Financial Statements
June 30, 2021

Independent School District No. 821
Menahga Area Public Schools

EideBailly®

Name	Position	Term Expires
School Board		
Andrea Haverinen	Chair	12/31/2022
Julia Kicker	Vice Chair	12/31/2024
Katie Howard	Clerk	12/31/2022
Cherie Peterson	Treasurer	12/31/2024
Helen Lehto	Director	12/31/2022
Administration		
Kevin Wellen	Superintendent	
Kyle Bergem	Business Manager	

Independent Auditor's Report

To the School Board of
Independent School District No. 821
Menahga Area Public Schools
Menahga, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 821, Menahga, Minnesota (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective changes in financial position, the budgetary comparison for the general fund and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the District's total OPEB liability and related ratios, schedule of funding progress, and schedule of employer's share of net pension liability and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 or preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The school board and administration, combining and individual fund schedules, and the uniform financial accounting and reporting standards compliance table, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements of the District.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated December 15, 2021, on our consideration of the District's compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor's Minnesota Legal Compliance Audit Guide for School Districts in considering the District's compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

This section of Independent School District No. 821, Menahga Area Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

General Fund 01 – The overall revenues were $12,261,477 while the overall expenditures were $12,762,271. These, along with net other financing uses of $967, decreased fund balance by $501,761.

Food Service Fund 02 – The overall revenues were $553,156 while the overall expenditures were $592,809. These, along with other financing sources of $85,873, increased fund balance by $46,220.

Community Service Fund 04 – The overall revenues were $191,684 while the overall expenditures were $218,891. These, along with other financing uses of $84,906, decreased fund balance by $112,113.

Capital Projects Fund 06 – The overall revenues were $57 while the overall expenditures were $238,615, decreasing fund balance by $238,558. The capital project was completed during the year; therefore, this fund has been closed.

Debt Service Fund 07 – The overall revenues were $1,019,787 while the overall expenditures were $1,027,249, decreasing fund balance by $7,462.

Note 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Overview of the Financial Statements

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

Governmental Funds – All of the District's basic services are included in governmental funds, which generally focus on:

1. how cash and other financial assets that can readily be converted to cash flow in and out and
2. the balances left at year-end that are available for spending.

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

Internal Service Funds – This is an accounting device used to accumulate and allocate costs of the District's self-insured dental insurance function. Because this service predominantly benefits the governmental function, they have been included within governmental activities in the district-wide financial statements.

Financial Analysis of the District as a Whole

Net Position

The District's combined net position was $3,816,099 as of June 30, 2021.

Statement of Net Position
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets	$ 5,677,930	$ 6,607,103
Capital assets	27,642,308	27,513,543
Total assets	33,320,238	34,120,646
Deferred Outflows of Resources	3,883,532	5,108,952
Liabilities		
Other liabilities	1,441,273	1,588,716
Long-term liabilities	23,806,431	23,326,083
Total liabilities	25,247,704	24,914,799
Deferred Inflows of Resources	8,139,967	8,734,181
Net Position (Deficit)		
Net investment in capital assets	12,142,308	11,274,138
Restricted for specific purposes	233,141	610,417
Unrestricted	(8,559,350)	(6,303,937)
Total net position	$ 3,816,099	$ 5,580,618

Statement of Activities
Years Ended June 30, 2021 and 2020

	2021	2020
Revenues		
Program revenues		
Charges for service	$ 233,392	$ 448,359
Operating grants and contributions	1,862,262	1,043,448
General		
Property taxes	1,353,045	1,370,942
Aids and payments from state and other	10,463,978	10,945,286
Unrestricted investment earnings	24,376	136,281
Miscellaneous revenues	123,593	134,375
Total revenues	14,060,646	14,078,691
Expenses		
District and school administration	919,815	906,920
District support services	444,045	434,965
Regular instruction	8,206,819	7,095,242
Vocational instruction	191,122	209,131
Exceptional instruction	1,861,523	1,775,166
Community education and services	218,890	150,859
Instructional support services	286,690	311,932
Pupil support services	2,140,635	2,255,589
Site, buildings and equipment	1,048,462	546,507
Fiscal and other fixed-cost programs	507,164	521,697
Total expenses	15,825,165	14,208,008
Change in Net Position	(1,764,519)	(129,317)
Net Position - Beginning	5,580,618	5,709,935
Net Position - End	$ 3,816,099	$ 5,580,618

Changes in Net Position

The District's total revenues were $14,060,646 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 84.0% of total revenue for the year. Another 14.9% came from other program revenues.

The total cost of all programs and services was $15,825,165. The District's expense is predominately related to educating and caring for students. The purely administrative activities of the District account for 8.6% of total costs.

The total expenses surpassed revenues, decreasing net position by $1,764,519 for the fiscal year ended June 30, 2021.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-k/Early Childhood Special Education through grade 12 including pupil transportation activities and capital outlay projects.

The following schedule presents a summary of General Fund Revenues.

	Year Ended June 30,		Amount of	Percent
	2021	2020	Increase (Decrease)	Increase (Decrease)
Local Property Taxes	$ 685,042	$ 841,788	$ (156,746)	-18.6%
Other Local Sources	277,253	510,477	(233,224)	-45.7%
State Sources	9,432,425	10,535,333	(1,102,908)	-10.5%
Federal Sources	1,862,624	226,162	1,636,462	723.6%
Sales of Assets	4,133	28,710	(24,577)	-85.6%
Total General Fund revenues	$ 12,261,477	$ 12,142,470	$ 119,007	1.0%

Total General Fund revenues increased by $119,007 or 1.0% from the previous year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on revenue. The increase in General Fund revenues was the result of increased federal aids related to COVID-19 funds offsetting the decrease in state aids.

The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Benefits	$ 8,920,830	$ 8,442,693	$ 478,137	5.7%
Purchased Services	1,434,999	1,318,907	116,092	8.8%
Supplies and Materials	706,260	773,465	(67,205)	-8.7%
Capital Expenditures	1,627,575	1,264,023	363,552	28.8%
Other Expenditures	72,607	58,071	14,536	25.0%
Total General Fund expenditures	$ 12,762,271	$ 11,857,159	$ 905,112	7.6%

Total General Fund expenditures increased by $905,112 or 7.6% from the previous year. The increase in salaries and benefits is a result of wage increases as well as a few additional employees compared to fiscal year 2020. Capital expenditures increased as a result of the various projects such as parking lots, boiler, roof projects, and air handling units covered by the General Fund.

General Fund Budgetary Highlights

The District's final general fund results when compared to the revised budget are:

- Actual revenues were $1,409,534 more than budget.
- The actual expenditures were $255,212 less than budget.

Other Non-Major Funds

The Food Service Fund incurred expenditures in excess of revenues of $39,653 and other financing sources of $85,873, which caused a net increase in fund balance of $46,220. The Community Service Fund incurred expenditures in excess of revenues of $27,207 and other financing uses of $84,906, which caused a net decrease in fund balance of $112,113.

Capital Assets and Debt Administration

By the end of 2021, the District had a carrying value of $27,642,308 invested in a broad range of capital assets, including school buildings, athletic facilities, computers, and audio-visual equipment. Total accumulated depreciation as of June 30, 2021 was $10,593,435. See Note 4 for more details.

Capital Assets Governmental Activities
June 30, 2021 and 2020

	2021	2020
Construction in Progress	$ -	$ 593,200
Improvements	546,068	546,068
Buildings	32,913,552	31,366,871
Equipment	4,776,123	4,453,344
Accumulated Depreciation	(10,593,435)	(9,445,940)
Total Capital Assets	$ 27,642,308	$ 27,513,543

Long-Term Liabilities

At year-end, the District had $16,228,031 in long-term liabilities consisting of bonded indebtedness of $15,500,000, severance of $9,564, compensated absences of $21,063, and other post-employment benefits of $697,404. See Notes 5 and 6 for more details.

The District also had a net pension liability of $7,578,400 at year end as disclosed in accordance with GASB Statement No. 68. See Note 7 for more details.

Factors Bearing on the District Future

Future enrollment projections at the District are an ongoing and evolving process. Enrollment projections for future fiscal years continue to be trending upward and it is anticipated to continue for the foreseeable future.

With the onset of the COVID-19 Pandemic in March 2020, and its continued impact through fiscal year 2021, the District anticipated fluctuations in revenues and expenditures due to the uncertainties of the overall impact. Revenues from the State decreased due to enrollment loss as a result of families choosing to home school, resulting in over 200 students no longer generating aid for the District in 2021. The District continues to provide educational opportunities to students in the District. The District has maintained strong reserve balances which has helped and will continue to help bridge financial gaps in revenue projections. During FY 2021, the District received federal grant funding related to the global COVID-19 pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, the Governor's Emergency Education Relief Fund (GEER) grant, and the Coronavirus Relief Fund (CRF) grant. All grants were used to cover COVID-19 expenditures of the district. This global pandemic has created unprecedented challenges for Federal, State and Local Government operations, creating continued uncertainty in the outcome of the 2022 budget.

District Average Daily Membership (ADM) decreased 216 from 1,034 in fiscal year 2020 to 818 for the Fall 2020 semester due to families choosing to homeschool their children amidst concerns over the global coronavirus pandemic. This has caused a $1.5 million decrease in state aid for the 2021 fiscal year. Federal Education Stabilization Funds were used to supplant staffing costs to offset this loss of revenue.

Contacting the District Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or would like additional information, contact Kyle Bergem, Business Manager, at the District offices at 216 Aspen Ave SE, Menahga, MN 56464.

Assets	
Cash and investments	$ 3,129,985
Receivables	
Current property taxes	726,570
Delinquent property taxes	11,280
Accounts	11,227
Due from other governmental units	1,676,732
Prepaid items	117,325
Inventories	4,811
	5,677,930
Capital assets	
Improvements	546,068
Buildings	32,913,552
Equipment	4,776,123
Less accumulated depreciation	(10,593,435)
Net capital assets	27,642,308
Total assets	33,320,238
Deferred Outflows of Resources	
Other post-employment benefits	28,256
Pension plans	3,855,276
Total deferred outflows of resources	3,883,532
Liabilities	
Accounts payable	104,951
Salaries and benefits payable	1,125,103
Accrued interest payable	209,370
Claims incurred but not reported	1,849
Long-term liabilities	
Due within one year - other than pensions and OPEB	542,657
Due in more than one year - other than pensions and OPEB	14,987,970
Due in more than one year - other post-employment benefits	697,404
Due in more than one year - net pension liability	7,578,400
Total liabilities	25,247,704
Deferred Inflows of Resources	
Property taxes levied for subsequent years	1,459,825
Other post-employment benefits	56,708
Pension plans	6,623,434
Total deferred inflows of resources	8,139,967
Net Position (Deficit)	
Net investment in capital assets	12,142,308
Restricted for specific purposes	233,141
Unrestricted	(8,559,350)
Total net position	$ 3,816,099

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Changes in Net Position
Governmental Activities					
Administration	$ 919,815	$ 9,553	$ -	$ -	$ (910,262)
District support services	444,045	-	-	-	(444,045)
Regular instruction	8,206,819	146,128	1,206,534	-	(6,854,157)
Vocational educational instruction	191,122	-	-	-	(191,122)
Special education instruction	1,861,523	9,512	29,945	-	(1,822,066)
Community education and services	218,890	41,411	94,158	-	(83,321)
Instructional support services	286,690	-	-	-	(286,690)
Pupil support services	2,140,635	26,788	531,590	-	(1,582,257)
Sites and buildings	1,048,462	-	-	-	(1,048,462)
Fiscal and other fixed-cost programs	507,164	-	35	-	(507,129)
Total governmental activities	$ 15,825,165	$ 233,392	$ 1,862,262	$ -	(13,729,511)
General Revenues					
Property taxes, levied for general purposes					672,999
Property taxes, levied for community education and services					40,134
Property taxes, levied for debt service					639,912
Aids and payments from the state					9,792,736
Federal aids and payments					646,690
County apportionment					24,552
Unrestricted investment earnings					24,376
Miscellaneous revenues					123,593
Total general revenues					11,964,992
Change in Net Position					(1,764,519)
Net Position - Beginning					5,580,618
Net Position - Ending					$ 3,816,099

Governmental Funds
Balance Sheet
June 30, 2021

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
Assets					
Cash and investments	$ 2,430,307	$ -	$ 610,064	$ 7,586	$ 3,047,957
Receivables					
Current property taxes	172,648	-	536,992	16,930	726,570
Delinquent property taxes	4,883	-	6,075	322	11,280
Accounts	-	-	-	11,227	11,227
Due from other governmental units	1,629,309	-	38,138	9,285	1,676,732
Due from other funds	6,925	-	-	-	6,925
Prepaid items	117,325	-	-	-	117,325
Inventories	2,984	-	-	1,827	4,811
Total assets	$ 4,364,381	$ -	$ 1,191,269	$ 47,177	$ 5,602,827
Liabilities					
Accounts payable	$ 101,182	$ -	$ -	$ 3,769	$ 104,951
Due to other funds	-	-	-	6,925	6,925
Salaries and benefits payable	1,112,136	-	-	12,967	1,125,103
Total liabilities	1,213,318	-	-	23,661	1,236,979
Deferred Inflows of Resources					
Unavailable revenue-property taxes	4,883	-	6,075	322	11,280
Property taxes levied for subsequent years	374,339	-	1,044,982	40,504	1,459,825
Total deferred inflows of resources	379,222	-	1,051,057	40,826	1,471,105
Fund Balance (Deficit)					
Nonspendable	120,309	-	-	1,827	122,136
Restricted	209,418	-	140,212	6,305	355,935
Committed	8,500	-	-	-	8,500
Unassigned	2,433,614	-	-	(25,442)	2,408,172
Total fund balance	2,771,841	-	140,212	(17,310)	2,894,743
Total liabilities, deferred inflows of resources, and fund balances	$ 4,364,381	$ -	$ 1,191,269	$ 47,177	$ 5,602,827

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Total Fund Balances - Governmental Funds	$ 2,894,743
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,642,308
Accrued interest payable for long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(209,370)
Delinquent property taxes are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.	11,280
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	80,179
Total OPEB obligation liabilities are not recognized in the funds.	(697,404)
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	(2,796,610)
Long-term liabilities, including severance, bonds payable, net pension liability, capital lease payable, and compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(23,109,027)
Total Net Position - Governmental Activities	$ 3,816,099

	General	Capital Projects	Debt Service	Other Governmental Funds	Totals
Revenues					
Local property tax levies	$ 685,042	$ -	$ 639,912	$ 40,134	$ 1,365,088
Other local and county sources	277,253	57	-	58,808	336,118
State sources	9,432,425	-	379,875	95,838	9,908,138
Federal sources	1,862,624	-	-	530,891	2,393,515
Sales and other conversions of assets	4,133	-	-	19,169	23,302
Total revenues	12,261,477	57	1,019,787	744,840	14,026,161
Expenditures					
Current					
Administration	896,410	-	-	-	896,410
District support services	443,042	-	-	-	443,042
Regular instruction	5,284,520	-	-	-	5,284,520
Vocational education instruction	178,122	-	-	-	178,122
Special education instruction	1,861,523	-	-	-	1,861,523
Community education and service	-	-	-	218,891	218,891
Instructional support services	295,562	-	-	-	295,562
Pupil support services	1,170,145	-	-	592,809	1,762,954
Sites and buildings	1,004,402	238,615	-	-	1,243,017
Fiscal and other fixed cost programs	970	-	1,027,249	-	1,028,219
Capital	1,627,575	-	-	-	1,627,575
Total expenditures	12,762,271	238,615	1,027,249	811,700	14,839,835
Deficiency of Revenues under Expenditures	(500,794)	(238,558)	(7,462)	(66,860)	(813,674)
Other Financing Sources (Uses)					
Transfer in	84,906	-	-	85,873	170,779
Transfer out	(85,873)	-	-	(84,906)	(170,779)
Total other financing sources (uses)	(967)	-	-	967	-
Net Change in Fund Balance	(501,761)	(238,558)	(7,462)	(65,893)	(813,674)
Fund Balance, Beginning of Year	3,273,602	238,558	147,674	48,583	3,708,417
Fund Balance, End of Year	$ 2,771,841	$ -	$ 140,212	$ (17,310)	$ 2,894,743

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	$ (813,674)
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense and change in retainage payable in the current period.	128,765
In the statement of activities severance and OPEB 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.	(75,559)
In the statement of activities compensated absences 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 amount paid).	583
Internal service funds are used by the District to charge the costs of the self-insured dental insurance pool. The change in net position of the internal service fund is reported in governmental activities.	(867)
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	(12,043)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(1,737,185)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	745,461
Change in Net Position of Governmental Activities	$ (1,764,519)

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local property tax levies	$ 547,617	$ 559,795	$ 685,042	$ 125,247
Other local and county sources	571,068	257,671	277,253	19,582
State sources	10,884,076	9,314,575	9,432,425	117,850
Federal sources	195,934	713,902	1,862,624	1,148,722
Sales and other conversions of assets	29,700	6,000	4,133	(1,867)
Total revenues	12,228,395	10,851,943	12,261,477	1,409,534
Expenditures				
Current				
Administration	890,246	874,753	896,410	(21,657)
District support services	437,189	448,116	443,042	5,074
Regular instruction	5,507,115	5,351,218	5,284,520	66,698
Vocational education instruction	222,309	177,273	178,122	(849)
Special education instruction	1,886,445	1,797,117	1,861,523	(64,406)
Instructional support services	322,305	360,741	295,562	65,179
Pupil support services	1,116,361	1,205,577	1,170,145	35,432
Sites and buildings	973,298	956,057	1,004,402	(48,345)
Fiscal and other fixed cost programs	785	970	970	-
Capital Outlay	1,374,755	1,845,661	1,627,575	218,086
Total expenditures	12,730,808	13,017,483	12,762,271	255,212
Deficiency of Revenues under Expenditures	(502,413)	(2,165,540)	(500,794)	1,664,746
Other Financing Sources (Uses)				
Transfer in	-	-	84,906	84,906
Transfer out	(200,000)	-	(85,873)	(85,873)
Total other financing sources (uses)	(200,000)	-	(967)	(967)
Net Change in Fund Balance	$ (702,413)	$ (2,165,540)	(501,761)	$ 1,663,779
Fund Balance, Beginning of Year			3,273,602	
Fund Balance, End of Year			$ 2,771,841	

Statement of Net Position
Internal Service Fund
June 30, 2021

Assets	
Cash and investments	$ 82,028
Liabilities	
Claims incurred but not reported	1,849
Net Position	
Unrestricted	$ 80,179

Statement of Changes in Net Position
Internal Service Fund
Year Ended June 30, 2021

Operating Revenues	
Dental premiums	$ 46,499
Operating Expenses	
Dental claims	47,395
Operating loss	(896)
Non-Operating Item	
Interest income	29
Change in Net Position	(867)
Net Position, Beginning of Year	81,046
Net Position, End of Year	$ 80,179

Statement of Cash Flows
Internal Service Fund
Year Ended June 30, 2021

Operating Activities	
Receipts from participants	$ 46,499
Payments for insurance claims and administration	(47,394)
Net cash used for operating activities	(895)
Investing Activity	
Interest income	29
Net Change in Cash and Investments	(866)
Cash and Investments, July 1	82,894
Cash and Investments, June 30	$ 82,028
Reconciliation of Operating Loss to Net Cash Used for Operating Activities	
Operating loss	$ (896)
Adjustments to reconcile operating loss to net cash used for operating activities	
Changes in assets and liabilities	
Claims incurred but not reported	1
Net cash used for operating activities	$ (895)

Note 1 - Summary of Significant Accounting Policies

A. Organization

Independent School District No. 821, Menahga Public School, Menahga, Minnesota (the District) was formed and operates pursuant to applicable Minnesota laws and statutes. The District is governed by a School Board elected by voters of the District. The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America 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. Reporting Entity

The accompanying financial statements include all funds, departments, agencies, boards, commissions, and other organizations that comprise the District, along with any component units.

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 burden or benefit with the potential component unit, or is fiscally dependent upon by the potential component unit.

Based on these criteria, there are no organizations considered to be component units of the District.

C. District-Wide and Fund Financial Statements

The district-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District. Generally, the effect of interfund activity has been removed from the district-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 internally directed revenues are reported as general revenues.

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are generally recognized as revenues in the fiscal 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 when all eligibility requirements imposed by the provider have been met.

The District applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. For capital assets that can be specifically identified with, or allocated to functional areas, depreciation expense is included as a direct expense in the functional areas that utilize the related capital assets. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Fund Financial Statement Presentation

Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner:

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District generally considers revenues to be available if they are collected within 60 days after year-end. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met. State revenue is recognized in the year to which it applies according to Minnesota Statutes. Federal revenue is recorded in the year in which the related expenditure is made. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Recording of Expenditures – Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, severance and healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are included within the applicable functional areas.

Internal service funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing delivering goods in connection with an internal service fund’s principal ongoing operations. The principal operating revenue of the District’s internal service fund is receipt from participants in the self-insured dental plan. Operating expenses for the internal service fund include payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Description of Funds

The existence of the various district funds has been established by the 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:

Major Governmental Funds

General Fund – The general fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the District, as well as the capital related activities such as maintenance of facilities, equipment purchases, and health and safety projects. The District's Student Activity Funds are under board control and are reported in the general fund.

Capital Projects Fund – The capital projects fund is used to account for expenditures related to school building projects.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for, and payment of, general obligation bond principal, interest, and related costs.

Nonmajor Governmental Funds

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

Community Service Fund **–** 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, extended day programs, or other similar services.

Internal Service Fund

The Internal Service Fund is used to account for the activities of the District's self-insured dental plan.

E. Other Significant Accounting Policies

Budgeting

An operating budget is adopted by July 1 of each fiscal year for all governmental funds on the same modified accrual basis used to reflect actual revenues and expenditures. The superintendent is authorized to transfer budget amounts within line items; however, supplemental appropriations that amend total appropriations of any fund require a board resolution. Reported budgeted amounts are as originally adopted or as amended by board resolution.

Cash and Investments

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

The District considers certificates of deposit with an original maturity of three months or more to be investments.

Short-term, highly liquid debt instruments (including commercial paper, banker's 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.

Receivables

All receivables are shown net of any allowance for uncollectibles. No allowances for uncollectibles have been recorded. The only receivables not expected to be collected within one year are property taxes receivable.

Prepaid Items

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

Inventories

Inventories are recorded using the consumption method of accounting and consist of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the U.S. Department of Agriculture.

Property Taxes

The majority of district revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2021 is recorded as deferred inflows of resources (property taxes levied for subsequent year).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Current property taxes receivable is the uncollected portion of the taxes levied in 2020 and collectible in 2021. This levy is offset with a deferred inflow of resources for property taxes levied for a subsequent year. Delinquent taxes receivable includes the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Capital Assets

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. 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 when declared as no longer needed for public school purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 5 to 50 years.

Capital assets not being depreciated include land and construction in progress.

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

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, if material, are deferred and amortized over the life of the bonds using the straight-line method.

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

Severance Pay and Vacation

The District has a severance pay plan for the business manager, paraprofessionals, and non-licensed employees who are at least 55 years of age and have at least 15 years of continuous, full-time service with the District. Vacation benefits apply to Certified staff and certain administrative staff. They are only paid for the number of days they are required to work, each in accordance with their respective contracts. Non-Certified Staff and other administrative employees are granted paid vacation leave in varying amounts. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. See Note 5 for additional information on severance pay.

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 the 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for their merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 7.

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.

Deferred Outflows 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 so will *not* be recognized as an outflow of resources (expense/ expenditure) until then.

The District has two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

Deferred Inflows of Resources

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 three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and other postemployment benefits activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows in the District’s government-wide financial statements. Net invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called “fund balance.” The District’s governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance amounts are comprised of funds that cannot be a portion that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. They include items that are inherently unspendable, such as, but not limited to, inventories, prepaid items, long-term receivables, non-financial assets held for resale, or the permanent principal of endowment funds.

- Restricted fund balances amounts are comprised of funds that have legally enforceable constraints placed on their use that either are externally imposed by resource providers or creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation.

- Committed fund balance amounts are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the School Board and the remain binding unless removed the they school board by subsequent formal actions. The formal action to commit a fund balance must occur prior to fiscal year end; however specific amounts actually committed can be determined in the subsequent fiscal year. A committed fund balance cannot be a negative number. A majority vote of the school board is required to commit a fund balance to a specific purpose and subsequently to remove or change any constraint so adopted by the board.

- Assigned fund balance amounts are comprised of unrestricted fund constrained by the government's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. In funds other than the general fund, the assigned fund balance represents the remaining amount that is not restricted or committed. The assigned fund balance category will cover the portion of a fund balance that reflects the school district's intended us of those resources. The action to assign fund balance may be taken after the end of the fiscal year. An assigned fund balance cannot be a negative number. The school board, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The board also delegates the power to assign fund balances to the following: Superintendent and/or Business Manager. Assignments so made shall be reported to the school board on a monthly basis, either separately or as a part of ongoing reporting by the assigning party if other than that school board. An appropriation of an existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues satisfies the criteria to be classified as an assignment of fund balance.

- Unassigned fund balance represents residual amounts in the general fund not reported in any other classification. Unassigned amounts in the general fund are technically available for expenditure for any purpose. The general fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restrict, and committed fund balances exceed the total net resources of that fund.

The District will strive to maintain a minimum unassigned general fund balance of three months of operating expenditures. The first priority is to utilize the balance as unassigned fund balance. Assigned funds will be considered second, committed fund balance third, and restricted fund balance fourth when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classification could be used like assigned or unassigned.

Risk Management

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

Estimates

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

Note 2 - Deposits and Investments

Deposits

In accordance with applicable Minnesota Statutes, the District maintains deposits at depository banks authorized by the District's School Board. All such depositories are members of the Federal Reserve System.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety 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 standard 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.

At June 30, 2021, all deposits were insured or collateralized by securities held by the District's agent in the District's name.

Investments

Minnesota Statutes authorize the District to invest in obligations of the U.S. Treasury, agencies and instrumentalities, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. The District had no such investments during the year or at year end.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

The following table represents the District’s deposit and investment balances at June 30, 2021:

MSDLAF - Cash management funds	$ 129,038
MNTrust - Cash management funds	2,872,729
Deposits	128,218
	$ 3,129,985

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

Note 3 - Due from Other Governmental Units

Amounts receivable from other governments as of June 30, 2021, include:

Fund	Federal	State	Other	Total
Major Funds				
General	$ 646,690	$ 973,283	$ 9,336	$ 1,629,309
Debt service	-	38,138	-	38,138
Non-Major Funds	-	9,285	-	9,285
	$ 646,690	$ 1,020,706	$ 9,336	$ 1,676,732

Note 4 - Capital Assets

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

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Construction in progress	$ 593,200	$ -	$ 593,200	$ -
Capital assets being depreciated				
Improvements	546,068	-	-	546,068
Buildings	31,366,871	1,546,681	-	32,913,552
Equipment	4,453,344	322,779	-	4,776,123
Total capital assets being depreciated	36,366,283	1,869,460	-	38,235,743
Less accumulated depreciation for				
Improvements	193,708	21,814	-	215,522
Buildings	6,895,194	788,882	-	7,684,076
Equipment	2,357,038	336,799	-	2,693,837
Total accumulated depreciation	9,445,940	1,147,495	-	10,593,435
Net capital assets, depreciated	26,920,343	721,965	-	27,642,308
Total capital assets, net	$ 27,513,543	$ 721,965	$ 593,200	$ 27,642,308

Depreciation expense for the year ended June 30, 2021, was charged to the following functions/programs:

Regular instruction	$ 942,445
Pupil support	205,050
Total depreciation expense	$ 1,147,495

Note 5 - Long-Term Liabilities

Changes in long-term liabilities during the year ended June 30, 2021, are as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds payable	$ 16,015,000	$ -	$ 515,000	$ 15,500,000	$ 535,000
Capital leases payable (direct borrowing)	224,405	-	224,405	-	-
Severance payable	18,052	-	8,488	9,564	2,391
Compensated absences payable	21,646	5,412	5,995	21,063	5,266
	$ 16,279,103	$ 5,412	$ 753,888	$ 15,530,627	$ 542,657

Bonds Payable

Following is a summary of bonds payable as of June 30, 2021:

Bond Description	Final Maturities	Interest Rate	Original Principal	Outstanding Balance
General Obligation Alternative Facilities Refunding Bonds 2017A	2/22	2.00%	$ 1,665,000	$ 425,000
General Obligation Building Bonds 2017B	2/38	3.00%	8,335,000	8,335,000
General Obligation Building Bonds 2018A	2/38	3.00%	5,450,000	5,340,000
General Obligation Facilities Maintenance Bonds 2019A	2/29	1.78%	1,710,000	1,400,000
				$ 15,500,000

Bond principal and interest payments are made by the Debt Service Fund.

Remaining principal and interest payments on bonds payable are as follows:

Years Ending June 30,	Bonds Payable Principal	Bonds Payable Interest
2022	$ 535,000	$ 497,350
2023	745,000	483,350
2024	825,000	458,500
2025	875,000	430,850
2026	920,000	398,650
2027 - 2031	4,770,000	1,472,900
2032 - 2036	4,730,000	749,550
2037 - 2038	2,100,000	95,100
	$ 15,500,000	$ 4,586,250

Compensated Absences Payable

This amount consists of vacation payable as discussed in Note 1 to the financial statement. Payments are made from the General Fund.

Severance Payable

Plan Description – The District compensates certain eligible employees for sick leave upon retirement. The severance plan is based on contractual agreements with the employees. The severance payable balance as of June 30, 2021, was actuarially determined with a measurement date of July 1, 2019.

Eligible Contract Groups

Confidential Employees (District Secretary and Payroll) – For retirees reaching age 55 with 15 years of service, and hired before September 8, 2010, the District will pay 30% of unused sick leave times the hourly rate times the hours worked per day at the time of retirement in one lump sum. Unused sick leave accrues at 1 day per month up to a maximum of 120 days.

Clerical and Custodians – For retirees reaching age 55 with 15 years of service and hired before September 8, 2010 and not electing to participate in the 403(b) matching plan, the District will pay 30% of unused sick leave times the hourly rate times the hours worked per day at the time of retirement in one lump sum. Unused sick leave accrues at 1 day per month up to a maximum of 120 days (100 days for Clerical employee).

Paraprofessionals – For retirees reaching age 55 with 15 years of service and hired before September 8, 2010 and not electing to participate in the 403(b) matching plan, the District will pay 30% of unused sick leave times $13 per hour (based on 6.5 hour days) in one lump sum. Unused sick leave accrues at 1 day per month up to a maximum of 100 days.

Funding Policy – Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. All benefits are paid out of the General Fund and the District makes all contributions.

Note 6 - Other Post-Employment Benefits

A. Plan Descriptions

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District's health insurance plan after retirement. This plan covers active and retired employees who have reached age 55, with teachers needing at least 3 years of service and all other district employees needing 5 years of service. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. A separately issued report is not available.

B. Benefits Provided

The contract groups have access to other post-retirement benefits of blended medical premiums of $460 for single and $1,232 for family coverage. The implicit rate subsidy is only until Medicare eligibility. There are no subsidized post-employment medical, dental, or life insurance benefits.

C. Employees Covered by Benefit Terms

At the valuation date of July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	169
	172

D. Total OPEB Liability

The District's total OPEB liability of $697,404 was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2019.

E. Actuarial Assumptions

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

Inflation	2.50 percent	
Salary increases	Service graded table	
Discount rate	3.10 percent	
Healthcare cost trend rates	6.25 percent as of July 1, 2020, grading to 5.00 percent over 5 years	
Retiree plan participation	Future retirees electing coverage	
	-Pre-65 subsidy available	NA
	-Pre-65 subsidy not available	
	-Bus drivers	10%
	-Paraprofessionals	35%
	-All others	70%
Percent of married retirees electing spouse coverage	Percent Future Retirees Electing Pre-65 Spouse Coverage	
	-Spouse subsidy available	NA
	-Spouse subsidy not available	5%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study as of July 1, 2017.

There were no changes in assumptions made for the year ending June 30, 2021.

F. Changes in the Total OPEB Liability

Balance at June 30, 2020	$ 604,201
Changes from the Prior Year	
Service Cost	99,023
Interest Cost	21,382
Benefit Payments	(27,202)
Net Change	93,203
Balance at June 30, 2021	$ 697,404

G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	2.10%	3.10%	4.10%
Total OPEB Liability	$ 747,732	$ 697,404	$ 649,995

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current healthcare cost trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.25% decreasing to 4% over 5 years	6.25% decreasing to 5% over 5 years	7.25% decreasing to 6% over 5 years
Total OPEB Liability	$ 538,125	$ 697,404	$ 682,662

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

For the year ended June 30, 2021, the District recognized OPEB expense of $112,303. At June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains	$ -	$ 34,353
Assumption Changes	-	22,355
Employer Contributions Made After the Measurement Date	28,256	-
	$ 28,256	$ 56,708

The $28,256 reported as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	OPEB Expense Amount
2022	$ (8,102)
2023	(8,102)
2024	(8,102)
2025	(8,102)
2026	(8,102)
Thereafter	(16,198)

Note 7 - Defined Benefit Pension Plans - Statewide

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2021, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	$ 481,206	$ 1,852,596	$ 94,838	$ 235,008
TRA	3,374,070	5,725,804	6,528,596	554,141
Total all plans	$ 3,855,276	$ 7,578,400	$ 6,623,434	$ 789,149

Disclosures relating to these plans are as follows:

Public Employees Retirement Association (PERA)

A. Plan Descriptions

The District participates in the General Employees Retirement Plan, a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (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.

The General Employees Retirement Plan covers certain full time and part-time employees of the District, other than teachers. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

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

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

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District’s contributions to the General Employees Fund for the year ended June 30, 2021, were $177,720. The District’s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At June 30, 2021, the District reported a liability of $1,852,596 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled $57,033 The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.03090 percent at the end of the measurement period and 0.02580 percent for the beginning of the period.

District's proportionate share of net pension liability	$	1,852,596
State of Minnesota's proportionate share of the net pension liability associated with the District		57,033
Total	$	1,909,629

For the year ended June 30, 2021, the District recognized pension expense of $235,008 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized $4,964 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual $16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 14,123	$ 7,009
Changes in actuarial assumptions	-	62,865
Net collective difference between projected and actual investment earnings	55,543	-
Changes in proportion	233,820	24,964
Contributions paid to PERA subsequent to the measurement date	177,720	-
Total	$ 481,206	$ 94,838

The $177,720 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2022	$ (2,253)
2023	60,882
2024	105,260
2025	44,759

E. Actuarial Assumptions

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

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

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

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
International Stocks	17.50%	5.30%
Bonds (Fixed Income)	20.00%	0.75%
Alternative Assets (Private Markets)	25.00%	5.90%
Cash	2.00%	0.00%
	100.0%	

F. Discount Rate

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

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the plan 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 one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity Analysis
Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund	
1% Lower	6.50%	$ 2,969,069
Current Discount Rate	7.50%	$ 1,852,596
1% Higher	8.50%	$ 931,596

H. Pension Plan Fiduciary Net Position

Detailed information about the 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.

Teacher Retirement Associations (TRA)

A. Plan Descriptions

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

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

B. Benefits Provided

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

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

Tier I Benefits

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
(b) 3 percent per year early retirement reduction factor 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).

Or

Tier II Benefits

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 percent per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

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

C. Contribution Rate

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2019, June 30, 2020 and June 30, 2021, were:

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

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

Employer contributions reported in TRA's ACFR, Statement of Changes in Fiduciary Net Position	$ 425,233,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA's contributions not included in allocation	(508,000)
Total employer contributions	424,669,000
Total non-employer contributions	35,587,000
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$ 460,256,000

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

D. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation date	July 30, 2020
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% 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 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
	100.0%	

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

Changes in actuarial assumptions since the 2018 valuation:

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

E. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 2020 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2021, the District reported a liability of $5,725,804 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.07750% at the end of the measurement period and 0.07870% for the beginning of the year.

The pension liability amount reflected a reduction due to direct aid provided to TRA. The amount recognized by the District as its proportionate share of the net pension liability, the direct aid, and total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of net pension liability	$ 5,725,804
State's proportionate share of the net pension liability associated with the district	$ 479,869

For the year ended June 30, 2021, the District recognized pension expense of $554,141. It also recognized $43,959 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 114,826	$ 83,847
Changes in actuarial assumptions	1,752,857	4,687,570
Difference between projected and actual investment earnings	107,868	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	1,018,334	1,757,179
District's contributions to TRA subsequent to the measurement date	380,185	-
Total	$ 3,374,070	$ 6,528,596

The $380,185 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2022	$ (1,420,332)
2023	(1,317,817)
2024	(946,847)
2025	146,008
2026	4,277

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District’s proportionate share of the TRA net pension liability	$ 8,766,145	$ 5,725,804	$ 3,220,716

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

H. Pension Plan Fiduciary Net Position

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

Note 8 - Dental Self-Insurance

The District is self-insured with respect to dental insurance costs. The District implemented the self-insurance medical plan on September 9, 1998. Terms of the plan include maximum coverage each year for each individual covered by the plan of $750. The terms of the plan also include a life-time $1,000 maximum on orthodontic related care. Both maximums limit the District's liability. The following is the activity for the year ended June 30, 2021:

Claims incurred but not reported at beginning of year	$ 1,848
Claims incurred	47,396
Claims paid	(47,395)
Claims incurred but not reported at end of year	$ 1,849

Note 9 - Interfund Receivables, Payables, and Transfers

Interfund payables and receivables consist of $6,925 due from the community service fund to the general fund as a result of deficit cash balances in the community service fund.

$84,906 of ECFE and School Readiness funds were transferred from the community service fund to the general fund pursuant to Emergency Minnesota Laws 2020, Chapter 116/House File 4415, Article 3 Section 8. The general fund transferred $85,873 to the food service fund to eliminate the fund balance deficit.

Note 10 - Fund Balance

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

At June 30, 2021, the District has recorded the following fund balances for the following purposes:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable				
Inventories	$ 120,309	$ -	$ 1,827	$ 122,136
Restricted				
Student activities	111,786	-	-	111,786
Scholarships	47,010	-	-	47,010
Long term facilities maintenance	40,128	-	-	40,128
Medical assistance	10,494	-	-	10,494
Debt service	-	140,212	-	140,212
Community service	-	-	6,305	6,305
Total restricted	209,418	140,212	6,305	355,935
Committed				
Severance	8,500	-	-	8,500
Unassigned	2,433,614	-	(25,442)	2,408,172
Total fund balance	$ 2,771,841	$ 140,212	$ (17,310)	$ 2,894,743

The UFARS fund balance reporting standards are slightly different than the reporting standards under GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances reporting under GASB 54 and UFARS reporting standards:

	GASB Balance	Reconciling Transfers	UFARS Balance
Fund balances			
Nonspendable			
Inventories	$ 122,136	$ -	$ 122,136
Restricted			
Student activities	111,786	-	111,786
Scholarships	47,010	-	47,010
General Fund long term facilities maintenance	40,128	-	40,128
Medical assistance	10,494	-	10,494
Debt service	140,212	-	140,212
Community education	-	(25,442)	(25,442)
Community service	6,305	-	6,305
Total restricted	355,935	(25,442)	330,493
Committed			
Severance	8,500	-	8,500
Unassigned	2,408,172	25,442	2,433,614
Total fund balance	$ 2,894,743	$ -	$ 2,894,743

Note 11 - Deficit Fund Balance

The community service Fund has a deficit fund balance of $19,137 as of June 30, 2021 that is expected to be eliminated through future tax levies, other local and county sources, and state aid.

Note 12 - Flexible Benefit Plan

The District has a flexible benefit plan which is classified as a “cafeteria plan” (the Plan) under section 125 of the Internal Revenue Code. All employee groups of the District are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Plan for healthcare, dependent care, and other health premium benefits.

Before the beginning of the Plan year, which is from July 1 to June 30, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the medical reimbursement portion of the Plan, whether or not such contributions have been made.

Payment of insurance premiums (health, dental, life, and disability) is made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund and special revenue funds.

Amounts withheld for medical reimbursement and dependent care are paid by the third-party administrator to an employee submitting a request for reimbursement. Payments are made by the third-party administrator to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the employee.

All property of the Plan and income attributable to that property is solely the property of the District, subject to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to eligible healthcare and dependent care expenses incurred by the participants. The District believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

Note 13 - Employee Benefit Plan 403(b)

All employees are eligible to participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 403(b). The plan permits them to defer a portion of their salary until future years. Employees may defer up to the annual elective deferral limit set by the Internal Revenue Service, $19,500 per year for calendar year 2021. Teachers who have completed three continuous year of full-time service with the District are eligible for a matching contribution. Certain administrative staff also receive a matching contribution based on the terms of their contract. The District matches certified teacher contributions based on the schedule below.

Years of Continuous, Full-Time Service to the School District	Maximum Annual School District Matching Contribution
0 - 3 years	$0
4 - 8 years	$500
9 - 13 years	$1,000
14 - 18 years	$1,500
19 and over	$2,000

Note 14 - Commitments and Contingencies

Federal Revenue

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

Required Supplementary Information
June 30, 2021

Independent School District No. 821
Menahga Area Public Schools

Severance Payable

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
07/01/19	$ -	$ 21,652	$ 21,652	-	$ 208,840	10.37%
07/01/17	-	31,484	31,484	-	237,025	13.28%
07/01/15	-	44,055	44,055	-	1,342,718	3.28%
07/01/12	-	35,826	35,826	-	874,759	4.10%
07/01/09	-	34,908	34,908	-	3,423,015	1.02%

Note to the Schedule of Funding Progress

Since the last actuarial valuation as of July 1, 2017, the following actuarial assumptions have changed:

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 3.10%.

Since the last actuarial valuation as of July 1, 2015, the following plan provisions have changed:

- None

Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal Years*

	2021	2020	2019	2018
Service cost	$ 99,023	$ 96,139	$ 78,029	$ 75,756
Interest	21,382	22,646	19,398	16,973
Assumption changes	-	(28,743)	-	-
Differences between expected and actual experience	-	(44,169)	-	-
Benefit payments	(27,202)	(22,977)	(17,087)	(30,189)
Net change in total OPEB liability	93,203	22,896	80,340	62,540
Total OPEB liability - beginning	604,201	581,305	500,965	438,425
Total OPEB liability - ending	$ 697,404	$ 604,201	$ 581,305	$ 500,965
Covered payroll	6,795,837	6,597,900	5,605,756	5,442,482
District's total OPEB liability as a percentage of covered payroll	10.26%	9.16%	10.37%	9.20%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios

- No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

2019 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.40% to 3.10%.

Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years*

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	6/30/2020	0.0309%	$ 1,852,596	$ 57,033	$ 1,909,629	$ 2,069,915	89.5%	79.1%
PERA	6/30/2019	0.0258%	$ 1,426,424	$ 44,331	$ 1,470,755	$ 1,683,133	84.7%	84.8%
PERA	6/30/2018	0.0267%	$ 1,481,207	$ 48,629	$ 1,529,836	$ 1,794,267	82.6%	79.5%
PERA	6/30/2017	0.0253%	$ 1,615,135	$ 20,288	$ 1,635,423	$ 1,629,440	99.1%	75.9%
PERA	6/30/2016	0.0255%	$ 2,070,474	$ 27,007	$ 2,097,481	$ 1,593,173	130.0%	68.9%
PERA	6/30/2015	0.0230%	$ 1,191,979	N/A	$ 1,191,979	$ 1,333,560	89.4%	78.2%
PERA	6/30/2014	0.0225%	$ 1,056,937	N/A	$ 1,056,937	$ 1,170,228	90.3%	78.8%
TRA	6/30/2020	0.0775%	$ 5,725,804	$ 479,869	$ 6,205,673	$ 4,505,152	127.1%	78.5%
TRA	6/30/2019	0.0787%	$ 5,016,355	$ 444,115	$ 5,460,470	$ 4,465,772	112.3%	78.1%
TRA	6/30/2018	0.0765%	$ 4,804,871	$ 451,503	$ 5,256,374	$ 4,276,453	112.4%	78.1%
TRA	6/30/2017	0.0714%	$ 14,252,735	$ 1,377,731	$ 15,630,466	$ 3,903,133	365.2%	51.6%
TRA	6/30/2016	0.0661%	$ 15,766,427	$ 1,581,783	$ 17,348,210	$ 3,465,880	454.9%	44.9%
TRA	6/30/2015	0.0682%	$ 4,218,844	$ 517,715	$ 4,736,559	$ 3,479,227	121.3%	76.8%
TRA	6/30/2014	0.0693%	$ 3,193,294	$ 224,719	$ 3,418,013	$ 3,203,052	99.7%	81.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Employer's Contributions
Last 10 Fiscal Years*

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	6/30/2021	$ 177,720	$ 177,720	$ -	$ 2,369,600	7.5%
PERA	6/30/2020	$ 155,244	$ 155,244	$ -	$ 2,069,915	7.5%
PERA	6/30/2019	$ 126,235	$ 126,235	$ -	$ 1,683,133	7.5%
PERA	6/30/2018	$ 134,570	$ 134,570	$ -	$ 1,794,267	7.5%
PERA	6/30/2017	$ 122,208	$ 122,208	$ -	$ 1,629,440	7.5%
PERA	6/30/2016	$ 119,488	$ 119,488	$ -	$ 1,593,173	7.5%
PERA	6/30/2015	$ 100,017	$ 100,017	$ -	$ 1,333,560	7.5%
TRA	6/30/2021	$ 380,185	$ 380,185		$ 4,676,322	8.1%
TRA	6/30/2020	$ 356,808	$ 356,808	$ -	$ 4,505,152	7.9%
TRA	6/30/2019	$ 344,311	$ 344,311	$ -	$ 4,465,772	7.7%
TRA	6/30/2018	$ 320,734	$ 320,734	$ -	$ 4,276,453	7.5%
TRA	6/30/2017	$ 292,735	$ 292,735	$ -	$ 3,903,133	7.5%
TRA	6/30/2016	$ 259,941	$ 259,941	$ -	$ 3,465,880	7.5%
TRA	6/30/2015	$ 260,942	$ 260,942	$ -	$ 3,479,227	7.5%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

PERA
2020 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

TRA

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

- Augmentation on deferred benefits will be reduced to zero% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.

- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out o Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

PERA's ACFR may be obtained on the PERA's website at www.mnpera.org for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at www.MinnesotaTRA.org.

Combining and Individual Fund Schedules
June 30, 2021

Independent School District No. 821
Menahga Area Public Schools

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 107,622	$ 12,687	$ 120,309
Restricted for student activities	119,068	(7,282)	111,786
Restricted for scholarships	47,945	(935)	47,010
Restricted for operating capital	12,714	(12,714)	-
Restricted for gifted and talented	14,807	(14,807)	-
Restricted for safe schools levy	28,736	(28,736)	-
Restricted for long term facilities maintenance	4,000	36,128	40,128
Restricted for medical assistance	-	10,494	10,494
Committed for severance	8,500	-	8,500
Unassigned	2,930,210	(496,596)	2,433,614
	$ 3,273,602	$ (501,761)	$ 2,771,841

Independent School District No. 821
Menahga Area Public Schools
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2021

	Food Service	Community Service	Totals
Assets			
Cash and investments	$ 7,586	$ -	$ 7,586
Receivables			
Current property taxes	-	16,930	16,930
Delinquent property taxes	-	322	322
Accounts	1,760	9,467	11,227
Due from other governmental units	-	9,285	9,285
Inventories	1,827	-	1,827
Total assets	$ 11,173	$ 36,004	$ 47,177
Liabilities			
Accounts payable	$ 2,319	$ 1,450	$ 3,769
Due to other funds	-	6,925	6,925
Salaries and benefits payable	7,027	5,940	12,967
Total liabilities	9,346	14,315	23,661
Deferred Inflows of Resources			
Unavailable revenue-delinquent property taxes	-	322	322
Property taxes levied for subsequent years	-	40,504	40,504
Total deferred inflows of resources	-	40,826	40,826
Fund Balance (Deficit)			
Nonspendable	1,827	-	1,827
Restricted	-	6,305	6,305
Unassigned	-	(25,442)	(25,442)
Total fund balance (deficit)	1,827	(19,137)	(17,310)
Total liabilities, deferred inflows of of resources, and fund balances	$ 11,173	$ 36,004	$ 47,177

Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2021

	Food Service	Community Service	Totals
Revenues			
Local property tax levies	$ -	$ 40,134	$ 40,134
Other local and county sources	2,397	56,411	58,808
State sources	699	95,139	95,838
Federal sources	530,891	-	530,891
Sales and other conversion of assets	19,169	-	19,169
Total revenues	553,156	191,684	744,840
Expenditures			
Community education and service	-	218,891	218,891
Pupil support services	592,809	-	592,809
Total expenditures	592,809	218,891	811,700
Deficiency of Revenues under Expenditures	(39,653)	(27,207)	(66,860)
Other Financing Sources (Uses)			
Transfer in	85,873	-	85,873
Transfer out	-	(84,906)	(84,906)
Total other financing sources (uses)	85,873	(84,906)	967
Net Change in Fund Balance (Deficit)	46,220	(112,113)	(65,893)
Fund Balance (Deficit), Beginning of Year	(44,393)	92,976	48,583
Fund Balance (Deficit), End of Year	$ 1,827	$ (19,137)	$ (17,310)

Other Supplementary Information
June 30, 2021

Independent School District No. 821
Menahga Area Public Schools

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures		
Department of Agriculture					
Passed through Minnesota Department of Education					
Child Nutrition Cluster					
Cash Assistance:					
National School Lunch Program	10.555	0821-01-000 FIN 701		$ 1,253	
Summer Food Service Program	10.559	0821-01-000 FIN 709		555,743	
Total Child Nutrition Cluster					$ 556,996
Department of Treasury					
Passed through Itasca County					
COVID-19 Coronavirus Relief Fund	21.019C	0821-01-000 FIN 154		74,166	
Passed through Minnesota Department of Education					
COVID-19 Coronavirus Relief Fund	21.019C	0821-01-000 FIN 154		276,485	
Total 21.019					350,651
Department of Education					
Passed through Freshwater Education District 6004					
Special Education Cluster	84.027	0821-01-000 FIN 619		30,679	
Passed through Minnesota Department of Education					
Title I Grants to Local Educational Agencies	84.010	0821-01-000 FIN 401		150,013	
Supporting Effective Instruction State Grants	84.367	0821-01-000 FIN 414		24,285	
Student Support and Academic Enrichment Program	84.424	0821-01-000 FIN 433		10,000	
COVID-19 Education Stabilization Fund - ESSER I	84.425D	0821-01-000 FIN 151	$ 123,781		
COVID-19 Education Stabilization Fund - ESSER II	84.425D	0821-01-000 FIN 155	498,559		
COVID-19 Education Stabilization Fund - ESSER III	84.425U	0821-01-000 FIN 160	646,690		
COVID-19 Education Stabilization Fund - GEER I	84.425C	0821-01-000 FIN 153	17,327		
Total 84.425				1,286,357	
Total Department of Education					1,501,334
Total Federal Financial Assistance					$ 2,408,981

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position/fund balance of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

The District has not elected to use the 10% de minimis cost rate.

Fiscal Compliance Report - 6/30/2021

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District: MENAHGA (821-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	$12,261,477	$12,261,477	$0
Total Expenditures	$12,762,271	$12,762,271	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$120,309	$120,309	$0
Restricted / Reserved:			
4.01 Student Activities	$111,786	$111,786	$0
4.02 Scholarships	$47,010	$47,010	$0
4.03 Staff Development	$0	$0	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$0	$0	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$40,128	$40,128	$0
4.72 Medical Assistance	$10,494	$10,494	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$8,500	$8,500	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$0	$0	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,433,614	$2,433,616	($2)
02 FOOD SERVICES			
Total Revenue	$553,156	$553,156	$0
Total Expenditures	$592,809	$592,809	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$1,827	$1,827	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust			

	Audit	UFARS	Audit - UFARS
06 BUILDING CONSTRUCTION			
Total Revenue	$57	$57	$0
Total Expenditures	$238,615	$238,615	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
07 DEBT SERVICE			
Total Revenue	$1,019,787	$1,019,788	($1)
Total Expenditures	$1,027,249	$1,027,250	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$140,212	$140,213	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0
08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0
18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
20 INTERNAL SERVICE			
Total Revenue	$46,528	$46,529	($1)
Total Expenditures	$47,395	$47,395	$0
4.22 Unassigned Fund Balance (Net Assets)	$80,179	$80,180	($1)
25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures			

	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE

Total Revenue	$191,684	$191,683	$1
Total Expenditures	$218,891	$218,890	$1
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	($25,442)	($25,442)	$0
4.32 E.C.F.E	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$0	$0	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$6,305	$6,305	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE

Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

Additional Reports
June 30, 2021

Independent School District No. 821
Menahga Area Public Schools

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 School Board of
Independent School District No. 821
Menahga Area Public Schools
Menahga, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menahga Area Public Schools, Independent School District No. 821, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2021.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

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

District's Response to Findings
The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District'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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

The School Board of
Menahga Area Public Schools
Independent School District No. 821
Menahga, Minnesota

Report on Compliance for the Major Federal Program

We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended June 30, 2021. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal* Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program
In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

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

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

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

Report on Minnesota Legal Compliance

To the School Board of
Independent School District No. 821
Menahga Area Public Schools
Menahga, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menahga Area Public Schools, Independent School District No. 821 as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

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

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

Eide Bailly LLP

Fargo, North Dakota
December 15, 2021

Section I – Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

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

Identification of major programs:

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
COVID-19 Education Stabilization Fund	84.425

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2021-001 **Material Journal Entries**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the District's existing internal controls, and therefore could have resulted in a material misstatement of the District's financial statements.

Cause – The District does not have an internal control system designed to identify all necessary adjustments.

Effect – This deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit, and adjustments should be made where necessary. This review should be done at both the accounting staff and accounting supervisor levels.

View of Responsible Officials – There is no disagreement with the audit finding.

2021-002 **Preparation of Financial Statements**
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for internally preparing the District's financial statements.

Condition – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements.

Cause – The District does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect – The disclosures in the financial statements could be incomplete.

Recommendation – This circumstance is not unusual in a District of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials – There is no disagreement with the audit finding.

Section III –Federal Award Findings and Questioned Costs

None

Section IV – Minnesota Legal Compliance

None