><u>07 DEBT SERVICE</u></b>			
Total Revenues	<u>759,554</u>	<u>759,554</u>	<u>-0-</u>
Total Expenditures	<u>739,923</u>	<u>739,925</u>	<u>(2)</u>
Restricted:			
4.64 Restricted	301,770	301,773	(3)
<b><u>07 TRUST</u></b>			
Total Revenues	<u>7</u>	<u>7</u>	<u>-0-</u>
Total Expenditures	<u>200</u>	<u>200</u>	<u>-0-</u>
Unassigned:			
4.22 Unassigned	3,524	3,523	1

THIS  
PAGE  
LEFT  
BLANK  
INTENTIONALLY

**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
109 S Freeman Avenue  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
[contactl@mtcocpa.com](mailto:contactl@mtcocpa.com)

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
[contactp@mtcocpa.com](mailto:contactp@mtcocpa.com)

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

**PARTNERS**

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

**WITH THE FIRM**

David L. Meulebroeck, CPA

**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, 2020, 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 October 8, 2020.

**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.

Independent School District No. 403  
Ivanhoe Public Schools  
Ivanhoe, Minnesota

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 (2020-I and 2020-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 Public Schools  
Ivanhoe, Minnesota

### **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

October 8, 2020

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

**I. Financial Statement Audit-Internal Controls**

**Previously Reported Items Not Resolved**

*2020-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, 2020

**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, 2020**

**I. Financial Statement Audit-Internal Controls-continued**  
**Previously Reported Items Not Resolved-continued**  
*2020-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, 2020

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.