

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
LAMBERTON, MINNESOTA
ANNUAL FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED JUNE 30, 2021**

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RED ROCK CENTRAL
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INTRODUCTORY SECTION

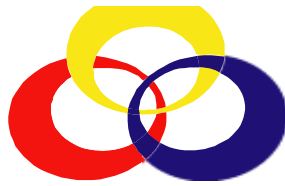
**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHOOL BOARD AND ADMINISTRATION
LAMBERTON, MINNESOTA**

<u>SCHOOL BOARD</u>	<u>POSITION</u>	<u>TERM ENDS</u>
William Rogotzke	Chairperson	December 2022
Ronald Kelsey	Vice Chair	December 2022
John Hansen	Treasurer	December 2022
Chad Stavnes	Clerk	December 2024
Nate Erickson	Member	December 2024
Thomas Kuehl	Member	December 2024
Alex Pankonin	Member	December 2024

ADMINISTRATION

Todd Lee	Superintendent
Greg Ewing	High School Principal
Kim Friesen	Elementary Principal

FINANCIAL SECTION



Kinner & Company Ltd

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the School Board of the
Independent School District No. 2884

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of the Independent School District No. 2884, Lamberton, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Independent School District No. 2884, Lamberton, Minnesota'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 Independent School District No. 2884, Lamberton, Minnesota, as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General and Community Service Funds, 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 and other required supplementary information, 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 Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2884, Lamberton, Minnesota's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is presented for purposes of additional analysis as required by the Minnesota Department of Education, and is also not a required part of the basic financial statements.

The Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is the responsibility of management and was derived from and relates 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 Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021, on our consideration of the Independent School District No. 2884, Lamberton, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Independent School District No. 2884, Lamberton, Minnesota's internal control over financial reporting and compliance.



Kinner & Company Ltd.
Certified Public Accountants

November 22, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

This section of Independent School District No. 2884's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year ending June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follows this section. The Management's Discussion and Analysis (D&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year (FY 2021) and the prior year (FY 2020) is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

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

- Net position in the Statement of Net Position increased by \$1,525,597 from the prior year (\$60,662 in fiscal 2020 to \$1,586,259 in fiscal 2021).
- Overall revenues in the Statement of Activities were \$6,236,610 while overall expenses totaled \$4,711,013.
- The fund balances in the General Fund decreased \$264,039 to \$3,746,127. The fund balance in the Food Service Fund increased \$30,000 to \$243,889. The fund balance in the Community Service Fund increased \$183,659 to \$135,168.
- Long-term debt payments were \$46,115 (\$45,223 in principal reduction and \$892 of interest payments and fiscal charges). The District did not obtain any new long-term debt during the year.
- Capital asset additions totaled \$215,373.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

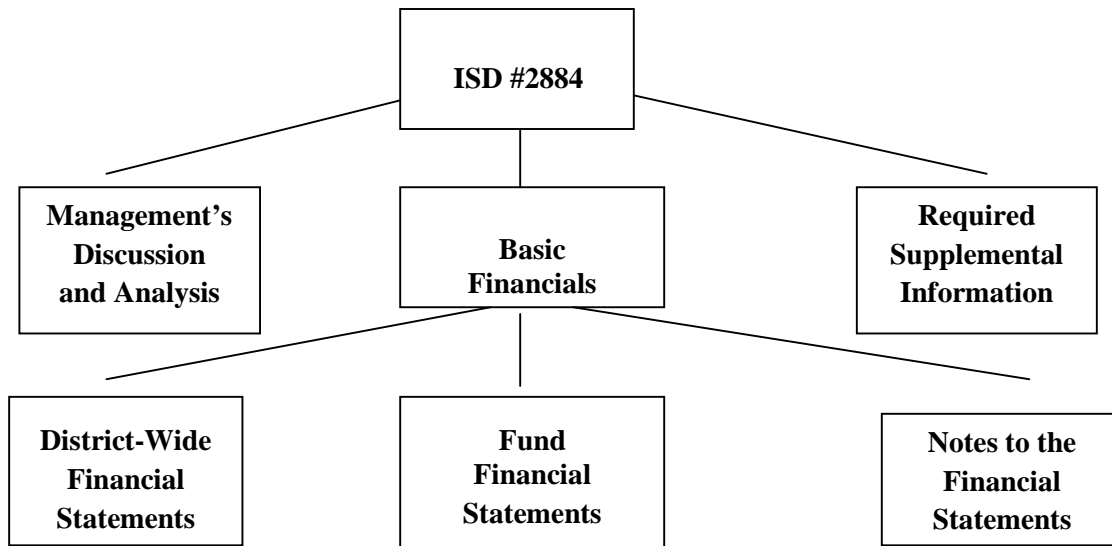
OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information which includes the management’s discussion and analysis (this section), the basic financial statements and notes to the financial statements, and the other supplementary information and other required reports and information. The basic statements include two kinds of statements that present different views of the District:

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District’s operations in more detail than the government-wide statements. The governmental funds statements tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

The statements include a section of budgetary comparison information that further explains and supports the financial statements with a comparison of the district’s budget for the year. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

The diagram below shows how the various parts of this annual report are arranged and related to one another.



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, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Primary Government	The activities of the District that are not proprietary, such as the General Fund	Activities the District operates similar to private businesses, currently the District does not have any.
Required Financial Statements	-Statement of Net Position -Statement of Activities	-Balance Sheet -Statement of Revenues, Expenditures, and Changes in Fund Balances	-Balance Sheet -Statement of Revenues, Expenditures, and Changes in Fund Balances -Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual account and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE STATEMENTS

The government-wide statements (Statement of Net Position and Statement of Activities) report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, liabilities, deferred outflow of resources, and deferred inflow 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 government-wide statements report the District's *net position* and how it has 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, one needs 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 government-wide financial statements, the District's activities are all shown in one category titled governmental activities. The District's basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or “major” funds – rather than 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, such as a Fiduciary Fund used to manage scholarship money.

The District has two kinds of funds:

- Governmental funds – 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 less 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, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FUND FINANCIAL STATEMENTS (CONTINUED)

- Fiduciary funds – The District is a trustee, or fiduciary, for assets that belong to others, such as a scholarship fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
(DISTRICT-WIDE FINANCIAL STATEMENTS)**

NET POSITION

The District's net position was \$1,586,259 and \$60,662 on June 30, 2021 and 2020, respectively which is an increase of \$1,525,597 from the previous year largely due to fluctuations related to deferred inflows for the Teachers Retirement Association (TRA) during the year. A summary of the District's net position is as follows:

Condensed Statement of Net Position	<u>June 30, 2021</u>	<u>June 30, 2020</u>	Percentage Change
Current and Other Assets	\$5,381,393	\$5,846,077	-7.9%
Capital Assets	2,124,110	2,112,649	0.5%
Total Assets	<u>7,505,503</u>	<u>7,958,726</u>	-5.7%
Deferred Outflows of Resources	<u>520,885</u>	<u>332,400</u>	56.7%
Long-term Liabilities	3,840,329	3,507,583	9.5%
Other Liabilities	540,764	588,290	-8.1%
Total Liabilities	<u>4,381,093</u>	<u>4,095,873</u>	7.0%
Deferred Inflows of Resources	<u>2,059,036</u>	<u>4,134,590</u>	-50.2%
Net Position			
Net Investment in Capital Assets	2,124,110	2,067,426	2.7%
Restricted	966,845	750,314	28.9%
Unrestricted	<u>(1,504,696)</u>	<u>(2,757,078)</u>	-45.4%
Total Net Position	<u><u>\$1,586,259</u></u>	<u><u>\$60,662</u></u>	2514.9%

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE
(GOVERNMENT-WIDE FINANCIAL STATEMENTS)**

CHANGE IN NET POSITION

A summary of the District's revenues and expenses is as follows:

Condensed Statement of Activities

	June 30, 2021	June 30, 2020	Percentage Change
Revenues			
Program Revenues			
Charges for service	\$72,138	\$183,446	-60.7%
Operating grants and contributions	1,286,225	948,662	35.6%
Capital grants and contributions	54,337	180,000	0.0%
General Revenues			
Property taxes	1,095,226	1,139,496	-3.9%
Unallocated Aid	3,626,903	3,746,887	-3.2%
Other	101,781	108,152	-5.9%
Total Revenues	<u>6,236,610</u>	<u>6,306,643</u>	-1.1%
Expenses			
Administrative and district support	715,452	650,246	10.0%
Regular, vocational, special education instruction	2,401,205	3,858,851	-37.8%
Instructional support services	293,575	90,084	225.9%
Pupil support services	452,941	450,086	0.6%
Sites and buildings	503,603	427,903	17.7%
Fiscal and other cost programs	40,123	30,191	32.9%
Food services	235,909	240,570	-1.9%
Community services	67,313	90,474	-25.6%
Other	892	2,297	-61.2%
Total Expenses	<u>4,711,013</u>	<u>5,840,702</u>	-19.3%
Changes in Net Position	1,525,597	465,941	227.4%
Net Position - July 1	<u>60,662</u>	<u>(405,279)</u>	
Net Position - June 30	<u><u>\$1,586,259</u></u>	<u><u>\$60,662</u></u>	2514.9%

The District's total revenues consisted of program revenues of \$1,412,700, property taxes of \$1,095,226, unallocated aids of \$3,626,903, and miscellaneous revenues of \$101,781. Total expenses of \$4,711,013 consisted largely of student instructional costs (51%).

- The users of the District's programs paid for 2%, or \$72,138, of the total costs.
- The federal and state governments subsidized certain programs with operating and capital grants and contributions. This totaled \$1,340,562, or 28% of the total costs.
- Most of the District's net cost of services however, was paid for by state taxpayers based on the statewide education aid formula and by District taxpayers.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Figure A-1 Sources of Independent School District No. 2884 Revenues for Fiscal Year 2021

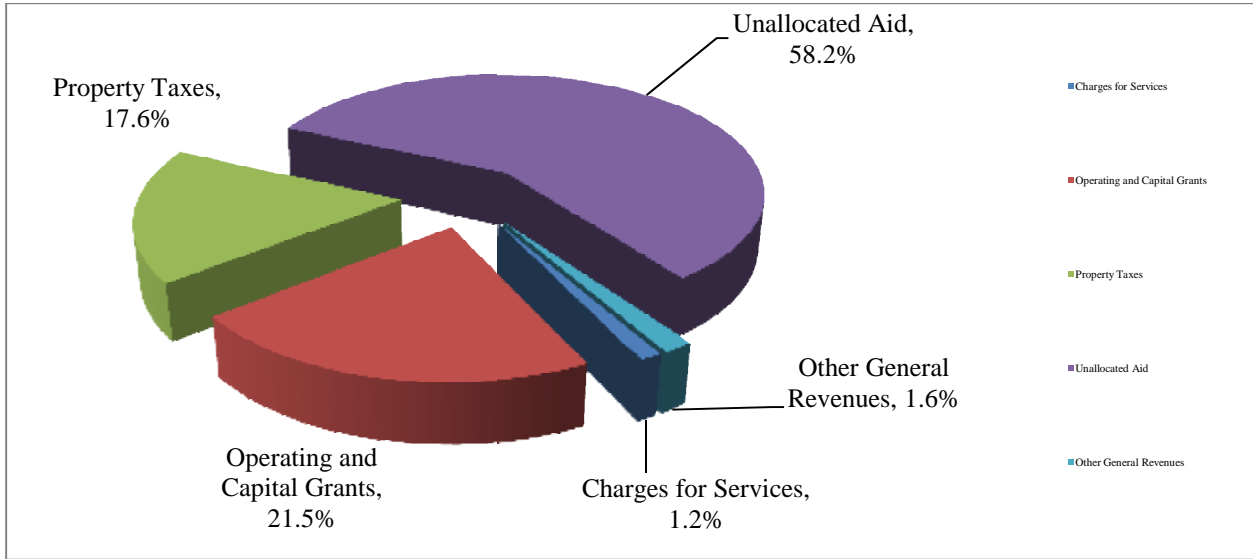
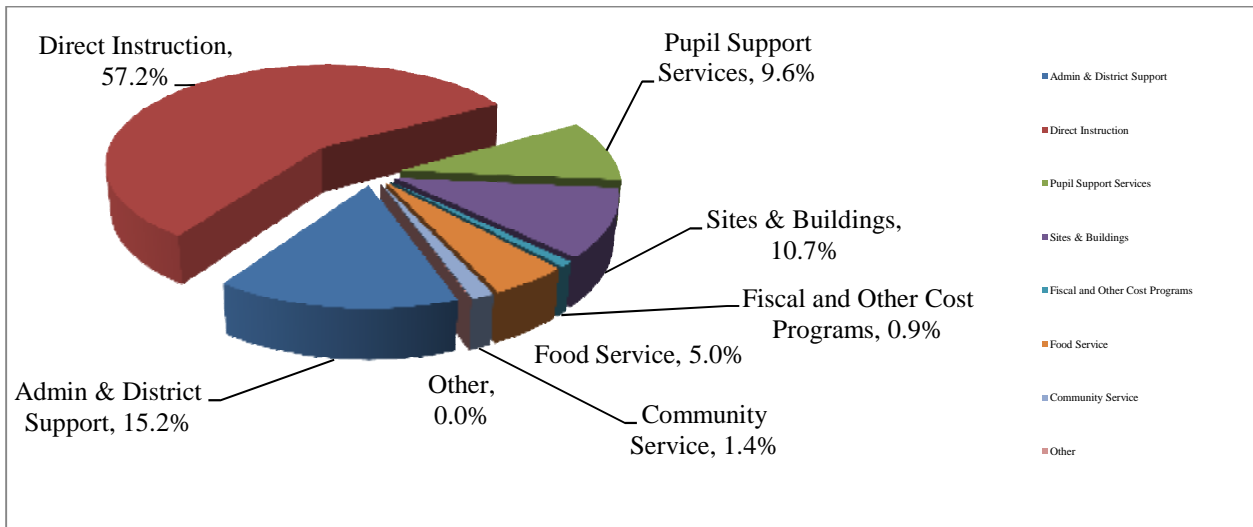


Figure A-2 Independent School District No. 2884 Expenditures for Fiscal Year 2021



**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)

FUND BALANCE

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$4,125,184. This was down from \$4,175,564 at the end of the prior year, a decrease of \$50,380. The decrease in the General Fund occurred primarily due to a decrease relating to levies. Community Service Fund increased by \$183,659 primarily due a transfer in from the General Fund to write off prior year advances. The Food Service Fund increased by \$30,000 due to excess revenues over expenditures. There were also more federal funds received during the year related to COVID-19.

REVENUES AND EXPENDITURES

Revenues of the District's governmental funds totaled \$6,229,062 which was an increase of 2% from the previous year total of \$6,110,786. Total expenditures were \$6,283,724 which was an increase of 8% from the previous year total of \$5,841,163. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

ANALYSIS OF INDIVIDUAL FUNDS

	Fiscal Year 2021			Fund Balance Increase (Decrease)
	<u>Revenue</u>	<u>Expenditures</u>	Other Sources (Uses)	
General Fund	\$5,857,075	\$5,972,226	(\$148,888)	(\$264,039)
Food Service Fund	272,056	242,056	-	30,000
Community Service Fund	99,931	69,442	153,170	183,659
Total	<u>\$6,229,062</u>	<u>\$6,283,724</u>	<u>\$4,282</u>	<u>(\$50,380)</u>

	Fiscal Year 2020			Fund Balance Increase (Decrease)
	<u>Revenue</u>	<u>Expenditures</u>	Other Sources (Uses)	
General Fund	\$5,739,865	\$5,508,776	\$1,091	\$232,180
Food Service Fund	262,349	240,628	-	21,721
Community Service Fund	108,572	91,759	-	16,813
Total	<u>\$6,110,786</u>	<u>\$5,841,163</u>	<u>\$1,091</u>	<u>\$270,714</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND

The General Fund is used by the District to record the primary operations of providing educational services to students from kindergarten through grade twelve. Pupil transportation activities, capital purchases, and major maintenance projects are also included in the General Fund.

Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involves an equalized mix of property tax and state aid revenue.

The following schedule presents a summary of General Fund revenues and other financing sources:

	Year Ended <u>6/30/2021</u>	Year Ended <u>6/30/2020</u>	Amount <u>Change</u>	Percentage <u>Change</u>
Local Sources				
Property Taxes	\$1,049,016	\$1,104,301	(\$55,285)	-5.0%
Tuition and Contracts	15,475	13,962	1,513	10.8%
Other Local Sources	98,986	115,491	(16,505)	-14.3%
State Sources	4,218,054	4,306,324	(88,270)	-2.0%
Federal Sources	471,297	146,237	325,060	222.3%
Interest	2,738	49,683	(46,945)	-94.5%
Other	1,509	3,867	(2,358)	-61.0%
Total Revenues	<u>5,857,075</u>	<u>5,739,865</u>	<u>117,210</u>	2.0%
Other Financing Sources				
Insurance Proceeds	1,503	500	1,003	200.6%
Sale of Assets	2,779	591	2,188	370.2%
Transfer from Other Funds	<u>35,000</u>	<u>-</u>	<u>35,000</u>	100.0%
Total Revenues and Other Financing Sources	<u>\$5,896,357</u>	<u>\$5,740,956</u>	<u>155,401</u>	2.7%

In summary, the 2020-2021 General Fund revenues and other financing sources increased by \$155,401, 2.7%, from the previous year. Basic general education revenue is determined by a per student funding formula. Other state-authorized revenue involves an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures and other financing uses:

	Year Ended <u>6/30/2021</u>	Year Ended <u>6/30/2020</u>	Amount <u>Change</u>	Percentage <u>Change</u>
Salaries	3,364,875	3,256,180	\$108,695	3.3%
Employee Benefits	1,001,886	923,829	78,057	8.4%
Purchased Services	782,700	560,508	222,192	39.6%
Supplies and Materials	448,984	294,198	154,786	52.6%
Capital Expenditures	294,078	345,825	(51,747)	-15.0%
Other Expenditures	33,588	52,133	(18,545)	-35.6%
Principal and Interest	46,115	76,103	(29,988)	-39.4%
Total Expenditures	<u>5,972,226</u>	<u>5,508,776</u>	<u>493,438</u>	9.0%
Other Financing Sources				
Transfers to Other Funds	<u>188,170</u>	<u>-</u>	<u>188,170</u>	100.0%
Total Expenditures and Other Financing Uses	<u><u>6,160,396</u></u>	<u><u>5,508,776</u></u>	<u><u>\$ 681,608</u></u>	12.4%

The 2020-2021 General Fund expenditures and other financing uses increased by \$681,608, or 12.4%, from the previous year. Majority of the increases related to salaries and capital expenditures. These will fluctuate year to year based on the needs of the District.

After deducting statutory restricted fund balances, committed fund balances, and assigned fund balances, the unassigned fund balance decreased \$437,635, or 12% to \$3,174,826. The District closely monitors the General Fund unassigned fund balance through its budgeting process throughout the year.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND BUDGETARY ANALYSIS

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2021.

- Changes in appropriations for significant unbudgeted costs.

The District's final budget for the General Fund anticipated that revenues would exceed expenditures by \$77,450. The actual results for the year show that the expenditures exceeded the revenues by \$264,039.

- Actual revenues were \$85,528 greater than budgeted due to the District receiving more federal aids than expected. Other financing sources exceeded the budget by \$39,282.

- Actual expenditures were \$278,129 greater than budgeted largely due to more salaries and employee benefits than anticipated, as well as supplies and tech equipment from federal funds related to COVID-19. Other financing uses exceeded appropriations by \$188,170 for transfers.

FOOD SERVICE FUND

In 2020-2021, the total revenues for the Food Service Fund were \$272,056 and expenditures were \$242,056, resulting in a fund balance increase of \$30,000. The fund balance of the Food Service Fund is \$243,889 as of June 30, 2021.

COMMUNITY SERVICE FUND

In 2020-2021, the total revenues for the Community Service Fund were \$99,931 and total expenditures were \$69,442. Other financing sources (uses) of \$153,170 resulted in a fund balance increase of \$183,659. The Community Service Fund balance as of June 30, 2021 is \$135,168.

TRUST FUND

There were additions in the Trust Fund of \$13,005 during the fiscal year and there were of deductions \$3,503. As of June 30, 2021, the net position is \$14,886.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of June 30, 2021, the District had capital assets of \$2,124,110 (net of accumulated depreciation) representing a broad range of capital assets, including site improvements, computer and audio-visual equipment, and other equipment for instructional, support and administrative purposes. Total depreciation expense for the year was \$203,912. Additional information about the District's capital assets can be found in Note 3 to the financial statements.

Capital Assets	<u>6/30/2021</u>	<u>6/30/2020</u>	<u>Amount Change</u>	<u>Percentage Change</u>
Non-Depreciable	\$97,233	\$97,233	\$0	0.0%
Site Improvements	206,256	134,100	72,156	53.8%
Building	2,914,290	2,914,290	0	0.0%
Equipment	2,178,952	2,171,422	7,531	0.3%
Eligible Pupil Transportation	988,279	863,397	124,882	14.5%
Less: Accumulated Depreciation	<u>(4,260,901)</u>	<u>(4,067,794)</u>	<u>(193,107)</u>	4.7%
 Total Net Capital Assets	 <u><u>\$2,124,110</u></u>	 <u><u>\$2,112,648</u></u>	 <u><u>11,462</u></u>	 0.5%

DEBT ADMINISTRATION

As of June 30, 2021 the District has no outstanding debt. The District had various other long-term liabilities as detailed in Notes 8 and 9 to the financial statements.

The District retired \$45,223 of debt in the year ending June 30, 2021.

Outstanding Long-Term Debt

	<u>6/30/2021</u>	<u>6/30/2020</u>
Notes Payable	0	45,223
Less: Current Portion	<u>(0)</u>	<u>(45,223)</u>
 Total Long Term Debt	 <u><u>\$0</u></u>	 <u><u>\$0</u></u>

Additional information about the District's long-term liabilities can be found in Note 5 to the financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE

Red Rock Central comprises the communities of Storden, Jeffers, Sanborn, Lamberton and the surrounding land totaling approximately 344 square miles. Being a small rural school we have great challenges in meeting the needs of our students, staff and communities not often associated with larger and more urban schools. With fewer and fewer farmers on the land and often less opportunities for young families, we see declining enrollments as a huge challenge. We also have, for various reasons, more students who have open enrolled out of our schools than the number that enroll in. This year we are maintaining our enrollment and as we look at the future numbers we see that our enrollments have stabilized, at least as far as projections go. At Red Rock Central we have always strived to do more with less, and looking at our successes in Academic Awards and test scores we have been doing an excellent job. Attracting future hires will also present difficulties as we feel some of our veteran staff may soon be retiring.

As always, in a small rural school, money is a huge concern. Limiting expenditures as best we can is only part of the equation. Our school must be creative in finding new and stable streams of money through levies and hopefully new state funding. The bottom line for the Red Rock Central School is the care and education of our children and this has been the number one priority since our beginning. We take the trust that our communities have placed in us very seriously and will strive to remain financially sound for years to come.

The Red Rock Central school district voters on November 2nd, 2021 passed a \$41 million dollar bond referendum for a new PK-12 school to be built in Lamberton, MN. The building will be located on existing school district property, there is currently no plan for the existing school building to be demolished or repurposed by another entity but the district will not plan to utilize the buildings after the construction is completed. The bonds will be for 25 years. We're also applying for New Market Tax Credits which could be an additional \$2.5 to \$2.9 million. Additionally, we're applying for a FEMA grant for a storm shelter, which is required by code. That could be up to \$1.9 million. The vote passed 57.46%.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the district's citizens, taxpayers, customers, and investors and creditors with a general overview of the district's finances and demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office, Independent School District No. 2884, PO Box 278, 100 6th Avenue East, Lamberton, Minnesota 56152.

BASIC FINANCIAL STATEMENTS

Independent School District No. 2884
Red Rock Central
Statement of Net Position
June 30, 2021

	Primary Government	
	Governmental Activities	Total
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents	\$ 4,400,882	\$ 4,400,882
Property Taxes Receivable- Current	374,584	374,584
Property Taxes Receivable - Delinquent	17,696	17,696
Accounts Receivable	1,507	1,507
Prepays	38,193	38,193
Due from Minnesota Department of Education	433,047	433,047
Due from Federal - Department of Education	94,021	94,021
Due from Other MN Districts	20,175	20,175
Inventory	1,288	1,288
Total Current Assets	5,381,393	5,381,393
<i>Noncurrent Assets</i>		
Nondepreciable	97,233	97,233
Depreciable, Net	2,026,877	2,026,877
Total Assets	7,505,503	7,505,503
DEFERRED OUTFLOWS OF RESOURCES		
Related to OPEB	66,650	66,650
Related to Pensions	454,235	454,235
Total Deferred Outflows of Resources	520,885	520,885
LIABILITIES		
<i>Current Liabilities</i>		
Salaries Payable	279,057	279,057
Accounts Payable	30,763	30,763
Due to Other School Districts	20,599	20,599
Due to Other Governmental Units	458	458
Payroll Deduction Payable	209,887	209,887
Total Current Liabilities	540,764	540,764
<i>Noncurrent Liabilities</i>		
OPEB Payable	405,981	405,981
Net Pension Liability	3,434,348	3,434,348
Total Liabilities	4,381,093	4,381,093
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Years	691,988	691,988
Related to OPEB	127,032	127,032
Related to Pensions	1,240,016	1,240,016
Total Deferred Inflows of Resources	2,059,036	2,059,036
NET POSITION		
Net Investment in Capital Assets	2,124,110	2,124,110
Restricted	966,845	966,845
Unrestricted	(1,504,696)	(1,504,696)
Total Net Position	\$ 1,586,259	\$ 1,586,259

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

**Independent School District No. 2884
Red Rock Central
Statement of Activities
For the Year Ended June 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary Government						
Governmental Activities:						
Administration	\$ 557,025	\$ 2,080	\$ --	\$ --	\$ (554,945)	\$ (554,945)
District Support Services	158,427	3,012	--	--	(155,415)	(155,415)
Elementary and Secondary Regular Instruction	1,827,793	35,367	815,980	10,000	(975,446)	(922,109)
Vocational Education Instruction	166,658	--	--	--	(166,658)	(166,658)
Special Education Instruction	406,754	--	259,314	--	(147,440)	(147,440)
Instructional Support Services	293,575	--	--	--	(293,575)	(293,575)
Pupil Support Services	452,941	2,779	--	36,806	(413,356)	(450,162)
Sites and Buildings	503,603	--	--	7,531	(496,072)	(503,603)
Fiscal and Other Fixed Cost Programs	40,123	--	--	--	(40,123)	(40,123)
Food Service	235,909	16,408	168,884	--	(50,617)	(50,617)
Community Service	67,313	12,492	42,047	--	(12,774)	(12,774)
Interest and Fiscal Charges on LT Debt	892	--	--	--	(892)	(892)
Total Governmental Activities	<u>4,711,013</u>	<u>72,138</u>	<u>1,286,225</u>	<u>54,337</u>	<u>(3,298,313)</u>	<u>(3,298,313)</u>
Total Primary Government	<u>\$ 4,711,013</u>	<u>\$ 72,138</u>	<u>\$ 1,286,225</u>	<u>\$ 54,337</u>	<u>\$ (3,298,313)</u>	<u>\$ (3,298,313)</u>

General Purpose Revenues:

Revenues

Local Property Tax Levies	1,095,226	1,095,226
Other Local and County Sources	32,509	32,509
State Sources	3,588,828	3,588,828
Federal Sources	5,566	5,566
Other	98,804	98,804
Interest	2,977	2,977
Total General Revenues	<u>4,823,910</u>	<u>4,823,910</u>
Change in Net Position	<u>1,525,597</u>	<u>1,525,597</u>
<i>Net Position at Beginning of Period</i>	<u>60,662</u>	<u>60,662</u>
Net Position at End of Period	<u>\$ 1,586,259</u>	<u>\$ 1,586,259</u>

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

Independent School District No. 2884
Red Rock Central
Balance Sheet
Governmental Funds
June 30, 2021

	<u>Special Revenue</u>			<u>Total Governmental Funds</u>
	<u>General</u>	<u>Non-Major Community Services</u>	<u>Non-Major Food Service</u>	
ASSETS				
Cash and Cash Equivalents	\$ 3,979,081	\$ 166,532	\$ 255,269	\$ 4,400,882
Property Taxes Receivable- Current	355,738	18,846	--	374,584
Property Taxes Receivable - Delinquent	16,266	1,430	--	17,696
Accounts Receivable	1,151	--	356	1,507
Prepays	38,193	--	--	38,193
Due from Minnesota Department of Education	430,798	2,108	141	433,047
Due from Federal - Department of Education	90,725	--	3,296	94,021
Due from Other MN Districts	20,175	--	--	20,175
Inventory	--	--	1,288	1,288
Total Assets	4,932,127	188,916	260,350	5,381,393
DEFERRED OUTFLOWS OF RESOURCES				
Aggregated deferred outflows	--	--	--	--
Total Assets and Deferred Outflows of Resources	\$ 4,932,127	\$ 188,916	\$ 260,350	\$ 5,381,393
LIABILITIES				
Salaries Payable	\$ 251,801	\$ 12,386	\$ 14,870	\$ 279,057
Accounts Payable	28,972	200	1,591	30,763
Due to Other School Districts	20,599	--	--	20,599
Due to Other Governmental Units	458	--	--	458
Payroll Deduction Payable	209,887	--	--	209,887
Total Liabilities	511,717	12,586	16,461	540,764
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Grants	5,760	--	--	5,760
Property Taxes Levied for Subsequent Years	652,256	39,732	--	691,988
Unavailable Revenue- Delinquent Property Taxes	16,267	1,430	--	17,697
Total Liabilities and Deferred Inflows of Resources	1,186,000	53,748	16,461	1,256,209
FUND BALANCE				
Nonspendable	38,193	--	1,288	39,481
Restricted	521,441	135,168	242,601	899,210
Committed	11,667	--	--	11,667
Unassigned	3,174,826	--	--	3,174,826
Total Fund Balance	3,746,127	135,168	243,889	4,125,184
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 4,932,127	\$ 188,916	\$ 260,350	\$ 5,381,393

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

Independent School District No. 2884
Red Rock Central
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$	4,125,184
Revenue deferred in governmental fund statements if not received within sixty days.		23,457
Capital assets are capitalized in the Statement of Net Position and depreciated in the Statement of Activities. These are expensed when acquired in the Statement of Revenues, Expenditures, and Changes in Fund Balance.		2,124,110
Other Postemployment Benefits Payable are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		(405,981)
Net pension liability is not due and payable in the current period from current financial resources, and therefore are not reported in the funds.		(3,434,348)
Pension related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.		(1,240,016)
Pension related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.		454,235
OPEB related deferred outflows are not available to pay for current period expenditures and therefore are deferred in the funds.		66,650
OPEB related deferred inflows are not due and payable in the current period from current financial resources, and therefore are not reported in funds.		(127,032)
Total Net Position-Governmental Funds	\$	<u>1,586,259</u>

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

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	Special Revenue			Total Governmental Funds
	General	Non-Major Community Services	Non-Major Food Service	
Revenues				
Local Property Tax Levies	\$ 1,049,016	\$ 42,944	\$ --	\$ 1,091,960
Other Local and County Sources	66,511	12,492	900	79,903
State Sources	4,218,054	44,410	4,500	4,266,964
Federal Sources	471,297	--	164,425	635,722
Fundraising	28,127	--	--	28,127
Donations	6,223	--	--	6,223
Other	15,109	--	102,077	117,186
Interest	2,738	85	154	2,977
Total Revenues	5,857,075	99,931	272,056	6,229,062
Expenditures				
Administration	600,938	--	--	600,938
District Support Services	148,029	--	--	148,029
Elementary and Secondary Regular Instruction	2,930,453	--	--	2,930,453
Vocational Education Instruction	245,309	--	--	245,309
Special Education Instruction	551,532	--	--	551,532
Instructional Support Services	285,267	--	--	285,267
Pupil Support Services	434,806	--	--	434,806
Sites and Buildings	494,397	--	--	494,397
Fiscal and Other Fixed Cost Programs	40,123	--	--	40,123
Food Service	--	--	242,056	242,056
Community Service	--	69,442	--	69,442
Interest and Fiscal Charges on LT Debt	892	--	--	892
Capital Outlay	240,480	--	--	240,480
Total Expenditures	5,972,226	69,442	242,056	6,283,724
Excess of Revenues Over (Under) Expenditures	(115,151)	30,489	30,000	(54,662)
Other Financing Sources (Uses)				
Gain (Loss) on Disposals of Capital Assets	2,779	--	--	2,779
Insurance Proceeds	1,503	--	--	1,503
Transfers from other funds	35,000	283,170	--	318,170
Transfers to other funds	(188,170)	(130,000)	--	(318,170)
Net Other Financing Sources (Uses)	(148,888)	153,170	--	4,282
Net Change in Fund Balance	(264,039)	183,659	30,000	(50,380)
<i>Fund Balance at Beginning of Period</i>	4,010,166	(48,491)	213,889	4,175,564
Fund Balance at End of Period	\$ 3,746,127	\$ 135,168	\$ 243,889	\$ 4,125,184

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

Independent School District No. 2884
Red Rock Central
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	(50,380)
Capital assets expensed as capital outlay in governmental fund statements, capitalized as capital assets in Statement of Net Position.		215,373
Principal payments on long-term expensed in governmental fund statements, treated as reductions of outstanding debt in Entity wide statements.		45,223
Revenue earned but not collected within sixty days deferred in governmental fund statements, recognized as revenue in Statement of Activities.		3,266
Depreciation expense reflected in entity wide statements, not reflected in governmental fund statements.		(203,912)
In the statement of activities, certain postemployment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the Amount financial resources used (essentially, the amounts actually paid).		49,998
Governmental funds recognize pension contributions as expenditures at the time of payment whereas the statement of activities factors in items related to pensions on a full accrual perspective.		1,466,029
Changes in Net Position-Governmental Funds	\$	<u>1,525,597</u>

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

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
Revenues				
Local Sources:				
Levy	\$ 1,012,738	\$ 1,012,789	\$ 1,015,359	\$ 2,570
County Apportionment	15,000	15,000	28,721	13,721
Miscellaneous County Tax Revenues	7,000	7,000	4,936	(2,064)
Other Local and County Sources:				
Tuition and Fees- School Districts	5,000	3,000	2,556	(444)
Tuition and Fees - Patrons	16,000	11,500	12,919	1,419
Student Activities Admissions	35,000	10,000	18,604	8,604
Fundraising	27,400	24,900	28,127	3,227
Interest	40,150	4,080	2,738	(1,342)
Rent	900	900	1,288	388
Gifts and Bequest	23,800	9,000	30,720	21,720
Miscellaneous	39,000	16,100	20,247	4,147
State Sources:				
General Education Aid	3,921,585	4,018,259	3,879,477	(138,782)
Endowment Fund Apportionment	19,080	17,793	17,543	(250)
Homestead/Ag Market Value Credit	15,000	14,920	14,920	--
Disparity Reduction Aid	7,900	7,929	7,929	--
Abatement Aid	6	3,059	3,059	--
Shared Time Aid	1,010	644	(594)	(1,238)
Special Education Aid	200,000	175,000	259,314	84,314
Integration Aid & Levy	24,806	24,043	13,153	(10,890)
Other State Aid	30,167	23,437	23,253	(184)
Federal Sources:				
Improving the Academic Achievement of the Disadvantaged	78,000	74,160	72,994	(1,166)
Teacher and Principal Training and Recruiting	15,000	8,650	8,275	(375)
Small, Rural Education Achievement Program	34,160	34,476	34,476	--
Coronavirus Relief Funds	--	109,097	109,097	--
CARES Funds	--	73,063	72,063	(1,000)
Elementary and Secondary School Emergency Relief	--	--	105,421	105,421
Governor's Emergency Education Relief	--	--	4,975	4,975
Other Federal Aid	55,700	69,248	63,996	(5,252)
Other:				
Sale of Materials	3,500	3,500	1,509	(1,991)
Total Revenues	<u>5,627,902</u>	<u>5,771,547</u>	<u>5,857,075</u>	<u>85,528</u>

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

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund - Continued
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
Other Financing Sources				
Sale of Capital Assets	--	--	2,779	2,779
Insurance Proceeds	--	--	1,503	1,503
Transfers from other funds	--	--	35,000	35,000
Total Revenues and Other Financing Sources	5,627,902	5,771,547	5,896,357	124,810
Expenditures				
Administration:				
Salaries	313,186	320,272	336,804	(16,532)
Employee Benefits	123,020	137,295	141,965	(4,670)
Purchased Services	32,963	82,363	112,404	(30,041)
Supplies and materials	6,288	4,248	1,511	2,737
Capital Expenditures	--	2,500	--	2,500
Other Expenditures	7,546	7,546	8,254	(708)
District Support Services:				
Salaries	40,584	45,512	53,386	(7,874)
Employee Benefits	12,080	11,678	12,759	(1,081)
Purchased Services	55,727	65,126	79,984	(14,858)
Other Expenditures	520	520	1,900	(1,380)
Elementary and Secondary Regular Instruction:				
Salaries	1,993,155	2,071,328	2,000,675	70,653
Employee Benefits	589,192	621,157	615,706	5,451
Purchased Services	158,032	149,592	112,692	36,900
Supplies and Materials	173,147	172,534	192,076	(19,542)
Capital Expenditures	25,000	28,076	96,059	(67,983)
Other Expenditures	674	674	7,793	(7,119)
Vocational Education:				
Salaries	151,684	170,846	170,847	(1)
Employee Benefits	58,033	65,085	64,346	739
Materials and Supplies	--	--	10,116	(10,116)
Special Education Instruction:				
Salaries	359,002	278,088	348,495	(70,407)
Employee Benefits	80,496	63,475	78,345	(14,870)
Purchased Services	77,726	110,002	121,787	(11,785)
Supplies and Materials	738	1,530	2,728	(1,198)
Capital Expenditures	2,100	2,100	--	2,100
Other Expenditures	--	--	177	(177)
Instructional Support Services:				
Salaries	25,334	27,574	99,430	(71,856)
Employee Benefits	3,924	4,262	15,890	(11,628)
Purchased Services	39,105	41,945	43,270	(1,325)
Supplies and Materials	7,052	14,119	126,677	(112,558)
Capital Expenditures	30,000	30,000	263	29,737

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

Independent School District No. 2884
Red Rock Central
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund - Continued
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u> <u>Final to Actual</u>
Pupil Support Services:				
Salaries	224,751	232,754	231,269	1,485
Employee Benefits	49,077	50,656	46,221	4,435
Purchased Services	54,373	62,732	71,041	(8,309)
Supplies and Materials	44,227	53,556	54,511	(955)
Capital Expenditures	--	132,806	141,686	(8,880)
Other Expenditures	33,950	25,950	15,464	10,486
Sites and Buildings:				
Salaries	113,165	116,263	123,969	(7,706)
Employee Benefits	24,825	24,845	26,654	(1,809)
Purchased Services	157,148	209,483	201,399	8,084
Supplies and Materials	87,357	60,979	61,365	(386)
Capital Expenditures	31,830	118,287	56,070	62,217
Fiscal and Other Fixed Cost Programs:				
Principal	76,528	45,223	45,223	--
Interest Expense	2,407	1,116	892	224
Purchased Services	30,000	30,000	40,123	(10,123)
<i>Total Expenditures</i>	<u>5,295,946</u>	<u>5,694,097</u>	<u>5,972,226</u>	<u>(278,129)</u>
Other Financing Uses				
Transfers to other funds	--	--	188,170	(188,170)
<i>Total Expenditures and Other Financing Uses</i>	<u>5,295,946</u>	<u>5,694,097</u>	<u>6,160,396</u>	<u>(466,299)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>331,956</u>	<u>77,450</u>	<u>(264,039)</u>	<u>(341,489)</u>
Net Change in Fund Balance	<u>331,956</u>	<u>77,450</u>	<u>(264,039)</u>	<u>(341,489)</u>
<i>Fund Balance at Beginning of Period</i>	<u>4,010,166</u>	<u>4,010,166</u>	<u>4,010,166</u>	<u>--</u>
Fund Balance at End of Period	<u>\$ 4,342,122</u>	<u>\$ 4,087,616</u>	<u>\$ 3,746,127</u>	<u>\$ (341,489)</u>

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

Independent School District No. 2884
Red Rock Central
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	Private Purpose Trust
	Trust
ASSETS	
Cash and Cash Equivalents	\$ 14,886
<i>Total Assets</i>	<i>14,886</i>
DEFERRED OUTFLOWS OF RESOURCES	
Aggregated deferred outflows	--
<i>Total Deferred Outflows of Resources</i>	<i>--</i>
LIABILITIES	
<i>Total Liabilities</i>	<i>--</i>
DEFERRED INFLOWS OF RESOURCES	
Aggregated deferred inflows	--
<i>Total Deferred Inflows of Resources</i>	<i>--</i>
NET POSITION	
Held in Trust	\$ 14,886

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

Independent School District No. 2884
Red Rock Central
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2021

	Trust
Additions	
Donations	\$ 13,000
Interest	<u>5</u>
<i>Total Additions</i>	<u>13,005</u>
Deductions	
Trust Fund	<u>3,503</u>
<i>Total Deductions</i>	<u>3,503</u>
<i>Change in Net Position</i>	9,502
<i>Net Position at Beginning of Period</i>	<u>5,384</u>
<i>Net Position at End of Period</i>	<u>\$ 14,886</u>

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

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Independent School District No. 2884 was formed and operates pursuant to applicable Minnesota laws and statutes. The governing body consists of school board members elected by voters of the District to serve staggered terms.

A. Basis of Presentation

The financial statements of Independent School District No. 2884 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as U.S. generally accepted accounting principles for state and local governments.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

B. Financial Reporting Entity

Independent School District No. 2884 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America (GAAP) require that the District’s financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated from the District. In addition, the District’s financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization’s governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities and the District’s School Board has elected to control and exercise oversight responsibility with respect to the student activities. Accordingly, the student activity accounts are included within the general fund.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation

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

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 revenue include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational, or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining non-major governmental funds is reported in a single column in the fund financial statements.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-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 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.

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:

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

- 1. 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. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.
- 2. Recording of Expenditures** - Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

The District reports unearned revenue on its statement of net position and its governmental funds balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to incurring the qualifying expenditures. In subsequent periods when both revenue recognition criteria are met or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the statement of net position and combined balance sheet and revenue is recognized.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of Governmental Accounting Standards Board (GASB).

It is generally the District’s policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Description of Funds

The existence of the various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

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, health and safety projects, and disabled accessibility projects. The main sources of revenue are state and federal aids and property taxes.

Food Service Special Revenue Fund - The Food Service Special Revenue Fund accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches or snacks in connection with school activities. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state credits.

Community Service Special Revenue Fund - The Community Service Special Revenue Fund accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state credits.

Fiduciary Funds

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for trust arrangements under which principal and income benefits individuals, private organizations, or other governments. This fund accounts for gifts and bequests that are to be used for scholarships.

GASB Statement No. 34 specifies that the accounts and activities of each of the District’s most significant governmental funds (termed “major funds”) be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. The General Fund and the Community Service Fund are the only major funds by definition.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, and Community Service Funds. The approved budget is published in summary form in the District’s legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

Procedurally, in establishing the budgetary data reflected in these financial statements, the Superintendent submits to the School Board prior to July 1, a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means to finance them. The budget is legally enacted by School Board action. Revisions to budgeted amounts must be approved by the School Board.

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels.

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain reserves specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as “statutory operating debt” exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with a “special operating plan” approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash and investments included balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer’s Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Investments are reported at fair value.

Cash and investments as of June 30, 2021 are comprised of deposits and shares in the Minnesota School District Liquid Asset Fund (MSDLAF). The MSDLAF is an external investment pool, not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

The District has formal policies in place to address custodial credit risk for deposits as well as interest rate risk, credit risk, concentration of credit risk, and custodial credit risk for investments.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

Receivables represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable, which are generally immaterial.

H. 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, and surplus commodities are stated at standardized cost, as determined by the Department of Agriculture.

I. Prepayments

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

J. Property Taxes

The Board of Education annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes collected by the County Treasurer and tax settlements are made to the District periodically throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and Special Revenue Funds. This revenue is divided between property taxes and State aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.” The remaining portion of taxes collectible in 2021 is recorded as unearned revenue (property taxes levied for subsequent year). Taxes payable on qualifying property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credits are paid to the District by the State in lieu of taxes levied against the property.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes (Continued)

Taxes that remain unpaid are classified as delinquent taxes receivable. In the fund financial statements, revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not available to finance the operations of the District in the current year. In the district-wide financial statements no allowance for uncollectible taxes has been provided as such amounts are not expected to be material. The tax shift for fiscal year 2021 was \$127,601.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflows of resources (revenue) until that time.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$5,000 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 government-wide financial statement, 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 purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and, when applicable, 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.

M. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts, as well as issuance costs, will be expensed in the current year.

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. Principal payments are reported as debt service expenditures.

N. Compensated Absences

Employees who are employed on a twelve month basis and forty hour week will accrue vacation as follows:

1-9 years	2 weeks of vacation
10-19 years	3 weeks of vacation
20+ years	4 weeks of vacation

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Compensated Absences (Continued)

Secretarial positions and custodians will accrue twelve days of sick leave per year accumulative to 85 days. Secretaries who work less than full-time will be allotted sick leave based on a prorated time and benefits but no vacation days will be allowed. At the beginning of every school year all twelve-month secretaries and custodians will accrue four personal days. The carryover of personal days from one year to the next is not allowed.

Educational assistants and kitchen personnel shall accrue nine days of sick leave per year accumulative to 65 days. Assistants and kitchen personnel will accrue three personal days. One of those days can be carried over to the next year for an accumulative of four days. Bus drivers will accrue nine days of sick leave per school year accumulative to 50 days. Bus drivers will accrue three personal days. One of those days can be carried over to the next year for an accumulative of four days. Personnel working for ten months out of the year will be allotted a percentage of sick and personal days.

Certified: At the beginning of each school year each teacher shall be credited with fifteen days sick leave. Unused sick leave days may accumulate to a maximum of 105 days of sick leave per teacher. The District shall furnish to each teacher a written statement at the beginning of each school year setting forth the total days cumulative per teacher. The teacher shall refund to the district any used but unearned sick leave pay, (one and two thirds days per month or the proper fraction based on total weeks of employment) should their contract be terminated or they resign before the end of the school year. When a teacher reaches the maximum number of sick days (105), unused sick leave shall be reimbursed at the rate of \$15.00 per day, and will be sent to the Minnesota Post Retirement Self Health Insurance Care Savings Plan. For any teacher leaving the system, this shall be included in the final check which the teacher receives. Teachers will accrue three personal days. One of those days can be carried over to the next year for an accumulative of four days. Teachers can sell up to two personal days per year at the teachers' current rate of pay and will be sent to the Minnesota Post Retirement Self Health Insurance Care Savings Plan.

Principal: The principal receives no vacation and shall accrue fifteen days of sick leave per year accumulative to 105 days.

Superintendent: The superintendent accrues ten days of vacation per year accumulative to 30 days. Upon retirement, any unused vacation will be paid at a rate of \$200 and can be sent to the Health Care Savings Plan account if requested. The superintendent will accrue fifteen days of sick leave accumulative to 105 days. The superintendent will also accrue three days of personal leave. One of those days can be carried over to the next year for an accumulative of four days.

The liability for accumulated vacation and sick leave for governmental fund types, which represents normal accumulations, is not material and is not recorded in the financial statements. The current portion of accrued vacation and sick leave pay, which would be liquidated with expendable available resources, is not material.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Employee Benefits

Non-Certified Health Insurance: The District shall contribute the sum of \$8,700 for those persons selecting the HSA Family Policy or \$8,200 for those selecting another school sponsored health insurances option for the 2020-2021 school year towards health insurance for all twelve month employees. Employees working at least ten and a half months but less than twelve months either as a secretary or custodian will be eligible for health insurance on a prorated basis. The District will contribute \$25 per month for all twelve month employees to the State’s Health Care Savings Plan. Employees will at least match the District’s contribution. The School Board will provide a \$25,000 term life insurance policy through the district for all employees who are assigned an average of twenty or more hours per week throughout the school year.

Certified Health Insurance: The District shall contribute the sum of \$8,700 for those persons selecting the HSA Family Policy or \$8,200 for those selecting another school sponsored health insurance option during the 2020-2021 school year for all full time teachers employed by the District who qualify for and are enrolled in the school district group health and hospitalization plan. These funds will only be available towards the cost of the health insurance premium. Any additional cost of the premium shall be borne by the employee and paid by payroll deduction or any additional option agreed to with the central office of the District. Teachers who apply for early retirement will be eligible to remain in the existing group health and hospitalization insurance program and will remain eligible for board contribution equal to \$3,000 per year until the teacher qualifies for Medicare. However, if the teacher is reemployed and is offered health insurance with the new job, this coverage provided by the District will be dropped. This health coverage will be paid according to the following chart based on years of service with the District and former schools that comprise Independent School District No. 2884.

10 years=50%

15 years=75%

20 years & greater= 100%

Principal and Superintendent Health Insurance: The principal and superintendent and their dependents shall be eligible for the District’s hospitalization insurance plan at the District’s expense. The District will provide the principal with \$75,000 in-house life insurance coverage. The District will also provide the superintendent with \$50,000 term life insurance at a cost of not more than \$500 annually. The principal is also entitled to the early retirement health insurance coverage as noted above.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. 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; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

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

Q. Fund Balance

The District implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventory or prepaid items.
- Restricted fund balance – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, bondholders, laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance - consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board. To be reported as committed, amounts cannot be used for any other purpose unless the School Board removes or changes that specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned fund balance – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board itself or by an official to which the School Board delegates the authority.
- Unassigned fund balance – consists of amounts that are available for any purpose. Positive amounts are reported only in the general fund. It also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned, and unassigned as determined by the School Board.

The District has not formally adopted a fund balance policy for the General Fund.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Net Position

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

S. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

T. Pensions

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of a merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk - For deposits is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System. The District maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is included in the combined balance sheet as “Cash and Investments”.

Minnesota Statutes require that all deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

At June 30, 2021, the District’s deposits had a carrying amount of \$478,057 maintained in various accounts.

At June 30, 2021, the District also held shares in the MSDLAF which is an external investment pool that is not registered with SEC. Its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments. The MSDLAF is rated AAA by Standard & Poor’s and the amortized cost at June 30, 2021 was \$3,937,711.

The following table represents the District’s cash and cash equivalents balance at June 30, 2021:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	<u>Fair Value</u>
Pooled Cash and Investments:				
Petty Cash	N/A	N/A	0.00%	\$ 150
Checking Accounts	N/A	N/A	6.38%	281,911
Savings Account	N/A	N/A	4.44%	195,996
MSDLAF	AAA	N/A	89.17%	3,937,711
Total				<u>\$ 4,415,768</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Cash and cash equivalents as presented in the June 30, 2021 financials statements:

Statement of Net Position:	
Cash and Investments	\$ 4,400,882
Statement of Fiduciary Net Position:	
Cash and Investments	14,886
Total	\$ 4,415,768

B. Investments

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District’s investment policy states that investments will be managed in a manner to attain a market rate of return through various economic and budgetary cycles, while preserving and protecting the capital in the investment portfolio and taking into account constraints on risk and cash flow requirements.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District’s investment policy states the District may invest its available funds in those instruments specified in Minnesota Statutes or any other law governing the investment of school district funds. The District’s investments in Minnesota School District Liquid Asset Fund (MSDLAF) are rated AAA by Standard & Poor’s.

Concentration of Credit Risk – Concentration of credit is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy does not state the maximum percentage of the District’s investment portfolio that may be invested in a single type of investment instrument.

Custodial Credit Risk – For an investment, this is the risk that, in the even of failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District will minimize investment custodial credit risk by permitting brokers that obtained investments for the District to hold them only to the extent there is SIPC and excess SIPC coverage available. Securities purchased that exceed available SIPC coverages shall be transferred to the District’s custodian.

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- direct obligations or obligations guaranteed by the United States or its agencies
- shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- general obligations rated “A” or better; revenue obligations rated “AA” or better
- general obligations of the Minnesota Housing Finance Agency rated “A” or better

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- banker’s acceptances of United States banks eligible for purchase by the Federal Reserve System
- commercial paper issued by the United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- guaranteed investment contracts guaranteed by United State commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

NOTE 3 – CAPITAL ASSETS

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

Governmental Activities:

	Balance 7-1-2020	Additions	Deletions	Balance 6-30-2021
Capital Assets Not Being Depreciated				
Land	\$97,233			\$97,233
Total Capital Assets Not Being Depreciated	97,233	0	0	97,233
Capital Assets Being Depreciated				
Site Improvements	134,100	72,156		206,256
Buildings	2,914,290			2,914,290
Equipment	2,171,422	7,531		2,178,953
Vehicles	863,397	135,686	10,804	988,279
Total Capital Assets Being Depreciated	6,083,209	215,373	10,804	6,287,779
Less Accumulated Depreciation For:				
Land Improvements	88,440	5,259		93,699
Buildings	1,784,356	56,170		1,840,525
Equipment	1,664,819	60,637		1,725,456
Vehicles	530,179	81,846	10,804	601,221
Total Accumulated Depreciation	4,067,794	203,912	10,804	4,260,902
Total Capital Assets Being Depreciated, Net	2,015,415	11,462	0	2,026,877
Governmental Activities Capital Assets, Net	<u>\$2,112,648</u>	<u>\$11,462</u>	<u>\$0</u>	<u>\$2,124,110</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$203,912 for the year ended June 30, 2021 was charged to the following governmental functions:

Governmental Activities:

Administration	\$ 302
Elementary and Secondary Regular Instruction	34,424
Special Education	1,167
Instructional Support Services	8,347
Pupil Support	84,720
Sites, Buildings, and Equipment	54,003
Unallocated	20,310
Community Education	640
Total Depreciation Expense – Governmental Activities	<u>\$ 203,912</u>

The Governmental Accounting Standards Board (GASB) has issued Statement No. 42 *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. This statement requires the District to report the effects of capital asset impairments in its financial statements when they occur rather than as a part of ongoing depreciation expense for the capital asset or upon disposal of the capital asset. No impairments were noted during fiscal year 2021.

NOTE 4 – SHORT-TERM DEBT

The District did not obtain any short-term debt in 2021.

NOTE 5 – LONG-TERM LIABILITIES

Description of Long-Term Debt

Notes Payable

On July 2, 2013, the District borrowed \$390,000 from a bank to purchase equipment and buses with an interest rate of 2.5%. The final payment was made on August 1, 2020.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Debt

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2021:

	Balance <u>7/1/2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>6/30/2021</u>	Due Within <u>One Year</u>
Notes Payable	45,223		45,223	0	-
Total Long-Term Debt	<u>45,223</u>	<u>-</u>	<u>45,223</u>	<u>0</u>	<u>-</u>
Less: current portion				<u>0</u>	
Noncurrent				<u>\$ 0</u>	

For the year ended June 30, 2021 the District paid \$892 of interest.

The general fund is typically used to liquidate other long-term liabilities.

Bonds Authorized But Unissued

At June 30, 2021, there were no long-term bonds authorized but unissued.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – RESTRICTED FUND BALANCES

Certain portions of fund balances are restricted based on state requirements to track special program funding, to provide for funding of certain long-term liabilities, or as required by other outside parties. A description of deficit balance restrictions is included herein since the District has specific statutory authority to levy taxes for such deficits.

Restricted, Committed, and Assigned fund balances at June 30, 2021 are as follows:

- A. Restricted for Safe Schools – Crime Levy
Represents available resources in the General Fund dedicated exclusively for safe schools. The balance consists of the total amount levied for this purpose over the years less any expenditures made since levying began.

- B. Restricted for Staff Development
Represents available resources in the General Fund that are used to provide for staff development programs in accordance with state statutes.

- C. Restricted for Health and Safety
Represents available resources in the General Fund that are to be used only to provide for the removal of hazardous substances and other state approved life or health safety projects.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – RESTRICTED FUND BALANCES (CONTINUED)

- D. Restricted for Long-Term Facility Maintenance (LTFM)
Represents available resources in the General Fund dedicated exclusively for the long-term maintenance of the facility.
- E. Restricted for Gifted and Talented
Represents available resources in the General Fund dedicated exclusively for the gifted and talented program in accordance with state statutes.
- F. Restricted for Community Education
Represents accumulated resources available to provide general community education programming.
- G. Restricted for Early Childhood and Family Education
Represents accumulated resources available to provide services for early childhood and family education programming.
- H. Restricted for School Readiness
Represents accumulated resources available to provide school readiness programming in accordance with funding made available for that purpose.
- I. Restricted for Extracurricular Activities
Represents accumulated resources available to provide services for student activity funds.
- J. Restricted for Other Purposes
Represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- K. Committed for Separation and Retirement Benefits
Represents funds that have been constrained for the use of separation and retirement benefits.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – FUND BALANCES

Portions of the District’s fund balance are nonspendable, restricted due to legal restrictions, committed by Board action, assigned by District management, or unassigned. The following is a summary of fund balance components as of June 30, 2021:

	<u>General Fund</u>	<u>Community Services</u>	<u>Food Services</u>	<u>Total Governmental Funds</u>
Nonspendable				
Inventory	\$ -	\$ -	\$ 1,288	\$ 1,288
Prepaid Items	38,193	-	-	38,193
Total Nonspendable	<u>38,193</u>	<u>-</u>	<u>1,288</u>	<u>39,481</u>
Restricted				
Staff Development	99,889	-	-	99,889
Safe Schools - Crime Levy	(66,167)	-	-	(66,167)
Basic Skills	71,679	-	-	71,679
Basic Skills Extended	7,163	-	-	7,163
Long-Term Facility Maintenance (LTFM)	239,240	-	-	239,240
Gifted & Talented	602	-	-	602
Operating Capital	24,261	-	-	24,261
Student Activities	134,176	-	-	134,176
Community Education	-	114,077	-	114,077
Early Childhood Family Education	-	8,981	-	8,981
School Readiness	-	6,101	-	6,101
Other Purposes	10,599	6,010	242,601	259,211
Total Restricted	<u>521,441</u>	<u>135,168</u>	<u>242,601</u>	<u>899,210</u>
Committed				
Separation & Retirement Benefits	11,667	-	-	11,667
Unassigned				
	3,174,826	-	-	3,174,826
Total Fund Balance	<u>\$ 3,746,127</u>	<u>\$ 135,168</u>	<u>\$ 243,889</u>	<u>\$ 4,125,184</u>

The District is reporting negative restricted fund balances for Safe Schools at June 30, 2021. Minnesota Statutes require the District to report a deficit in the restricted fund balance, when applicable, in order to permit the statutory revenue formula calculations. These deficits will be offset with future operating tax levies and are reported within unrestricted net position on the government-wide financial statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
 RED ROCK CENTRAL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2021**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District adopted the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The District engaged an actuary to determine the District’s liability for postemployment benefits other than pensions as of July 1, 2020 for fiscal year ending June 30, 2021.

A. Plan Description

The District’s defined benefit OPEB plan, provides OPEB for certain retired employees under a single-employer fully-insured plan. The District provides benefits for retirees as required by state statute. Active employees who retire from the District when eligible to receive a retirement benefit from the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA) and do not participate in any other health benefits program providing similar coverage, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the District’s health benefits program. Retirees are required to pay 100% of the total premium cost. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

B. Funding Policy

Contribution requirements are negotiated between the District and union representatives. The eligibility for, amount of, duration of, and District’s contribution to the cost of the benefits provided varies by contract and date of retirement. The District has historically funded the OPEB benefits on a pay- as-you-go basis. Under GASB Statement No. 75, plan sponsors may set up a trust and pre-fund the benefits. There is no requirement to pre-fund benefits. For fiscal year 2021, the District contributed \$79,189 to the plan.

C. Employees Covered by Benefit Terms

At July 1, 2020, the following employees were covered by the benefit terms:

Active Employees	71
Retirees Receiving Payments	8
Spouses Receiving Payments	1
Total Covered Employees	80

D. Total OPEB Liability

The District’s total OPEB liability of \$405,981 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

E. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2020 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%
Salary Increase	3.00%
Discount Rate	2.40%
Medical Trend	6.25% as of July 1, 2020 grading to 5.00% over 5 years

The discount rate was based on the estimated yield of 20-Year AA-rate municipal bonds.

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, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2018 – July 1, 2019.

F. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 7/1/2019 (Reporting Date 6/30/2020)	<u>\$ 426,173</u>
Changes for the Year:	
Service Cost	38,391
Interest	13,183
Assumption Changes	7,423
Differences between Expectd and Actual Experience	-
Benefit Payments	<u>(79,189)</u>
Net Changes	<u>(20,192)</u>
Balance at 7/1/2020 (Reporting Date 6/30/2021)	\$ 405,981

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

F. Changes in the Total OPEB Liability (continued)

Method Changes: None

Assumption Changes:

- The discount rate was changed from 3.10% to 2.40%.

Plan Changes: None

G. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.4 percent) or one percentage point higher (3.4 percent) than the current discount rate:

	1% Decrease (1.4%)	Discount Rate (2.4%)	1% Increase (3.4%)
Total OPEB Liability	\$ 422,020	\$ 405,981	\$ 390,076

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (CONTINUED)

H. Sensitivity of the Total OPEB Liability to Changes in 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 healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.00 percent) or one percentage point higher (7.25 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.25% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB Liability	\$ 378,855	\$ 405,981	\$ 437,838

I. OPEB Expense, Deferred Outflows, and Deferred Inflows Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$10,714. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains/Losses	\$0	\$93,947
Assumption Changes	5,938	33,085
Investment Gains/Losses	0	0
Employer Contributions	60,712	0
Total	\$66,650	\$127,032

Future recognition of Deferred Flows in OPEB expense:

Fiscal Year Ending	
6/30/2022	(\$40,860)
6/30/2023	(40,860)
6/30/2024	(40,857)
6/30/2025	1,483

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Descriptions

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA) and Teachers Retirement Association (TRA). PERA's and TRA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353, 354 and 356. PERA's and TRA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of the District are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Teachers Retirement Fund (TRA)

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 TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

B. Benefits Provided

PERA and TRA provide 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.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

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

Benefit increases are provided to 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 1.0 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. For 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 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.

2. TRA Benefits

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.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

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

Tier I Benefits

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

With these provisions:

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

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

B. Benefits Provided (Continued)

Tier 2 Benefits (Continued)

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 which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

C. Contributions

Minnesota Statutes Chapters 353 and 354 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the years ended June 30, 2021, June 30, 2020 and June 30, 2019 were \$52,979, \$48,709 and \$50,670, respectively. The District's contributions were equal to the required contributions as set by the state statute.

2. TRA Contributions

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

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

The District's contributions to TRA for the plans fiscal years ended June 30, 2021, June 30, 2020 and June 30, 2019 were \$200,296, \$180,060 and \$165,018, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

C. Contributions (Continued)

2. TRA Contributions (Continued)

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

in thousands

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

Amounts reported in the allocation schedules may not precisely agree with 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. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of \$545,587 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 Districted totaled \$16,859. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2021, the District’s proportionate share was 0.0091% at the end of the measurement period and .0095% for the beginning of the period.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

District’s proportionate share of the net pension liability	\$545,587
State of Minnesota’s proportionate share of the net pension liability associated with the District	<u>16,859</u>
Total	\$562,446

For the year ended June 30, 2021, the District recognized pension expense of \$48,414 for its proportionate share of the General Employees Plan’s pension expense. In addition, the District recognized an additional \$1,467 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$5,208	\$2,064
Changes in actuarial assumptions	0	21,188
Net difference between projected and actual investment earnings	4,818	0
Changes in proportion	4,788	36,003
Contributions paid to PERA subsequent to the measurement date	52,979	0
Total	\$67,793	\$59,255

\$52,979 reported as deferred outflows of resources related to pensions resulting from the 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 inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	(\$45,503)
2023	(\$17,000)
2024	\$4,880
2025	\$13,182

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. Pension Costs (Continued)

1. TRA Pension Costs

On June 30, 2021 the District reported a liability of \$2,888,760 for its proportionate share of the TRA’s 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. The District’s proportionate share was 0.0391% at the end of the measurement period and 0.0377% for the beginning of the period.

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	\$ 2,888,760
State’s proportionate share of the net pension liability	242,220

For the year ended June 30, 2021, the District recognized pension expense of \$300,878. It also recognized \$22,189 as a decrease to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 57,931	\$ 16,680
Changes in actuarial assumptions	2,174	1,066,015
Net difference between projected and actual investment earnings	51,268	0
Changes in proportion	74,363	156,378
Contributions paid to TRA subsequent to the measurement date	200,705	0
Total	\$386,441	\$1,180,761

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

D. Pension Costs (Continued)

Deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2022	(\$1,183,424)
2023	\$4,177
2024	\$96,940
2025	\$72,469
2026	\$14,873

E. Actuarial Assumptions

General Employees Fund

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on Pub-2010 General 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.

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.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

E. Actuarial Assumptions (Continued)

TRA

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

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

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

E. Actuarial Assumptions (Continued)

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

The target allocation and best estimate of geometric real rates of return for each major asset class are summarized on page 61 (same rates as PERA).

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.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

F. Discount Rate

General Employees Plan

The discount rate used to measure the total pension liability in 2020 was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position 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.

TRA

The discount rate used to measure the total pension liability was 7.5 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 2020 contribution rate, contributions from school districts will be made at the 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).

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District’s proportionate share of the General Employees Fund net pension liability:	\$874,386	\$545,587	\$274,353
District’s proportionate share of the TRA pension liability:	\$4,422,662	\$2,888,760	\$1,624,903

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA and TRA financial reports. The PERA report may be obtained on the Internet at www.mnpera.org. TRA's report can be obtained at www.MinnesotaTRA.org, or by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

I. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

On November 2, 2021 the District voters passed a \$41 million dollar bond referendum for a new PK-12 school to be building Lamberton, MN. The bonds will be for 25 years.

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA's discount rate as well as the value of the Plan's investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2021.

NOTE 10 – COMPENSATION – ANNUITY MATCHING PLAN

The District will provide matching 403(b) tax-sheltered annuity plan as allowed under Minnesota Statute Section 356.74. For the purposes of contribution, the annual contribution year shall be considered to extend from September 1 through August 31 each twelve months. In accordance with Minnesota Statute 356.24, the District agrees to match up to \$1,950 annually, payable in twelve monthly installments of up to \$162.50 per month to a District approved 403(b) company for all full time teachers. Part time teachers will receive a pro-rated match based on the percentage of their employment. Teachers planning to retire within five years of this contract shall convert the total monthly matching annuity amounts from the District plus their own to the Minnesota Post Retirement Self Health Insurance Care Savings Plan. Teachers may contribute more than the match to their Minnesota Post Retirement Health Insurance Savings Plan. The cost to the District for this plan for the 2020-2021 year was \$69,736.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 – COMPENSATION – ANNUITY MATCHING PLAN (Continued)

The principal will be eligible to participate in the District’s tax-sheltered annuity plan established pursuant to District policy up to matching \$2,000 per year.

The District shall contribute \$2,000 a year to the tax-sheltered annuity plan of the superintendent as authorized by Minnesota Statute 123.35.

The District provides no additional postemployment benefits.

NOTE 11 – LEASE COMMITMENTS

The District leases copier equipment under the terms of an operating lease agreement with terms in excess of one year. Annual aggregate lease payments remaining under the terms of this operating lease agreement as of June 30, 2021 are as follows:

Year Ending June 30,	Total
2022	11,500
2023	13,225
2024	4,240
2025	392
Total	<u>\$ 29,357</u>

Total operating lease rental expenditures were \$10,505 for the fiscal year ending June 30, 2021.

NOTE 12 – CONTINGENCIES

Litigation

The District is not involved in any litigation as of the date of this report.

Federal and State Grants

The District has received Federal and State grants and aids in current and past years for specific purposes that are subject to review and audit by the grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. The District administration believes such disallowances, if any, will be immaterial.

NOTE 13 – DEFICIT FUND BALANCES

There are no deficit fund balances as of June 30, 2021.

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 14 – SALARIES PAYABLE AND PAYROLL DEDUCTIONS PAYABLE

Contracts for teachers' salaries are payable in twelve monthly installments beginning in September. At fiscal year end, two months of salary expense remains to be paid under current contracts. In order to match that salary expense with the fiscal year in which it was earned, the expense and corresponding liability are posted to the accounts on June 30.

NOTE 15 – INTERFUND BALANCES AND OPERATING TRANSFERS

At June 30, 2021, there were no inter-fund balances were owed between funds.

During fiscal year 2021 the following transfers occurred:

<u>Transfer to:</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
Community Service	General	\$ 153,170	Cover deficit cash of prior years
Fund Balance Transfers			
General Fund:			
Unassigned	Gifted and Talented	35,000	Supplement Costs related to COVID-19
Community Service Fund:			
School Readiness	ECFE	130,000	Supplement Costs related to COVID-19

NOTE 16 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Budget

Budgetary control for governmental funds is established by each fund's total appropriations. The General Fund had \$278,129 excess expenditures over budget.

NOTE 17 – NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, Leases (issued June 2017)—The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. This standard becomes effective for the District in fiscal year 2022. Management is currently in the process of evaluating the impact of this Statement on the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2884
SCHEDULE OF CHANGES IN
TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2021

Total OPEB Liability	<u>7/1/2020</u>	<u>7/1/2019</u>	<u>7/1/2018</u>	<u>7/1/2017</u>
Service Cost	\$ 38,391	\$ 33,754	\$ 35,414	\$ 34,383
Interest	13,183	22,391	23,125	23,357
Differences between Expected and Actual Experience	-	(156,579)	-	-
Assumption Changes	7,423	(55,143)	-	-
Benefit Payments	<u>(79,189)</u>	<u>(85,408)</u>	<u>(71,646)</u>	<u>(59,627)</u>
Net Change in Total OPEB Liability	(20,192)	(240,985)	(13,107)	(1,887)
Total OPEB Liability - Beginning	<u>426,173</u>	<u>667,158</u>	<u>680,265</u>	<u>682,152</u>
Total OPEB Liability - Ending	<u><u>\$ 405,981</u></u>	<u><u>\$ 426,173</u></u>	<u><u>\$ 667,158</u></u>	<u><u>\$ 680,265</u></u>
Covered-Employee Payroll	\$ 2,943,960	\$ 2,858,214	\$ 2,553,495	\$ 2,479,121
Total OPEB Liability as a Percentage of Covered-Employee Payroll	13.79%	14.91%	26.13%	27.44%

Note: The District implemented the provisions of GASB Statement No. 75 for the year ended June 30, 2018. The Schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting. Information prior to 2018 is not available. Additional years will be reported as they become available. This schedule is presented using the optional format of combining the required schedules in paragraphs 170(a) and 170(b) of GASB Statement No. 75.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND

Measurement Date	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered-Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0091%	\$545,587	\$16,859	\$562,446	\$706,380	79.62%	79.10%
June 30, 2019	0.0095%	525,234	16,333	541,567	649,450	83.39%	80.20%
June 30, 2018	0.0102%	565,854	18,500	584,354	675,599	86.49%	79.50%
June 30, 2017	0.0099%	632,009	7,924	639,933	685,245	93.39%	75.90%
June 30, 2016	0.0101%	820,070	10,782	830,852	635,926	130.65%	68.90%
June 30, 2015	0.0108%	559,712	0	559,712	629,581	88.90%	78.20%
June 30, 2014	0.0114%	535,515	0	535,515	632,966	84.60%	78.70%

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

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
TEACHERS RETIREMENT ASSOCIATION (TRA)

Measurement Date	District's Proportion (Percentage) of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0391%	\$2,888,760	\$242,220	\$3,130,980	\$2,463,667	127.09%	75.48%
June 30, 2019	0.0377%	2,403,006	212,470	2,615,476	2,273,380	115.05%	78.07%
June 30, 2018	0.0377%	2,370,756	222,785	2,593,541	2,140,324	121.18%	78.07%
June 30, 2017	0.0377%	7,525,604	726,696	8,252,300	2,079,579	396.83%	51.57%
June 30, 2016	0.0387%	9,230,738	926,877	10,157,615	2,029,003	500.62%	44.88%
June 30, 2015	0.0405%	2,505,326	0	2,505,326	2,014,893	124.34%	76.80%
June 30, 2014	0.0477%	2,197,982	0	2,197,982	2,176,542	100.99%	81.50%

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

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND**

Fiscal Year <u>Ending</u>	Statutorily Required <u>Contribution (a)</u>	Contributions in Relation to the Statutorily Required <u>Contribution (b)</u>	Contribution Deficiency <u>(Excess) (a-b)</u>	Covered- Employee <u>Payroll (c)</u>	Contributions as a Percentage of Covered-Employee <u>Payroll (b/c)</u>
June 30, 2021	\$52,979	\$52,979	-	\$706,380	7.50%
June 30, 2020	48,709	48,709	-	649,450	7.50%
June 30, 2019	50,670	50,670	-	675,599	7.50%
June 30, 2018	51,394	51,394	-	685,245	7.50%
June 30, 2017	47,695	47,695	-	635,926	7.50%
June 30, 2016	47,219	47,219	-	629,581	7.50%
June 30, 2015	46,705	46,705	-	632,966	7.38%

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

**INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
TEACHERS RETIREMENT ASSOCIATION (TRA)**

Fiscal Year <u>Ending</u>	Statutorily Required <u>Contribution (a)</u>	Contributions in Relation to the Statutorily Required <u>Contribution (b)</u>	Contribution Deficiency <u>(Excess) (a-b)</u>	Covered- Employee <u>Payroll (c)</u>	Contributions as a Percentage of Covered-Employee <u>Payroll (b/c)</u>
June 30, 2021	\$200,296	\$200,296	-	\$2,463,667	8.13%
June 30, 2020	180,060	180,060	-	2,273,380	7.92%
June 30, 2019	165,019	165,019	-	2,140,324	7.71%
June 30, 2018	155,968	155,968	-	2,079,579	7.50%
June 30, 2017	152,175	152,175	-	2,029,003	7.50%
June 30, 2016	151,117	151,117	-	2,014,893	7.50%
June 30, 2015	154,355	154,355	-	2,058,067	7.50%

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

1. DEFINED BENEFIT PENSION PLANS

Public Employees Retirement Association

2021 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.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

1. DEFINED BENEFIT PENSION PLANS (Continued)

Public Employees Retirement Association (Continued)

2020 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.

2019 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 4.0 percent to 3.0 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.
- Post-retirement benefit increases were changed from 1.0 percent per year with a provision to increase to 2.5 percent upon attainment of 90 percent funding ratio to 50 percent of the Social Security Cost of Living Adjustment, not less than 1.0 percent and not more than 1.5 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.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

1. DEFINED BENEFIT PENSION PLANS (Continued)

Public Employees Retirement Association (Continued)

2018 Changes:

Changes in Actuarial Assumptions:

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

2017 Changes:

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2023 and 2.5 percent thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2016 Changes:

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 increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

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

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

1. DEFINED BENEFIT PENSION PLANS (Continued)

Teachers Retirement Association

2021, 2020 and 2019 Changes:

Change of 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.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

1. DEFINED BENEFIT PENSION PLANS (Continued)

Teachers Retirement Association (Continued)

2018 Changes:

Change of Assumptions

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

2017 Changes:

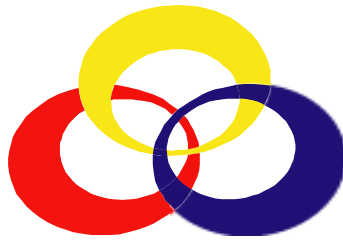
The discount rate used to measure the total pension liability was 4.66 percent. This is a decrease from the discount rate at the prior measurement date of 8.00 percent. Based on those assumptions, the pension plan's fiduciary net position was projected to be depleted in 2052 and, as a result, the Municipal Bond Index Rate was used in the determination of the Single Equivalent Interest Rate (SEIR). The long-term expected rate of return was applied to periods before 2052 and the Municipal Bond Index Rate of 3.01 percent was applied to periods on and after 2052, resulting in a SEIR of 4.66 percent.

2016 Changes:

Change of benefit terms: The DTRFA was merged into TRA on June 30, 2015.

Change of 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 CAFR.

OTHER REQUIRED REPORTS



Kinner & Company Ltd
Certified Public Accountants

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

Members of the Board of
Independent School District No. 2884

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 2884, Lamberton, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Independent School District No. 2884's basic financial statements and have issued our report thereon dated November 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Independent School District No. 2884, Lamberton, Minnesota's internal control over financial reporting (internal control) to determine the 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 Independent School District No. 2884, Lamberton, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2884, Lamberton, Minnesota'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Prior and Current Findings and Responses, as item 2021-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 2884, Lamberton, Minnesota'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District No. 2884's Response to Findings

The Independent School District No. 2884, Lamberton, Minnesota's response to the findings identified in our audit is described in the accompanying Schedule of Prior and Current Findings and Responses. The Independent School District No. 2884, Lamberton, Minnesota'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.

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2884 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions.

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.



Kinner & Company Ltd
Certified Public Accountants

November 22, 2021

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
JUNE 30, 2021

STATUS OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS

2020-001: A material weakness was reported due to the lack of segregation of duties within the organization. The finding continues to exist and has been restated as Finding 2021-001.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
JUNE 30, 2021

CURRENT AUDIT FINDING AND RECOMMENDATION

Finding 2021-001: The District does not maintain an adequate segregation of duties among its accounting personnel.

Condition: Due to the limited number of accounting office personnel within the District, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. Management is aware of the risks associated with the lack of segregation of duties and has implemented various oversight procedures. No further segregation is possible without the hiring of additional staff and current budgetary considerations do not allow for this. This finding was reported during the prior fiscal year as well.

Effect: This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The District has limited staff in the accounting department. The same employee is performing multiple accounting functions.

Criteria: One basic objective of internal control is to provide for segregation of incompatible duties. In other words, responsibilities should be separated among employees so that a single employee is not able to authorize a transaction, record the transaction in accounts, and maintain responsibility for custody of the asset resulting from the transaction.

Recommendation: Since we acknowledge that it is not economically feasible for the District to hire additional staff, we recommend the District continue to monitor financial activity. We also recommend the School Board review and approve all bills, as well as approve bank reconciliations, which should be documented by initialing the bank reconciliation.

Corrective Action Plan (CAP):

1. Explanation of Disagreement with Audit Finding

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding

The following segregation of duties are presently in place:

- The School Board reviews and approves all bills
- The School Board and/or other personnel periodically review various expenditure reports for amounts, classifications and comparison to budget.

Due to limited personnel, it is not practical to implement a complete segregation of duties. However, the District will continue to review its procedures to determine if any improvements can be made using the limited personnel available.

INDEPENDENT SCHOOL DISTRICT NO. 2884
RED ROCK CENTRAL
SCHEDULE OF PRIOR AND CURRENT FINDINGS AND RESPONSES
JUNE 30, 2021

Finding 2021-001: The District does not maintain an adequate segregation of duties among its accounting personnel (continued).

3. Official Responsible for Ensuring Correction Action Plan

The superintendent is responsible to carry out the plan.

4. Planned Completion Date for the Corrective Action Plan

The corrective action will be implemented by June 30, 2021.

5. Plan to Monitor Completion of Corrective Action Plan

The Board of Education is responsible to monitor the corrective action. The monitoring will be documented by the superintendent.

COMPLIANCE TABLE

Fiscal Compliance Data Entry - 6/30/2021

[Help](#)

[Logoff](#)

District: RED ROCK CENTRAL (2884-1)

01 GENERAL FUND

Total Revenue	<input type="text" value="5858578.0"/>
Total Expenditures	<input type="text" value="5972226.0"/>
<i>Non Spendable:</i>	
4.60 Non Spendable Fund Balance	<input type="text" value="38193.0"/>
<i>Restricted / Reserved:</i>	
4.01 Student Activities	<input type="text" value="134176.0"/>
4.02 Scholarships	<input type="text" value="0.0"/>
4.03 Staff Development	<input type="text" value="99889.0"/>
4.07 Capital Projects Levy	<input type="text" value="0.0"/>
4.08 Cooperative Revenue	<input type="text" value="0.0"/>
4.13 Project Funded by COP	<input type="text" value="0.0"/>
4.14 Operating Debt	<input type="text" value="0.0"/>
4.16 Levy Reduction	<input type="text" value="0.0"/>
4.17 Taconite Building Maint	<input type="text" value="0.0"/>
4.24 Operating Capital	<input type="text" value="24261.0"/>
4.26 \$25 Taconite	<input type="text" value="0.0"/>
4.27 Disabled Accessibility	<input type="text" value="0.0"/>
4.28 Learning & Development	<input type="text" value="0.0"/>
4.34 Area Learning Center	<input type="text" value="0.0"/>
4.35 Contracted Alt. Programs	<input type="text" value="0.0"/>
4.36 State Approved Alt. Program	<input type="text" value="0.0"/>
4.38 Gifted & Talented	<input type="text" value="602.0"/>
4.40 Teacher Development and Evaluation	<input type="text" value="0.0"/>
4.41 Basic Skills Programs	<input type="text" value="71679.0"/>
4.48 Achievement and Integration	<input type="text" value="0.0"/>

06 BUILDING CONSTRUCTION

Total Revenue	<input type="text" value="0.0"/>
Total Expenditures	<input type="text" value="0.0"/>
<i>Non Spendable:</i>	
4.60 Non Spendable Fund Balance	<input type="text" value="0.0"/>
<i>Restricted / Reserved:</i>	
4.07 Capital Projects Levy	<input type="text" value="0.0"/>
4.13 Project Funded by COP	<input type="text" value="0.0"/>
4.67 LTFM	<input type="text" value="0.0"/>
<i>Restricted:</i>	
4.64 Restricted Fund Balance	<input type="text" value="0.0"/>
<i>Unassigned:</i>	
4.63 Unassigned Fund Balance	<input type="text" value="0.0"/>

07 DEBT SERVICE

Total Revenue	<input type="text" value="0.0"/>
Total Expenditures	<input type="text" value="0.0"/>
<i>Non Spendable:</i>	
4.60 Non Spendable Fund Balance	<input type="text" value="0.0"/>
<i>Restricted / Reserved:</i>	
4.25 Bond Refundings	<input type="text" value="0.0"/>
4.33 Maximum Effort Loan Aid	<input type="text" value="0.0"/>
4.51 QZAB Payments	<input type="text" value="0.0"/>
4.67 LTFM	<input type="text" value="0.0"/>
<i>Restricted:</i>	
4.64 Restricted Fund Balance	<input type="text" value="0.0"/>
<i>Unassigned:</i>	
4.63 Unassigned Fund Balance	<input type="text" value="0.0"/>

4.49 Safe School Crime - Crime Levy	-66167.0
4.51 QZAB Payments	0.0
4.52 OPEB Liab Not In Trust	0.0
4.53 Unfunded Sev & Retiremt Levy	0.0
4.59 Basic Skills Extended Time	7163.0
4.67 LTFM	239240.0
4.72 Medical Assistance	10599.0
4.73 PPP Loan	0.0
4.74 EIDL Loan	0.0
<i>Restricted:</i>	
4.64 Restricted Fund Balance	0.0
4.75 Title VII Impact Aid	0.0
4.76 Payments in Lieu of Taxes	0.0
<i>Committed:</i>	
4.18 Committed for Separation	11667.0
4.61 Committed Fund Balance	0.0
<i>Assigned:</i>	
4.62 Assigned Fund Balance	0.0
<i>Unassigned:</i>	
4.22 Unassigned Fund Balance	3174826.0

02 FOOD SERVICES

Total Revenue	272056.0
Total Expenditures	242056.0
<i>Non Spendable:</i>	
4.60 Non Spendable Fund Balance	1288.0
<i>Restricted / Reserved:</i>	
4.52 OPEB Liab Not In Trust	0.0
4.74 EIDL Loan	0.0
<i>Restricted:</i>	
4.64 Restricted Fund Balance	242601.0
<i>Unassigned:</i>	
4.63 Unassigned Fund Balance	0.0

08 TRUST

Total Revenue	13005.0
Total Expenditures	3503.0
<i>Restricted / Reserved:</i>	
4.01 Student Activities	0.0
4.02 Scholarships	15086.0
4.22 Unassigned Fund Balance (Net Assets)	-200.0

18 CUSTODIAL

Total Revenue	0.0
Total Expenditures	0.0
<i>Restricted / Reserved:</i>	
4.01 Student Activities	0.0
4.02 Scholarships	0.0
4.48 Achievement and Integration	0.0
4.64 Restricted Fund Balance	0.0

20 INTERNAL SERVICE

Total Revenue	0.0
Total Expenditures	0.0
4.22 Unassigned Fund Balance (Net Assets)	0.0

25 OPEB REVOCABLE TRUST

Total Revenue	0.0
Total Expenditures	0.0
4.22 Unassigned Fund Balance (Net Assets)	0.0

45 OPEB IRREVOCABLE TRUST

Total Revenue	0.0
Total Expenditures	0.0
4.22 Unassigned Fund Balance (Net Assets)	0.0

04 COMMUNITY SERVICETotal Revenue Total Expenditures *Non Spendable:*4.60 Non Spendable Fund Balance *Restricted / Reserved:*4.26 \$25 Taconite 4.31 Community Education 4.32 E.C.F.E 4.40 Teacher Development and Evaluation 4.44 School Readiness 4.47 Adult Basic Education 4.52 OPEB Liab Not In Trust 4.73 PPP Loan 4.74 EIDL Loan *Restricted:*4.64 Restricted Fund Balance *Unassigned:*4.63 Unassigned Fund Balance **47 OPEB DEBT SERVICE**Total Revenue Total Expenditures *Non Spendable:*4.60 Non Spendable Fund Balance *Restricted:*4.25 Bond Refundings 4.64 Restricted Fund Balance *Unassigned:*4.63 Unassigned Fund Balance