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FINANCIAL STATEMENTS

**INDEPENDENT SCHOOL DISTRICT NO. 2689
PIPESTONE AREA SCHOOLS
PIPESTONE, MINNESOTA 56164**

FOR THE YEAR ENDING JUNE 30, 2021

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

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BOARD OF EDUCATION AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2020

BOARD OF EDUCATION

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Jeff Baatz	Chairman (1/1/19-present)	12/31/22
Randy Erdman	Vice Chairman (1/1/19-present)	12/31/24
Katie Wiese	Clerk (1/1/19-present)	12/31/24
Brad Carson	Treasurer (1/1/19-present)	12/31/22
Lance Oye	Director (1/1/19-present)	12/31/24
Amy Nelson	Director (1/1/19-present)	12/31/22
Chrissy DeBates	Director (1/1/21-present)	12/31/24

ADMINISTRATIVE PERSONNEL

Kevin Enerson	Superintendent
Jacque Kennedy	Business Manager

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Blake R. Klinsing, CPA
Amy L. Mollberg, CPA

INDEPENDENT AUDITOR'S REPORT

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

The prior year partial comparative information has been derived from the District's financial statements for the year ended June 30, 2020, and in our report dated November 13, 2020, we expressed unqualified opinions on the respective financial statements of the governmental activities and each major fund.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, Minnesota as of June 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for General Fund and the Major Special Revenue Funds (Food Service and Community Service) for the year ended in conformity with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the district's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter and the 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota



Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 2689's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the Independent School District No. 2689'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. 2689's internal control over financial reporting and compliance.

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

November 15, 2021

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

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This section of the Independent School District No. 2689's annual financial report presents management's discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the other components of the District's annual financial report.

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

Financial Highlights

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

- Net position increased by \$303,176, or 3.4% over June 30, 2020 due primarily to the GASB 68 required adjustment for TRA and PERA obligations.
- Fund Balance decreased by \$18,410,140, or 60.0% over June 30, 2020 due in part to bond proceeds for construction of the new building received the prior year. Construction expenses will continue for the next year.
- Total governmental revenues decreased by \$8,793 or .05% in comparison to fiscal year 2020, while governmental expenditures increased \$15,052,204 or 70.5% in comparison to fiscal year 2020 due in part to expenditures relating to the construction of the new building.

Overview of the Financial Statements

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

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 and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Fund Financial Statements

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



The District maintains the following funds:

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

Fiduciary Funds – The district is the trustee, or fiduciary, for assets that belong to others. 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. The student activity fund is reported as an agency fund. All of the district's fiduciary activities are reported in a separate Statement of Cash Receipts and Disbursements. We exclude these activities from the district-wide financial statements because the district cannot use these assets to finance its operations.

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Financial Analysis of the District As A Whole

As noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the Independent School District No. 2689, assets exceeded liabilities by \$9,182,052 at the close of the most recent fiscal year. This was an increase of \$303,176 or 3.4% from the previous year total of \$8,878,876.

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

Assets	<u>2021</u>	<u>2020</u>
Current and other assets	18,362,051	37,010,493
Capital assets, net of depreciation	<u>38,924,344</u>	<u>20,091,804</u>
Total Assets	57,286,395	57,102,297
Deferred Outflows of Resources		
Related to OPEB	60,197	46,797
Related to Pensions	<u>803,157</u>	<u>3,976,129</u>
Total Deferred Outflows of Resources	<u>863,354</u>	<u>4,022,926</u>
Total Assets and Deferred Outflows of Resources	<u>58,149,749</u>	<u>61,125,223</u>
Liabilities		
Current and other liabilities	3,968,056	4,273,273
Long-term liabilities, including due within one year	<u>36,131,030</u>	<u>36,281,728</u>
Total Liabilities	40,099,086	40,555,001
Deferred Inflows of Resources		
Property Taxes Levied for Subsequent Year	3,577,538	3,494,523
Related to OPEB	12,381	15,477
Related to Pensions	<u>5,278,692</u>	<u>8,181,346</u>
Total Deferred Inflows of Resources	8,868,611	11,691,346
Net Position		
Net Investment in capital assets	14,919,583	14,509,559
Restricted	2,616,754	2,262,957
Unrestricted	<u>(8,354,285)</u>	<u>(7,893,640)</u>
Net Position	<u>9,182,052</u>	<u>8,878,876</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	<u>58,149,749</u>	<u>61,125,223</u>

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

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

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

Revenues	<u>2021</u>	<u>2020</u>
Program Revenues		
Charges for Services	205,021	559,973
Operating Grants and Contributions	3,851,062	4,112,564
General Revenues		
Property Taxes	2,840,115	2,682,262
Unrestricted Federal and State Aid	10,081,780	9,729,237
Federal Aid Restricted to Specific Purposes	477,903	
Earnings on Investments	201,269	481,539
Bond Premium	139,852	128,197
Other	<u>340,932</u>	<u>437,109</u>
Total revenues	18,130,881	18,130,881
Expenses		
District and School Administration	912,662	862,352
District Support Services	343,767	337,737
Regular Instruction	7,556,054	7,364,664
Vocational Instruction	349,314	302,795
Exceptional Instruction	1,809,790	1,968,816
Instructional Support Services	677,530	594,030
Pupil Support Services	1,463,221	1,421,155
Site, Buildings, and Equipment	2,149,274	1,949,234
Fiscal and Other Fixed Cost Programs	97,647	89,147
Food Service	1,164,791	780,593
Community Service	319,809	448,084
Interest and Fiscal Charges on Long-term Liabilities	<u>990,899</u>	<u>903,436</u>
Total expenses	<u>17,834,758</u>	<u>17,022,043</u>
Change in net position	296,123	1,108,838
Beginning net position, as originally stated	8,878,876	7,682,733
Change in Accounting Principle		<u>87,305</u>
Beginning net position, as restated	<u>8,878,876</u>	<u>7,770,038</u>
Ending net position	<u>9,182,052</u>	<u>8,878,876</u>

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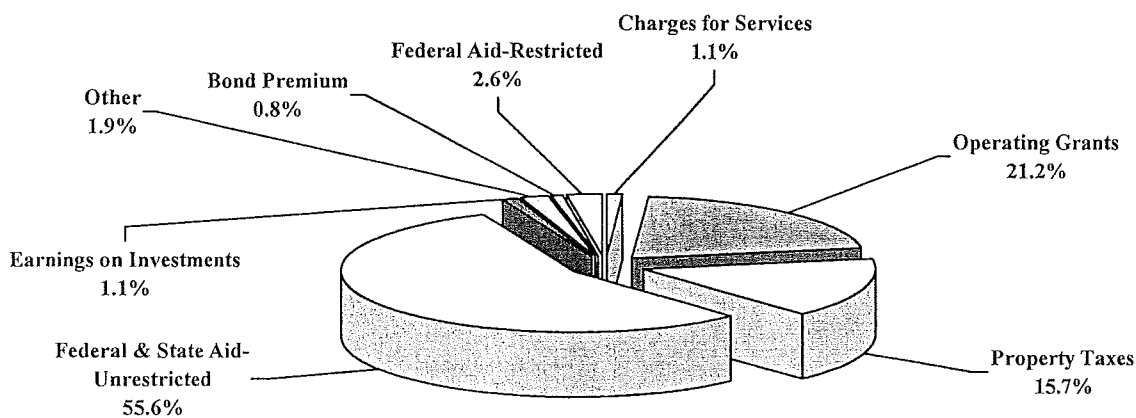
The district's total revenue consisted of program revenues of \$4,056,083, property taxes of \$2,840,115, federal and state aid not restricted to specific purposes of \$10,081,780, federal aid restricted to specific purposes of \$477,903, unrestricted investment earnings of \$201,269, bond premium of \$139,852 and other revenues of \$340,932.

The cost of all governmental activities this year was \$17,834,758.

- The users of the district programs paid for \$205,021 or 1.1% of the total costs.
- Operating grants and contributions consisting of federal and state aids restricted for specific purposes and donations totaled \$3,851,062 or 21.6% of total costs.
- The state government subsidized certain programs with aid not restricted for specific purposes. This totaled \$10,081,780 or 56.5% of total costs.

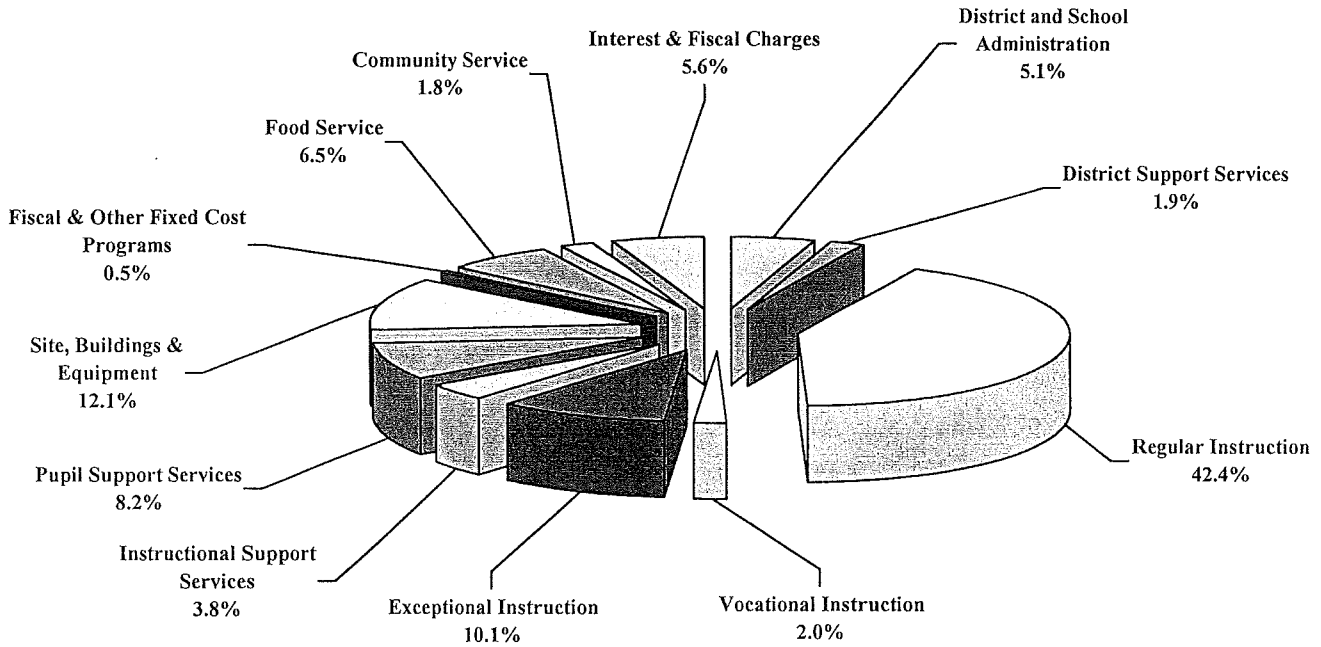
Figure A and Figure B show further analysis of these revenue sources and expenditure functions.

Figure A - Sources of Revenue for Fiscal Year 2021



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Figure B - Expenses for Fiscal Year 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, the governmental funds reported a combined fund balance of \$12,277,541, which is a decrease of \$18,410,140 over the prior year fund balance of \$30,687,681. The General Fund increase of \$334,760 is mainly due to increased Federal revenue. The Food Service Fund had an increase of \$106,739, which was due mainly to increased Federal revenue. The Community Service Fund had an increase of \$152,473. The Capital Projects Fund had a decrease of \$19,030,368, due to the new building project expenditures. The Debt Service Fund had an increase of \$26,256.

Revenues and Expenditures

Revenues of the district's governmental funds totaled \$18,002,667 while total expenditures were \$36,412,807. A summary of the revenues and expenditures reported on the governmental financial statements is as follows:

	Revenue	Expenditures	Other Financing Sources (Uses)	Fund Balance Increase (Decrease)
General Fund	14,222,794	13,888,034	-0-	334,760
Food Service Fund	1,270,353	1,163,614	-0-	106,739
Community Service Fund	472,282	319,809	-0-	152,473
Capital Projects Fund	175,252	19,205,620	-0-	(19,030,368)
Debt Service Fund	1,861,986	1,835,730	-0-	26,256
Total	<u>18,002,667</u>	<u>36,412,807</u>	<u>-0-</u>	<u>(18,410,140)</u>



General Fund Budgetary Analysis

The District is required to adopt an operating budget prior to the beginning of its fiscal year, referred to as the original budget. During the year, the District might amend that budget for known changes in circumstances such as legislative funding. For fiscal year 2021, the District did revise the budget. The district’s budget anticipated that expenditures would exceed revenues and other financing sources (uses) by \$23,521. The actual results for the year showed revenues exceeding expenditures by \$334,760.

- Actual general fund revenues were less than the budget by \$377,001 primarily due to differences in state aids and other local and county revenues.
- Actual general fund expenditures were less than budget by \$735,282 primarily due to over budgeting expenditures for various items, including salaries, supplies, equipment purchases, travel and transportation, fuel and building improvements.

Capital Assets

Table 3 shows the District's capital assets, together with changes from the previous year. The table also shows the total depreciation expense for fiscal year ending June 30, 2021. More detailed information about the district’s capital assets is presented in Note 6.

Table 3
Capital Assets

	<u>2021</u>	<u>2020</u>	Increase (Decrease)
Construction in Progress	24,324,596	5,158,975	19,165,621
Land	272,240	272,240	
Land Improvements	3,188,570	3,019,252	169,318
Buildings and Improvements	19,949,470	19,859,470	90,000
Equipment	5,206,333	5,058,087	148,246
Pupil Transportation Vehicles	203,931	203,931	
Less: Accumulated Depreciation	(14,220,796)	(13,480,151)	(740,645)
Total	<u>38,924,344</u>	<u>20,091,804</u>	<u>18,832,540</u>
Depreciation Expense	<u>740,645</u>	<u>759,692</u>	(19,047)

Capital asset activity for the current fiscal year includes a video server, riding vacuum cleaner, scrub ride trident cleaner, carpet extractor, floor scrubber, football sprinkler system, 2020 JD gator, 2020 JD mower, LED light retrofit, softball field lighting, tennis court fence, fence at west track grandstands and construction of the new building.

Long-Term Liabilities

In fiscal year 2021, long-term debt obligations were repaid in the amount of \$395,000, lease payments were paid in the amount of \$73,000, the net severance liability decreased by \$11,945, the net OPEB liability increased by \$6,012, and the net pension liability increased by \$924,433. Pension benefits payable total \$8,406,038 at June 30, 2021. More detailed information about the district’s long-term liabilities is presented in Note 9.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

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Factors Bearing on the District's Future

With the exception of voter-approved excess operating referendum, the District is dependent on the State of Minnesota for the vast majority of its funding. Recent experience shows uncertainty in state and federal funding.

Contacting the District's Management

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Independent School District No. 2689 at 1401 7th St. SW, Pipestone, Minnesota 56164.

STATEMENT OF NET POSITION
JUNE 30, 2021



	2021	2020
<u>Assets</u>		
Cash and Investments	14,051,223	32,666,863
Receivables:		
Property Taxes	2,128,357	2,058,242
Governmental Units	1,954,180	1,935,133
Other	100,361	284,605
Prepaid Expenses	127,930	65,650
Capital Assets:		
Non Depreciable	24,596,836	5,431,215
Depreciable - net of accumulated depreciation	14,327,508	14,660,589
Total Assets	57,286,395	57,102,297
 <u>Deferred Outflows of Resources</u>		
Related to OPEB	60,197	46,797
Related to Pensions	803,157	3,976,129
Total Deferred Outflows of Resources	863,354	4,022,926
Total Assets and Deferred Outflows of Resources	58,149,749	61,125,223
 <u>Liabilities</u>		
Salaries Payable	675,612	642,101
Accounts Payable	1,674,613	2,053,461
Accrued Interest	403,682	853,513
Due to Other Governmental Units	106,818	78,238
Unearned Revenue	32,154	32,129
Long Term Liabilities:		
Portion Due Within One Year	1,075,177	613,831
Portion Due in More Than One Year	27,194,812	28,275,955
Pension Benefit Payable	8,406,038	7,481,605
Net OPEB Liability	530,180	524,168
Total Liabilities	40,099,086	40,555,001
 <u>Deferred Inflows of Resources</u>		
Property Taxes Levied for Subsequent Years	3,577,538	3,494,523
Related to OPEB	12,381	15,477
Related to Pensions	5,278,692	8,181,346
Total Deferred Inflows of Resources	8,868,611	11,691,346
 <u>Net Position</u>		
Net Investment in Capital Assets	14,919,583	14,509,559
Restricted for:		
General Fund State Mandated Purposes	1,153,168	1,084,839
Food Service	605,753	499,014
Community Service	463,809	311,336
Debt Service	394,024	367,768
Unrestricted	(8,354,285)	(7,893,640)
Total Net Position	9,182,052	8,878,876
Total Liabilities, Deferred Inflows of Resources and Net Position	58,149,749	61,125,223

See accompanying notes to the financial statements.

**STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2021**

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<u>Functions</u>	2021				2020	
	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Total Governmental Activities
<u>Governmental Activities</u>						
District and School Administration	912,662			(912,662)	(862,352)	
District Support Services	343,767			(343,767)	(337,737)	
Regular Instruction	7,556,054	35,448	1,234,546	(6,286,060)	(5,395,906)	
Vocational Instruction	349,314			(349,314)	(302,795)	
Exceptional Instruction	1,809,790	41,240	1,296,260	(472,290)	(369,663)	
Instructional Support Services	677,530			(677,530)	(594,030)	
Pupil Support Services	1,463,221		19,152	(1,444,069)	(1,408,619)	
Site, Buildings and Equipment	2,149,274			(2,149,274)	(1,949,234)	
Fiscal and Other Fixed Cost Programs	97,647			(97,647)	(89,147)	
Food Service	1,164,791	22,294	1,240,743	98,246	128,855	
Community Service	319,809	106,039	60,361	(153,409)	(265,442)	
Interest and Fiscal Charges on Long-term Liabilities	990,899			(990,899)	(903,436)	
Total	<u>17,834,758</u>	<u>205,021</u>	<u>3,851,062</u>	<u>-0-</u>	<u>(13,778,675)</u>	
<u>General Revenues</u>						
Property Taxes Levied for:						
General Purposes				1,606,758	1,522,162	
Community Service				135,126	141,870	
Debt Service				1,098,231	1,018,230	
Federal and State Aid Not Restricted to Specific Purposes				10,081,780	9,729,237	
Federal Aid Restricted to Specific Purposes				477,903		
Earnings on Investments				201,269	481,539	
Bond Premium				139,852	128,197	
Miscellaneous				340,932	437,109	
Total General Revenues				<u>14,081,851</u>	<u>13,458,344</u>	
Change in Net Position				303,176	1,108,838	
Net Position - Beginning, As Originally Stated				8,878,876	7,682,733	
Change in Accounting Principle					87,305	
Net Position - Beginning				<u>8,878,876</u>	<u>7,770,038</u>	
Net Position - Ending				<u>9,182,052</u>	<u>8,878,876</u>	

See accompanying notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021



	2021					2020	
	Major Funds					Total	Total
	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
Assets							
Cash and Investments	6,965,409	664,544	531,395	4,989,752	900,123	14,051,223	32,666,863
Current Property Taxes Receivable	805,256		53,657		1,251,669	2,110,582	2,035,881
Delinquent Property Taxes Receivable	11,869		392		5,514	17,775	22,361
Accounts Receivable	4,003	901				4,904	33,196
Interest Receivable	3,391			92,066		95,457	251,409
Due From Department of Education	1,336,207		5,909		76,200	1,418,316	1,563,113
Due From Federal Government Through the Department of Education	229,581	119,486				349,067	235,343
Due From Other Governmental Units	122,871	5,004	58,922			186,797	136,677
Prepaid Expenses	127,930					127,930	65,650
Total Assets	<u>9,606,517</u>	<u>789,935</u>	<u>650,275</u>	<u>5,081,818</u>	<u>2,233,506</u>	<u>18,362,051</u>	<u>37,010,493</u>
Liabilities, Deferred Inflows of Resources and Fund Balances							
Liabilities							
Salaries Payable	624,849		50,763			675,612	642,101
Accounts Payable	107,129	152,028	18,289	889,665		1,167,111	1,547,363
Due to Other Governmental Units	106,818					106,818	78,238
Payroll Deductions	507,502					507,502	506,098
Unearned Revenue		32,154				32,154	32,129
Total Liabilities	<u>1,346,298</u>	<u>184,182</u>	<u>69,052</u>	<u>889,665</u>	<u>-0-</u>	<u>2,489,197</u>	<u>2,805,929</u>
Deferred Inflows of Resources							
Unavailable Revenue-Delinquent Taxes	11,869		392		5,514	17,775	22,360
Property Taxes Levied for Subsequent Years	1,626,548		117,022		1,833,968	3,577,538	3,494,523
Total Deferred Inflows of Resources	<u>1,638,417</u>	<u>-0-</u>	<u>117,414</u>	<u>-0-</u>	<u>1,839,482</u>	<u>3,595,313</u>	<u>3,516,883</u>
Fund Balances							
Fund Balance-Nonspendable	127,930					127,930	65,650
Fund Balance-Restricted	1,153,168	605,753	463,809	4,192,153	394,024	6,808,907	25,485,478
Fund Balance-Committed	73,075					73,075	85,020
Fund Balance-Assigned	21,766					21,766	22,729
Fund Balance-Unassigned	5,245,863					5,245,863	5,028,804
Total Fund Balances	<u>6,621,802</u>	<u>605,753</u>	<u>463,809</u>	<u>4,192,153</u>	<u>394,024</u>	<u>12,277,541</u>	<u>30,687,681</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>9,606,517</u>	<u>789,935</u>	<u>650,275</u>	<u>5,081,818</u>	<u>2,233,506</u>	<u>18,362,051</u>	<u>37,010,493</u>

See accompanying notes to the financial statements.

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

DRAFT

	<u>2021</u>	<u>2020</u>
Total Governmental Fund Balances	12,277,541	30,687,681
Amounts reported in governmental activities in the statement of net position are different because:		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds		
Cost of Capital Assets	53,145,140	33,571,955
Less: Accumulated Depreciation	<u>(14,220,796)</u>	<u>(13,480,151)</u>
	38,924,344	20,091,804
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenue.		
	17,775	22,360
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
	(403,682)	(853,513)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources related to Pensions	803,157	3,976,129
Deferred Outflows of Resources - OPEB	60,197	46,797
Deferred Inflows of Resources related to Pensions	(5,278,692)	(8,181,346)
Deferred Inflows of Resources - OPEB	<u>(12,381)</u>	<u>(15,477)</u>
	(4,427,719)	(4,173,897)
Long-term liabilities that pertain to governmental funds are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:		
Severance Payable	(73,075)	(85,020)
Bonds Payable	(25,598,000)	(26,066,000)
Bond Premium	(2,598,914)	(2,738,766)
Pension Benefits Payable	(8,406,038)	(7,481,605)
Net OPEB Liability	<u>(530,180)</u>	<u>(524,168)</u>
	(37,206,207)	(36,895,559)
Net Position of Governmental Activities	<u>9,182,052</u>	<u>8,878,876</u>

See accompanying notes to the financial statements.

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

DRAFT

	2021					2020	
	Major Funds					Total	Total
	General	Food Service	Community Service	Capital Projects	Debt Service	Governmental Funds	Governmental Funds
Revenues							
Local Property Tax Levies	1,611,343		135,126		1,098,231	2,844,700	2,691,038
Other Local and County Revenues	271,797	7,316	265,328	175,252	1,756	721,449	1,190,972
Revenue from State Sources	11,405,631	2,202	60,361		761,999	12,230,193	12,810,073
Revenue from Federal Sources	931,462	1,238,541	10,549			2,180,552	1,031,728
Sales and Other Conversion of Assets	2,561	22,294	918			25,773	287,649
Total Revenues	<u>14,222,794</u>	<u>1,270,353</u>	<u>472,282</u>	<u>175,252</u>	<u>1,861,986</u>	<u>18,002,667</u>	<u>18,011,460</u>
Expenditures							
Current:							
District and School Administration	912,662					912,662	862,352
District Support Services	343,767					343,767	337,737
Regular Instruction	6,389,587					6,389,587	6,127,498
Vocational Instruction	349,314					349,314	302,795
Exceptional Instruction	1,809,790					1,809,790	1,968,816
Community Education and Services			319,809			319,809	448,084
Instructional Support Services	677,530					677,530	594,030
Pupil Support Services	1,448,678	1,163,614				2,612,292	2,183,564
Site, Buildings and Equipment	1,859,059			19,205,620		21,064,679	6,910,910
Fiscal and Other Fixed Cost Programs	97,647					97,647	89,147
Debt Service:							
Principal					395,000	395,000	1,510,000
Interest and Fiscal Charges					1,440,730	1,440,730	25,670
Total Expenditures	<u>13,888,034</u>	<u>1,163,614</u>	<u>319,809</u>	<u>19,205,620</u>	<u>1,835,730</u>	<u>36,412,807</u>	<u>21,360,603</u>
Excess Revenues (Expenditures)							
Before Other Financing Sources (Uses)	334,760	106,739	152,473	(19,030,368)	26,256	(18,410,140)	(3,349,143)
Other Financing Sources (Uses)							
Bond Proceeds							25,415,000
Bond Premium							2,866,963
	-0-	-0-	-0-	-0-	-0-	-0-	28,281,963
Net Change in Fund Balance	334,760	106,739	152,473	(19,030,368)	26,256	(18,410,140)	24,932,820
Fund Balance-Beginning	6,287,042	499,014	311,336	23,222,521	367,768	30,687,681	5,667,556
Change in Accounting Principle							87,305
Fund Balance-Beginning, restated	6,287,042	499,014	311,336	23,222,521	367,768	30,687,681	5,754,861
Fund Balance-Ending	<u>6,621,802</u>	<u>605,753</u>	<u>463,809</u>	<u>4,192,153</u>	<u>394,024</u>	<u>12,277,541</u>	<u>30,687,681</u>

See accompanying notes to the financial statements.

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



	2021	2020
Net Change in Governmental Fund Balances	(18,410,140)	24,932,820

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

Governmental funds report capital outlays as expenditures, however, in statement of activities, assets with an initial, individual cost of more than \$10,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period

Capital Outlay	19,573,185		5,607,069	
Depreciation Expense	(740,645)		(759,692)	
		18,832,540		4,847,377

Governmental funds report long-term debt proceeds as financing sources, while repayment of long-term debt principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues. The net effect of these differences is as follows:

Bond Proceeds			(25,415,000)	
Bond Premium			(2,866,963)	
Amortization of Bond Premium	139,852		128,197	
Lease Payments	73,000		71,000	
Repayment of Bond Principal	395,000		1,510,000	
Interest Expense - General Obligation Bonds	449,831		(844,956)	
Amortization of Deferred Amount on Refunded Debt			(32,810)	
Severance Payments	11,304		17,736	
		1,068,987		(27,432,796)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for current period's expenditures, and therefore deferred in the funds.

			(4,585)	(8,776)
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In the statement of activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Severance	641		821	
OPEB	16,496		31,320	
Pension Benefits	(270,318)		(1,313,466)	
		(253,181)		(1,281,325)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Pension Benefits	(924,433)		51,301	
Change in Net OPEB liability	(6,012)		237	
		(930,445)		51,538

Change in Net Position of Governmental Activities	303,176		1,108,838	
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See accompanying notes to the financial statements.

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



	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Local Property Tax Levies	1,603,184	1,603,184	1,611,343	8,159
Other Local and County Revenues	359,907	447,732	271,797	(175,935)
Revenue from State Sources	11,724,899	11,724,899	11,405,631	(319,268)
Revenue from Federal Sources	320,842	823,680	931,462	107,782
Sales and Other Conversion of Assets	300	300	2,561	2,261
Total Revenues	<u>14,009,132</u>	<u>14,599,795</u>	<u>14,222,794</u>	<u>(377,001)</u>
<u>Expenditures</u>				
District and School Administration	1,015,765	1,011,785	912,662	(99,123)
District Support Services	353,291	358,831	343,767	(15,064)
Regular Instruction	6,336,040	6,419,538	6,389,587	(29,951)
Vocational Instruction	381,415	381,415	349,314	(32,101)
Exceptional Instruction	2,152,936	2,138,231	1,809,790	(328,441)
Instructional Support Services	526,839	724,655	677,530	(47,125)
Pupil Support Services	1,416,147	1,501,968	1,448,678	(53,290)
Site, Building and Equipment	1,815,904	1,989,072	1,859,059	(130,013)
Fiscal and Other Fixed Cost Programs	91,821	97,821	97,647	(174)
Total Expenditures	<u>14,090,158</u>	<u>14,623,316</u>	<u>13,888,034</u>	<u>(735,282)</u>
Net Change in Fund Balance	<u>(81,026)</u>	<u>(23,521)</u>	334,760	<u>358,281</u>
Fund Balance-Beginning			6,287,042	
Fund Balance-Ending			<u>6,621,802</u>	

See accompanying notes to the financial statements.



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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Revenues</u>				
Other Local and County Revenues	18,000	18,000	7,316	(10,684)
Revenue from State Sources	63,900	63,900	2,202	(61,698)
Revenue from Federal Sources	499,000	499,000	1,238,541	739,541
Sales and Other Conversion of Assets	347,000	347,000	22,294	(324,706)
Total Revenues	927,900	927,900	1,270,353	342,453
<u>Expenditures</u>				
Pupil Support Services	1,044,500	1,058,641	1,163,614	104,973
Total Expenditures	1,044,500	1,058,641	1,163,614	104,973
Net Change in Fund Balance	(116,600)	(130,741)	106,739	237,480
Fund Balance-Beginning			499,014	
Fund Balance-Ending			605,753	

See accompanying notes to the financial statements.



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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Local Property Tax Levies	131,166	131,166	135,126	3,960
Other Local and County Revenues	258,874	263,874	265,328	1,454
Revenue from State Sources	59,746	59,746	60,361	615
Revenue from Federal Sources			10,549	10,549
Sales and Other Conversion of Assets	2,000	2,000	918	(1,082)
Total Revenues	<u>451,786</u>	<u>456,786</u>	<u>472,282</u>	<u>15,496</u>
<u>Expenditures</u>				
Community Education and Services	469,140	479,688	319,809	(159,879)
Total Expenditures	<u>469,140</u>	<u>479,688</u>	<u>319,809</u>	<u>(159,879)</u>
Net Change in Fund Balance	<u>(17,354)</u>	<u>(22,902)</u>	152,473	<u>175,375</u>
Fund Balance-Beginning			<u>311,336</u>	
Fund Balance-Ending			<u>463,809</u>	

See accompanying notes to the financial statements.

STATEMENT OF FIDUCIARY ASSETS
AGENCY FUND
JUNE 30, 2021



<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash and Investments	<u>345</u>	<u>345</u>
 <u>Liabilities and Net Position</u>		
<u>Liabilities</u>		
Unearned Revenue	345	345
 <u>Net Position</u>		
Total Liabilities and Net Position	<u>-0-</u> <u>345</u>	<u>-0-</u> <u>345</u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements of Independent School District No. 2689 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Independent School District 2689, Pipestone, was formed and operates pursuant to applicable Minnesota laws and statutes. The District operates under an elected seven member Board of Education form of government. The Board has control over all activities related to the public school education in the District.

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

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

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

C. Basic Financial Statements 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 revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies - continued

C. Basic Financial Statements Presentation - continued

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 a purpose for which both restricted and unrestricted net position is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material 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. Fiduciary funds are presented in the fiduciary fund financial statements by type: expendable trust, and agency. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

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

D. Basis of Accounting and Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus and basis of accounting. The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Property taxes are recognized as revenues in the year for which they are levied, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "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. Revenues are considered to be

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

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

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

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

Description of Funds

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

Governmental Funds

General Fund

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies - continued

D. Basis of Accounting and Measurement Focus - continued

Special Revenue Funds

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

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

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

Capital Projects Fund

The Capital Projects Fund is used to record all operations of the District's new building project.

Debt Service Fund

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

Agency Fund

The Agency Fund is used to account for donations specifically used to apply to food service accounts and community education fees. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

E. Budgets and Budgetary Accounting

The budgeted amounts included in the statement of revenues and expenditures were accounted for and presented on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. The budgets are prepared by the school personnel and approved by the school board. Encumbrances are not considered in the budget process or in the regular district accounting.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



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

F. Cash and Temporary Investments

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

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

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

G. Accounts Receivable

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

H. Inventories

Inventories consist of expendable supplies held for consumption and are stated at moving, weighted average cost. Inventory of the General Fund is recorded as expenditure when items are issued from central stores. Accordingly inventory items on hand at the school are not included in inventory.

I. Prepaid Items

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

J. Property Tax Recognition

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies - continued

K. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair market value at the date of donation. The District defines capital assets as those with an initial, individual cost of \$10,000 or more, which benefit more than one fiscal year. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

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

L. Long-Term Obligations

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

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

M. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The District has two types, Related to pensions and Related to OPEB Obligations, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies - continued

M. Deferred Outflows/Inflows of Resources - continued

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

N. Fund Equity

Fund balance is divided into five classifications based primarily on the extent to which the district is bound to observe constraints imposed upon the use of the resources in the governmental funds. The following are the five fund balance categories used by the district:

Non-Spendable Fund Balance

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

Restricted Fund Balance

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

Committed Fund Balance

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

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

Assigned Fund Balance

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 1 Summary of Significant Accounting Policies - continued

N. Fund Equity - continued

Unassigned Fund Balance

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

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

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

O. Net Position

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

P. Pensions

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



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

Q. **Certain Comparative Data and Reclassifications**

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

R. **Estimates**

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

S. **Subsequent Events**

Subsequent events have been evaluated through November 15, 2021, which is the date the financial statements were available to be issued.

Note 2 **Cash and Investments**

A. **Deposits**

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 2 **Cash and Investments - continued**

A. **Deposits - continued**

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2021, none of the District's bank balance of \$4,131,292 (includes student activity fund account) was exposed to custodial credit risk because it was not insured and properly collateralized with securities held by the pledging financial institution's trust department or agent in the district's name.

B. **Investments**

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 2 Cash and Investments - continued

B. Investments - continued

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

Custodial Credit Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Interest Rate Risk

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

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

	<u>Credit Risk</u>		<u>Concentration</u>	<u>Interest</u>	
	<u>Credit</u>	<u>Rating</u>	<u>Risk</u>	<u>Rate Risk</u>	
	<u>Rating</u>	<u>Agency</u>	<u>Over 5%</u>	<u>Maturity</u>	<u>Carrying</u>
			<u>of Portfolio</u>	<u>Date</u>	<u>Value</u>
Investment Pools:					
MN Trust					
Investment Shares Portfolio	AAA	S & P	33.36%	N/A	3,378,754
Certificate of Deposit	AAA	S & P	58.53%	7/27/21-5/5/23	5,928,312
US Treasury Securities	AAA	S & P	8.11%	8/25/21-9/15/21	821,797
Total Investments					10,128,863
Checking & Money Market Accounts (not including Agency Funds)					3,919,595
Petty Cash					3,210
Total Cash and Investments					<u>14,051,668</u>

The MN Trust Investment Shares Portfolio is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares.



NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 3 Due From Department of Education

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

	June 30	
General Fund	2021	2020
General Education Aid	1,153,621	1,187,919
Other State Aids	24,150	25,506
Special Education	158,436	288,447
Total General Fund	1,336,207	1,501,872
<u>Special Revenue Funds</u>		
Community Service Fund		
Other State Credits	5,909	7,012
<u>Debt Service Fund</u>		
Other State Credits	76,200	54,229
Total All Funds	1,418,316	1,563,113

Note 4 Due From Federal Government Through the Department of Education

Amounts due from the federal government through the Department of Education are as follows:

	June 30	
General Fund	2021	2020
Title I	110,209	105,162
Title II	5,509	
ESSER I	62,763	
ESSER II	29,300	
ESSER Summer	20,616	
Other	1,184	39,367
Total General Fund	229,581	144,529
<u>Special Revenue Funds</u>		
Food Service Fund		
Summer Food Program	119,486	81,540
Community Service Fund		
Other State Credits		9,274
Total Special Revenue Funds	119,486	90,814
Total All funds	349,067	235,343



NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 5 Due From Other Governmental Units

Amounts due from Other Governmental Units are as follows:

	June 30	
	<u>2021</u>	<u>2020</u>
<u>General Fund</u>		
SW/WC Service Coop	13,374	14,151
SW Health & Human Services	13,400	16,667
City of Pipestone	12,848	11,898
ISD 581 – Edgerton	17,973	23,100
State of MN		5,977
CEM	3,129	1,034
Third Party	6,204	
ACT	585	
E Rate	<u>55,357</u>	
Total General Fund	122,870	<u>72,827</u>
<u>Special Revenue Funds</u>		
<u>Food Service Fund</u>		
Blue Mound Learning Center	5,005	5,775
<u>Community Service Fund</u>		
E Rate	847	
City of Pipestone	<u>58,075</u>	<u>58,075</u>
Total Community Service Fund	<u>58,922</u>	<u>58,075</u>
Total Special Revenue Funds	<u>63,927</u>	<u>63,850</u>
Total All Funds	<u>186,797</u>	<u>136,677</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 6 Capital Assets

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

	<u>Balance</u> <u>7/01/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/21</u>
Capital assets not depreciated				
Land	272,240			272,240
Construction in Progress	<u>5,158,975</u>	<u>19,205,620</u>	<u>40,000</u>	<u>24,324,595</u>
Total capital assets not depreciated	5,431,215	19,205,620	40,000	24,596,835
Capital assets depreciated				
Land Improvements	3,019,252	169,318		3,188,570
Buildings	19,859,470	90,000		19,949,470
Equipment	5,058,087	148,246		5,206,333
Pupil Transportation Vehicles	<u>203,931</u>			<u>203,931</u>
Total Capital assets depreciated	28,140,740	407,564	-0-	28,548,304
Less accumulated depreciation for				
Land Improvements	1,592,823	143,306		1,736,129
Buildings	7,284,086	397,041		7,681,127
Equipment	4,463,432	185,755		4,649,187
Pupil Transportation Vehicles	<u>139,810</u>	<u>14,543</u>		<u>154,353</u>
Total accum depreciation	<u>13,480,151</u>	<u>740,645</u>	<u>-0-</u>	<u>14,220,796</u>
Total capital assets depreciated-net	<u>14,660,589</u>	<u>(333,081)</u>	<u>-0-</u>	<u>14,327,508</u>
Net Capital Assets	<u>20,091,804</u>	<u>18,872,539</u>	<u>40,000</u>	<u>38,924,343</u>

Depreciation expense of \$740,645 for the year ended June 30, 2021 was charged to the following governmental functions:

Regular Instruction	6,497
Pupil Support Services	14,543
Sites, Buildings, and Equipment	718,428
Food Service	<u>1,177</u>
Total	<u>740,645</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 7 Due to Other Governmental Units

Amounts due to Other Governmental Units are as follows:

	June 30	
<u>General Fund</u>	2021	2020
City of Pipestone	5,272	
ISD 991 - SW/WC Service Coop	62,014	63,424
MN West	4,200	
New Dominion School		1,418
ISD 347 – Willmar School	4,751	
ISD 15 – Crossroads School	17,556	
Pipestone County Medical Center	1,773	2,146
Pipestone County Sheriff's Office	11,250	11,250
Total General Fund	106,816	78,238

Note 8 Unearned Revenue

Unearned revenues are as follows:

	June 30	
<u>Special Revenue Funds</u>	2021	2020
<u>Food Service Fund</u>		
Lunch Sales	32,154	32,129

Note 9 Long-Term Liabilities

A. Severance Payable

Contract employees who are at least 55 years of age and who have completed 15 years of teaching with at least ten years of service with Independent School District 2689 are eligible to receive an early retirement incentive payment. The maximum payment amount is limited to 100 days of pay calculated at the daily rate of pay during the last year of service, excluding pay for additional assignments. Payments will be paid in the following manner: one-third the amount due to the employee will be paid in July following retirement, one-third of the amount due to the employee will be paid the following January, and the remaining one-third will be paid in January one year later. The Board approves a maximum of five teachers in any given fiscal year.

The District estimates its vested severance pay obligations to be \$73,075 and \$85,020 at June 30, 2021 and 2020, respectively and the amount is designated in the fund balance of the General fund at those dates.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 9 Long-Term Liabilities – continued

B. General Obligation School Building Bond, Series 2019A

On August 22, 2019 the District issued general obligation bonds of \$25,415,000 with an interest rate ranging from 5.0% to 3.0%. Proceeds will be used for the construction of a new elementary school to be built on the site of the existing middle-high school location. Terms of the bond call for annual principal payments and semi-annual interest payments on February 1 and August 1 from February 1, 2020 to February 1, 2040.

The following is a summary of the bond transactions of the District for the year ending June 30, 2021:

Bonds Payable at July 1	25,415,000
Net Bonds Issued (Redeemed)	<u>(395,000)</u>
Bonds Payable at June 30	<u>25,020,000</u>

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

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2022	855,000	979,600	1,834,600
2023	900,000	936,850	1,836,850
2024	940,000	891,850	1,831,850
2025	990,000	844,850	1,834,850
2026	1,040,000	795,350	1,835,350
2027-2031	6,030,000	3,143,250	9,173,250
2032-2036	7,445,000	1,720,900	9,165,900
2037-2040	<u>6,820,000</u>	<u>519,000</u>	<u>7,339,000</u>
Total	<u>25,020,000</u>	<u>9,831,650</u>	<u>34,851,650</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 9 Long-Term Liabilities – continued

C. Lease-Purchase Agreement

On July 25, 2017 the District entered into a Lease-Purchase Agreement for the construction of tennis courts on the District property as follows:

\$790,000 Lease-Purchase Agreement, due in
 semi-annual payments of \$91,814 to \$93,867
 from February 2, 2018 to August 1, 2027,
 interest rate of 3.15% \$578,000

The annual requirements to amortize the Lease-Purchase Agreement outstanding as of June 30, 2021, including interest payments, are listed below.

<u>Year Ended</u>	<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	75,000	17,026	92,026	92,026
2023	77,000	14,632	91,632	91,632
2024	80,000	12,159	92,159	92,159
2025	82,000	9,608	91,608	91,608
2026	85,000	6,977	91,977	91,977
2027-2028	<u>179,000</u>	<u>5,686</u>	<u>184,686</u>	<u>184,686</u>
Total	<u>578,000</u>	<u>66,088</u>	<u>644,088</u>	<u>644,088</u>

D. Changes in Long-Term Liabilities

	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Due Within</u>
	<u>7/01/20</u>	<u>Additions</u>	<u>Retirements</u>	<u>6/30/21</u>	<u>One Year</u>
GO School Bldg Bonds					
Series 2019A	25,415,000		395,000	25,020,000	855,000
Lease-Purchase Agreement	651,000		73,000	578,000	75,000
Bond Premium	2,738,766		139,852	2,598,914	139,852
Severance	<u>85,020</u>		<u>11,945</u>	<u>73,075</u>	<u>5,325</u>
Total	<u>28,889,786</u>	<u>-0-</u>	<u>619,797</u>	<u>28,269,989</u>	<u>1,075,177</u>

Note 10 Fund Balances

Non-Spendable Fund Balance

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

General Fund

Prepaid Items	<u>127,930</u>
Total Funds	<u>127,930</u>

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 10 Fund Balances - continued

Restricted Fund Balance

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

General Fund

Student Activities	107,396
Staff Development	356,103
Operating Capital	81,056
Learning and Development	36
Gifted and Talented	225,569
Basic Skills	195,834
Safe Schools	62,257
Restricted	7,315
Long Term Facility Maintenance	114,247
Medical Assistance	<u>3,355</u>
Total General Fund	1,153,168

Special Revenue Funds

Food Service Fund

Restricted	605,753
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Community Service Fund

Community Education	245,668
Early Childhood and Family Education	189,118
Learning Readiness	15,217
Restricted	<u>13,806</u>
Total Community Service Fund	<u>463,809</u>
Total Special Revenue funds	1,069,562

Capital Projects Fund

Restricted	4,192,153
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Debt Service Fund

Restricted	<u>394,024</u>
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Total All Funds	<u>6,808,907</u>
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Committed Fund Balance

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

General Fund

Severance	<u>73,075</u>
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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 10 Fund Balances - continued

Assigned Fund Balance

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

General Fund

Health Cost Management	529
Athletic Help Fund	16,563
Help Fund	3,396
Elem Help	119
Arrow Way	<u>1,159</u>
Total General Fund	<u>21,766</u>

Unassigned Fund Balance

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

<u>General Fund</u>	<u>5,245,863</u>
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Stabilization Amounts

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

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

Note 11 Defined Benefit Pension Plans

A. Public Employees Retirement Association (PERA)

1. Plan Description

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

General Employees Retirement Plan (GERF)

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

2. Benefits Provided

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

2. Benefits Provided – continued

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 fired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.5% for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2021, were \$114,663. The District's contributions were equal to the required contributions for each year as set by state statute.

4. Pension Costs

At June 30, 2021, the District reported a liability of \$1,342,982 for its proportionate share of the GERF's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$41,250. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0224 percent at the end of the measurement period and 0.0228 percent for the beginning of the period.

District's proportionate share of the net pension liability	1,342,982
State of Minnesota's proportionate share of the net pension liability associated with the District	<u>41,250</u>
Total	<u><u>1,384,232</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$182,042 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$3,590 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$12,483	\$5,081
Changes in actuarial assumptions		\$50,883
Difference between projected and actual investment earnings	\$15,149	
Changes in proportion		\$51,126
Contributions paid to PERA subsequent to the measurement date	\$114,663	
Total	\$142,295	\$107,090

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA)-continued

4. Pension Costs - continued

\$114,663 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2021	(\$111,194)
2022	(\$20,751)
2023	\$20,040
2024	\$32,447

5. Actuarial Assumptions

The total pension liability in the June 30, 2020, 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 for all plans were based on Pub-2010 General Employee Mortality table 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% per year for the General Employees Plan.

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

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

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%
- The payroll growth assumption was decreased from 3.25% to 3.00%

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions – continued

- 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

5. Actuarial Assumptions – continued

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	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%
Total	100%	

6. Discount Rate

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

7. Pension Liability Sensitivity

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

Sensitivity Analysis (In Thousands)		
<i>Net Pension Liability (Asset) at Different Discount Rates</i>		
	General Employees Fund	
1% Lower	6.50%	2,152,335
Current Discount Rate	7.50%	1,342,982
1% Higher	8.50%	675,332

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

A. Public Employees Retirement Association (PERA) - continued

8. Pension Plan Fiduciary Net Position

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

B. Teachers Retirement Association

1. Plan Description

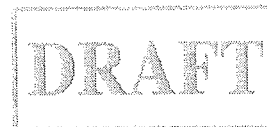
The Teachers Retirement Association (TRA) is an administrator of a multiple employer, cost-sharing, defined benefit retirement fund. TRA administers a Basic Plan (without Social Security coverage) and a Coordinated Plan (with Social Security coverage) in accordance with Minnesota Statutes, Chapters 354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

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

2. Benefits Provided

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

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



NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

Tier I Benefits

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

With these provisions:

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

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, for favorable to the members, will be applied to individuals who reach age 62 and have 30 years or more of service credit.



NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

2. Benefits Provided - continued

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

Six different types of annuities are available to members upon retirement. The No Refund Life Plan (A-1) is a lifetime annuity that ceases upon the death of the retiree – no survivor annuity is payable. A retiring member may also choose to provide survivor benefits to a designated beneficiary(ies) by selecting one of the five plans which have survivorship features. Vested members may also leave their contributions in the TRA Fund upon termination of service in order to qualify for a deferred annuity at retirement age. Any member terminating service is eligible for a refund of their employee contributions plus interest.

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

3. Contribution Rate

Per Minnesota Statute, Chapter 354 sets the contribution rates for employers and employees. 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 following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in the Schedule of Employer and Non-Employer Pension Allocations.

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

3. Contribution Rate – continued

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

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation Date	July 1, 2020
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.5%
Price Inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 20, 2028
Cost of living adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.
Mortality Assumptions	
Pre-Retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-Retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-Disability	RP-2014 disabled retiree mortality table, without adjustment.



NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

Note 11 Defined Benefit Pension Plans - continued

A. Teachers Retirement Association - continued

4. 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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20%	0.75%
Unallocated Cash	2%	0.00%
Total	100%	

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

Changes in actuarial assumptions since the 2018 valuation:

- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% 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.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

4. Actuarial Assumptions - continued

- 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.

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2021, the District reported a liability of \$7,063,056 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0956% at the end of the measurement period and 0.0976% for the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans - continued

B. Teachers Retirement Association - continued

6. Net Pension Liability - continued

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	\$7,063,056
State's proportionate share of the net pension Liability associated with the District	\$591,839

For the year ended June 30, 2021, the District recognized pension expense of \$678,038. It also recognized \$54,216 as an increase to pension expense for the support provided by direct aid.

On June 30, 2020, 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	\$118,036	\$79,893
Net difference between projected and actual earnings on plan inv.	\$23,479	
Change in assumptions	\$4,430	\$4,879,791
Changes in proportion	\$74,856	\$211,918
Contributions paid to TRA subsequent to measurement date	\$440,061	
Total	\$660,862	\$5,171,602

\$440,061 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in the pension expense as follows:

2021	\$(2,422,169)
2022	\$(1,364,409)
2023	\$(1,268,634)
2024	\$97,623
2025	\$6,788

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 11 Defined Benefit Pension Plans – continued

B. Teachers Retirement Association - continued

7. Pension Liability Sensitivity

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate		
1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
\$10,813,464	\$7,063,056	\$3,972,909

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

8. Pension Plan Fiduciary Net Position

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

Note 12 Other Postemployment Benefits

The District has implemented Governmental Accounting Standards Board (GASB), Statement No. 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

General Information about the OPEB Plan

Plan Description

The District provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses.

Benefits Provided

The plan offers medical insurance benefits. Benefits are provided through a third-party insurer. Retirees and their spouses contribute to the healthcare plan at the same cost as District employees.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 12 Other Postemployment Benefits – continued

Employees covered by benefit terms

At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>155</u>
	<u>164</u>

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the Board of Education. For the year ended June 30, 2021, the District's average contribution rate was 8.0 percent of covered-employee payroll.

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases
- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%.
- These changes decreased the liability \$7,560.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 12 Other Postemployment Benefits – continued

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at 7/1/2020	524,168	-0-	524,168
Changes for the year:			
Service cost	36,159		36,159
Interest cost	16,650		16,650
Assumption Changes	-0-		-0-
Differences between Expected and Actual Experience	-0-		-0-
Benefit Payment	<u>(46,797)</u>	-0-	<u>(46,797)</u>
Net changes	<u>6,012</u>		<u>6,012</u>
Balances at 6/30/2019	<u>530,180</u>	-0-	<u>530,180</u>

Sensitivity of the net OPEB liability to changes in discount rate

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.1 percent) or 1-percentage-point higher (4.1 percent) than the current discount rate:

	1% Decrease (2.1%)	Discount Rate (3.1%)	1% Increase (4.1%)
Net OPEB liability	\$555,656	\$530,180	\$505,354

Sensitivity of the net OPEB liability to changes in healthcare cost trend rates

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (7.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing To 4.0%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.0%)	1% Increase (7.5% decreasing to 6.0%)
Net OPEB Liability	\$485,328	\$530,180	\$582,715

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 12 Other Postemployment Benefits – continued
OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$49,713. At June 30, 2021, the District reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability Gains		\$7,341
Assumption Changes		\$5,040
Contributions paid to plan subsequent to measurement date	\$60,197	
	<u>\$60,197</u>	<u>\$12,381</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

June 30, 2022	(\$3,096)
June 30, 2023	(\$3,096)
June 30, 2024	(\$3,096)
June 30, 2025	(\$3,093)

Note 13 Vacation and Sick Leave

Under the terms of contracts, certain employees accrue vacation at varying rates, which can be carried over to future years. The majority of vacation leave is lost if not taken each year, therefore a liability for accrued vacation is not recorded in the financial statements. Vacation pay is charged to operations when taken by the employees of the district.

Substantially all District employees are entitled to sick leave at various rates. Upon termination or retirement, employees are not entitled to receive compensation for their accrued sick leave. Since the employees' accumulating rights to receive compensation for future absences are contingent upon the absences being caused by future illnesses and such amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021



Note 14 **Risk Management**

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

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

Note 15 **Change in Accounting Principle**

For the year ended June 30, 2020, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the District moved the student activity accounts in the amount of \$87,305 to the general fund and governmental activities.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD & A

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

Actuarial Valuation Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable) (b)	Total (a+b)	District's Covered- Employee Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA							
June 30, 2014	0.0354%	1,662,915		1,662,915	1,860,279	89.4%	78.7%
June 30, 2015	0.0318%	1,648,041		1,648,041	1,887,731	87.3%	78.2%
June 30, 2016	0.0297%	2,411,493	31,508	2,443,001	1,923,321	127.0%	68.9%
June 30, 2017	0.0243%	1,551,296	19,509	1,570,805	1,487,907	105.6%	75.9%
June 30, 2018	0.0237%	1,314,779	43,167	1,357,946	1,616,067	84.0%	79.5%
June 30, 2019	0.0228%	1,260,561	39,165	1,299,726	1,594,533	81.5%	80.2%
June 30, 2020	0.0224%	1,342,982	41,250	1,384,232	1,528,840	90.5%	79.0%
TRA							
June 30, 2014	0.0112%	5,156,271		5,156,271	5,107,987	100.9%	81.5%
June 30, 2015	0.0103%	6,346,825		6,346,825	5,238,958	121.1%	76.8%
June 30, 2016	0.0996%	23,756,976	2,384,641	26,141,617	5,182,320	504.4%	44.9%
June 30, 2017	0.0981%	19,582,540	1,893,280	21,475,820	5,281,646	406.6%	51.6%
June 30, 2018	0.0990%	6,218,127	584,205	6,802,332	5,469,213	124.4%	78.1%
June 30, 2019	0.0976%	6,221,044	550,350	6,771,394	5,542,101	112.3%	78.1%
June 30, 2020	0.0956%	7,063,056	591,839	7,654,895	5,556,326	127.1%	75.5%

See Note 11, Defined Benefit Pension Plans, for more information

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



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

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a - b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pensions</u>					
PERA					
June 30, 2014	134,731	134,731	-0-	1,860,279	7.2%
June 30, 2015	138,002	138,094	(92)	1,887,731	7.3%
June 30, 2016	138,146	138,146	-0-	1,887,731	7.3%
June 30, 2017	111,593	111,593	-0-	1,487,907	7.5%
June 30, 2018	121,205	121,205	-0-	1,616,067	7.5%
June 30, 2019	119,590	119,590	-0-	1,594,533	7.5%
June 30, 2020	114,663	114,663	-0-	1,528,840	7.5%
TRA					
June 30, 2014	357,559	357,559	-0-	5,107,987	7.0%
June 30, 2015	390,392	389,399	993	5,238,958	7.4%
June 30, 2016	388,674	388,674	-0-	5,182,320	7.5%
June 30, 2017	396,123	396,123	-0-	5,281,646	7.5%
June 30, 2018	410,191	410,191	-0-	5,469,213	7.5%
June 30, 2019	427,296	427,296	-0-	5,542,101	7.7%
June 30, 2020	440,061	440,061	-0-	5,556,326	7.9%

See Note 11, Defined Benefit Pension Plans, for more information

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



REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S
NET OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability	36,159	35,106	36,384	35,324
Service Cost	16,650	18,430	17,881	16,992
Interest Cost		(7,560)		
Assumption Changes		(11,013)		
Differences between Expected and Actual Experience	(46,797)	(35,200)	(38,460)	(16,183)
Benefit Payments	6,012	(237)	15,805	36,133
Net change in total OPEB liability	<u>524,168</u>	<u>524,405</u>	<u>508,600</u>	<u>472,467</u>
Total OPEB liability - beginning	<u>530,180</u>	<u>524,168</u>	<u>524,405</u>	<u>508,600</u>
Total OPEB liability - ending				
Covered-employee payroll	6,764,797	6,567,764	6,614,006	6,421,365
District's Net OPEB liability as a percentage of covered-employee payroll	7.84%	7.98%	7.93%	7.92%

See Note 12, Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time.

The District will report the above RSI information prospectively as the information becomes available.



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

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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



General Employees Fund - continued

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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



General Employees Fund - continued

2016 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes:

Changes in Actuarial Assumptions

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

Changes in Plan Provisions:

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

TRA Retirement Funds

2020 Changes

Changes in Actuarial Assumptions

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

2019 Changes

Changes in Actuarial Assumptions

- None

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



TRA Retirement Funds – continued

2018 Changes

Changes in Actuarial Assumptions

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

2017 Changes

Changes in Actuarial Assumptions

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

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



TRA Retirement Funds – continued

2017 Changes – continued

Changes in Actuarial Assumptions – continued

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

2016 Changes

Changes in Actuarial Assumptions

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

2015 Changes

Changes of Benefit Terms

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

Changes in Actuarial Assumptions

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



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

Post Employment Health Care Plan

2021 Changes

Assumption changes

- None

2020 Changes

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate changed from 3.40% to 3.10%.

2019 Changes

Assumption changes

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2000 Combined Healthy Mortality Tables projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 4.00% to 3.40%.
- The withdrawal table for all employees and retirement table for only employees eligible to retire with Rule of 90 also were updated.

Method Changes

- The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

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GENERAL FUND
BALANCE SHEET
JUNE 30, 2021



<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash	4,613,808	3,116,530
Investments	2,351,601	3,408,008
Current Property Taxes Receivable	805,256	747,292
Delinquent Property Taxes Receivable	11,869	10,094
Accounts Receivable	4,003	11,733
Interest Receivable	3,391	13,753
Due From Department of Education	1,336,207	1,501,872
Due From Federal Government Through the Department of Education	229,581	144,529
Due From Other Governmental Units	122,871	72,827
Prepaid Expenses	127,930	65,650
Total Assets	<u>9,606,517</u>	<u>9,092,288</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Salaries Payable	624,849	597,163
Accounts Payable	107,129	92,983
Due to Other Governmental Units	106,818	78,238
Accrued Payroll Liabilities	507,502	506,098
Total Liabilities	<u>1,346,298</u>	<u>1,274,482</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	11,869	10,094
Property Taxes Levied for Subsequent Years	1,626,548	1,520,670
Total Deferred Inflows of Resources	<u>1,638,417</u>	<u>1,530,764</u>
<u>Fund Balances</u>		
Fund Balance-Nonspendable	127,930	65,650
Fund Balance-Restricted	1,153,168	1,084,839
Fund Balance-Committed	73,075	85,020
Fund Balance-Assigned	21,766	22,729
Fund Balance-Unassigned	5,245,863	5,028,804
Total Fund Balances	<u>6,621,802</u>	<u>6,287,042</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>9,606,517</u>	<u>9,092,288</u>

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

	Year Ended June 30			2020 Actual
	2021	Variance with		
<u>Revenues</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	
<u>Local Property Tax Levy</u>				
County Apportionment	25,266	21,056	(4,210)	30,833
Local Tax Levy	1,563,518	1,574,868	11,350	1,479,854
Miscellaneous Tax Revenue	14,400	15,419	1,019	20,251
Total Local Property Tax Levy	<u>1,603,184</u>	<u>1,611,343</u>	<u>8,159</u>	<u>1,530,938</u>
<u>Other Local and County Revenues</u>				
Admissions	44,300	243	(44,057)	63,718
Fees	24,005	14,895	(9,110)	30,779
Gifts and Bequests	13,850	12,889	(961)	8,783
Interest Income	37,184	20,691	(16,493)	50,397
Medical Assistance Revenue	32,000	41,240	9,240	60,979
Other Miscellaneous Income	250,393	162,566	(87,827)	233,772
Rent of Facilities	18,000	1,300	(16,700)	13,317
Tuition from Other Minnesota School Districts	28,000	17,973	(10,027)	37,252
Total Other Local and County Revenues	<u>447,732</u>	<u>271,797</u>	<u>(175,935)</u>	<u>498,997</u>
<u>Revenue From State Sources</u>				
Disparity	17,690	16,374	(1,316)	17,690
Education Homestead Credit	18,794	15,498	(3,296)	22,106
Endowment Fund Apportionment	48,000	48,025	25	51,824
General Education Aid	9,835,607	9,839,605	3,998	10,306,020
Other State Aids	234,808	211,646	(23,162)	273,185
Special Education	1,570,000	1,274,483	(295,517)	1,477,053
Total Revenue From State Sources	<u>11,724,899</u>	<u>11,405,631</u>	<u>(319,268)</u>	<u>12,147,878</u>
<u>Revenue From Federal Sources</u>				
Title Programs	320,149	300,216	(19,933)	291,386
CARES	313,038	403,997	90,959	
ESSER		63,357	63,357	
Federal Aid Programs	190,493	163,892	(26,601)	110,509
Total Revenue From Federal Sources	<u>823,680</u>	<u>931,462</u>	<u>107,782</u>	<u>401,895</u>
<u>Sales and Other Conversion of Assets</u>				
Insurance Recovery		1,524	1,524	42,333
Sales of Material	300	1,037	737	2,303
Total Sales and Other				
Conversion of Assets	300	2,561	2,261	44,636
Total Revenues	<u>14,599,795</u>	<u>14,222,794</u>	<u>(377,001)</u>	<u>14,624,344</u>

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



	Year Ended June 30			2020 Actual
	2021 Budget	2021 Actual	Variance with Final Budget	
Expenditures				
<u>District and School Administration</u>				
<u>Administration</u>				
Dues and Membership	12,212	9,622	(2,590)	9,107
Equipment	8,500	8,500		
Fixed Charges and Employee Benefits	227,126	229,653	2,527	204,639
Instructional Supplies	4,200		(4,200)	
Other	95,368		(95,368)	795
Professional Services	37,700	48,835	11,135	42,439
Salaries	578,268	586,539	8,271	569,818
Supplies	39,711	25,286	(14,425)	29,920
Travel and Transportation	7,200	2,685	(4,515)	4,134
Utilities	1,500	1,542	42	1,500
Total Administration	1,011,785	912,662	(99,123)	862,352
<u>District Support Services</u>				
Dues and Membership	250	431	181	119
Equipment		3,475	3,475	3,406
Fixed Charges and Employee Benefits	59,652	59,817	165	57,933
Other	11,690	12,109	419	10,727
Professional Services	56,407	51,684	(4,723)	55,318
Rentals and Leases	63,216	50,412	(12,804)	50,676
Repairs and Maintenance	500		(500)	290
Salaries	161,016	160,878	(138)	155,176
Supplies	6,100	4,920	(1,180)	4,092
Travel		41	41	
Total District Support Services	358,831	343,767	(15,064)	337,737
<u>Regular Instruction</u>				
<u>District Wide</u>				
Dues and Memberships	6,044	6,146	102	1,795
Equipment	2,800	3,093	293	
Fixed Charges and Employee Benefits	69,960	59,445	(10,515)	57,663
Instructional Supplies	49,136	18,168	(30,968)	4,579
Professional Services	63,317	43,291	(20,026)	4,416
Rent	400		(400)	90
Repair and Maintenance	1,305	1,535	230	1,520
Salaries	374,067	335,567	(38,500)	373,943
Supplies	47,300	67,541	20,241	106,846
Travel and Transportation	3,350	1,314	(2,036)	1,884
Total District Wide	617,679	536,100	(81,579)	552,736
<u>Elementary School</u>				
Dues and Membership		235	235	565
Equipment	4,954	4,616	(338)	9,012
Fixed Charges and Employee Benefits	482,052	498,815	16,763	440,322
Instructional Supplies	120,746	122,149	1,403	87,576
Reimbursements to other MN Districts	13,000		(13,000)	4,076
Professional Services	5,000	3,577	(1,423)	5,208
Repair and Maintenance		110	110	
Salaries	1,743,687	1,934,049	190,362	1,804,642
Supplies	4,721	2,737	(1,984)	8,699
Travel and Transportation	18,984	9,817	(9,167)	5,282
Total Elementary School	2,393,144	2,576,105	182,961	2,365,382

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



	Year Ended June 30			
	2021	2021	2020	2020
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Regular Instruction - continued</u>				
<u>Middle School</u>				
Equipment				798
Fixed Charges and Employee Benefits	287,539	265,504	(22,035)	263,575
Instructional Supplies	40,603	48,281	7,678	59,011
Reimbursements to other MN Districts	2,500		(2,500)	1,488
Salaries	1,016,289	967,444	(48,845)	1,001,881
Supplies	179	645	466	5,634
Travel and Transportation	9,300	165	(9,135)	2,174
Total Middle School	1,356,410	1,282,039	(74,371)	1,334,561
<u>Secondary School</u>				
Dues and Memberships	5,512	5,470	(42)	635
Equipment	1,172	1,607	435	29,955
Fixed Charges and Employee Benefits	274,213	242,932	(31,281)	235,349
Instructional Supplies	125,795	128,924	3,129	62,478
Professional Services	59,486	30,723	(28,763)	29,054
Reimbursements to Other Agencies/Districts	170,000	166,288	(3,712)	160,305
Reimbursements to Other MN Districts	10,000	22,696	12,696	2,842
Rentals and Leases	11,032	12,413	1,381	
Repair and Maintenance	14,114	11,093	(3,021)	12,045
Salaries	1,227,311	1,217,200	(10,111)	1,171,875
Supplies	2,673	70,026	67,353	85,627
Travel and Transportation	150,997	85,971	(65,026)	84,654
Total Secondary School	2,052,305	1,995,343	(56,962)	1,874,819
Total Regular Instruction	6,419,538	6,389,587	(29,951)	6,127,498
<u>Vocational Instruction</u>				
Fixed Charges and Employee Benefits	69,211	55,136	(14,075)	47,544
Instructional Supplies	28,320	22,684	(5,636)	19,586
Rentals and Leases	8,600	12,600	4,000	8,400
Salaries	259,309	258,590	(719)	218,963
Supplies	250	304	54	569
Travel and Transportation	15,725		(15,725)	7,655
Utilities				78
Total Vocational Instruction	381,415	349,314	(32,101)	302,795

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



	Year Ended June 30			2020 Actual
	2021	Variance with		
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	
<u>Exceptional Instruction</u>				
Equipment	5,000	4,848	(152)	
Fixed Charges and Employee Benefits	240,261	194,282	(45,979)	211,866
Instructional Supplies	10,177	14,922	4,745	9,807
Professional Services	250,450	162,549	(87,901)	214,139
Reimbursements to Other Agencies/Districts	67,300	54,725	(12,575)	81,261
Reimbursements to Other MN Districts	420,494	376,229	(44,265)	443,405
Salaries	1,141,771	966,815	(174,956)	982,759
Supplies	1,778	1,040	(738)	2,549
Travel and Transportation	1,000	34,380	33,380	23,030
Total Exceptional Instruction	2,138,231	1,809,790	(328,441)	1,968,816
<u>Instructional Support Services</u>				
Dues	4,305	5,069	764	5,079
Equipment	47,550	34,324	(13,226)	22,195
Fixed Charges and Employee Benefits	46,017	51,405	5,388	55,052
Instructional Supplies	206,896	202,597	(4,299)	57,833
Professional Services	92,856	95,249	2,393	121,407
Repair and Maintenance	3,500	10,371	6,871	16,744
Salaries	202,189	218,100	15,911	218,900
Supplies	41,134	43,093	1,959	56,102
Travel and Transportation	79,708	16,822	(62,886)	40,218
Utilities	500	500		500
Total Instructional Support	724,655	677,530	(47,125)	594,030
<u>Pupil Support Services</u>				
Building Improvements		1,113	1,113	
Fixed Charges and Employee Benefits	80,530	71,049	(9,481)	58,738
Insurance	4,170		(4,170)	
Instructional Supplies		610	610	250
Other		8,374	8,374	
Professional Services	39,647	45,000	5,353	49,375
Reimbursements to Other MN Districts	47,685	48,977	1,292	44,797
Repair and Maintenance		105	105	
Salaries	301,198	279,087	(22,111)	232,356
Supplies	10,697	15,325	4,628	24,402
Travel and Transportation	1,018,041	979,038	(39,003)	994,230
Total Pupil Support Services	1,501,968	1,448,678	(53,290)	1,404,148

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



	Year Ended June 30			2020 Actual
	2021	Variance with Final Budget		
<u>Expenditures - continued</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Actual</u>
Site, Building and Equipment				
Building Improvements	306,594	302,871	(3,723)	333,167
Dues and Memberships		619	619	767
Equipment	288,064	288,258	194	35,908
Fixed Charges and Employee Benefits	159,297	165,754	6,457	203,621
Fuel	91,684	57,730	(33,954)	59,830
Lease Interest	19,357	19,370	13	21,625
Lease Principle	73,000	73,000		71,000
Professional Services	16,503	28,312	11,809	12,595
Reimbursements to Other MN Districts	46,000	22,384	(23,616)	41,110
Repair and Maintenance	114,897	98,809	(16,088)	132,444
Salaries	354,949	355,733	784	339,382
Site and Ground Acquisition	15,000	12,990	(2,010)	162,603
Supplies	163,792	115,757	(48,035)	76,491
Travel and Transportation	1,750	2,123	373	717
Utilities	338,185	315,349	(22,836)	300,675
Total Site, Building and Equipment	<u>1,989,072</u>	<u>1,859,059</u>	<u>(130,013)</u>	<u>1,791,935</u>
<u>Fixed Cost Programs</u>				
Property Insurance	97,821	97,647	(174)	89,147
Total Fixed Cost Programs	<u>97,821</u>	<u>97,647</u>	<u>(174)</u>	<u>89,147</u>
Total Expenditures	<u>14,623,316</u>	<u>13,888,034</u>	<u>(735,282)</u>	<u>13,478,458</u>
Excess Revenues (Expenditures)	<u>(23,521)</u>	334,760	<u>358,281</u>	1,145,886
Fund Balance-July 1		6,287,042		5,053,851
Change in Accounting Principle				87,305
Fund Balance-July 1, restated		<u>6,287,042</u>		<u>5,141,156</u>
Fund Balance-June 30		<u>6,621,802</u>		<u>6,287,042</u>



ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2021

	Food	Community	Total	
	Service	Service	(Memo Only)	
			2021	2020
<u>Assets</u>				
Cash and Investments	664,544	531,395	1,195,939	870,769
Current Property Taxes Receivable		53,657	53,657	51,639
Delinquent Property Taxes Receivable		392	392	704
Accounts Receivable	901		901	21,463
Due from Department of Education		5,909	5,909	7,012
Due from Federal Government Through the Department of Education	119,486		119,486	90,814
Due from other Governmental Units	5,004	58,922	63,926	63,850
Total Assets	<u>789,935</u>	<u>650,275</u>	<u>1,440,210</u>	<u>1,106,251</u>
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>				
<u>Liabilities</u>				
Salaries Payable		50,763	50,763	44,938
Accounts Payable	152,028	18,289	170,317	104,888
Unearned Revenue	32,154		32,154	32,129
Total Liabilities	<u>184,182</u>	<u>69,052</u>	<u>253,234</u>	<u>181,955</u>
 <u>Deferred Inflows of Resources</u>				
Unavailable Revenue-Delinquent Taxes		392	392	704
Property Taxes Levied for Subsequent Years Expenditures		117,022	117,022	113,242
Total Deferred Inflows of Resources	<u>-0-</u>	<u>117,414</u>	<u>117,414</u>	<u>113,946</u>
 <u>Fund Balances</u>				
Fund Balance-Restricted	605,753	463,809	1,069,562	810,350
Total Fund Balances	<u>605,753</u>	<u>463,809</u>	<u>1,069,562</u>	<u>810,350</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>789,935</u>	<u>650,275</u>	<u>1,440,210</u>	<u>1,106,251</u>

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

	Food Service	Community Service	Total (Memo Only)	
<u>Revenues</u>			<u>2021</u>	<u>2020</u>
Local Property Tax Levy		135,126	135,126	141,870
Other Local and County Revenues	7,316	265,328	272,644	294,350
Revenue from State Sources	2,202	60,361	62,563	119,906
Revenue from Federal Sources	1,238,541	10,549	1,249,090	629,833
Other	22,294	918	23,212	243,013
Total Revenues	1,270,353	472,282	1,742,635	1,428,972
<u>Expenditures</u>				
Community Education and Services		319,809	319,809	448,084
Pupil Support Services	1,163,614		1,163,614	779,416
Total Expenditures	1,163,614	319,809	1,483,423	1,227,500
Excess Revenues (Expenditures)	106,739	152,473	259,212	201,472
Fund Balance-July 1	499,014	311,336	810,350	608,878
Fund Balance-June 30	605,753	463,809	1,069,562	810,350



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

	Year Ended June 30			2020 Actual
	2021 Budget	2021 Actual	Variance with Final Budget	
Revenues				
<u>Other Local and County Revenues</u>				
Interest Income	18,000	2,316	(15,684)	21,941
Miscellaneous		5,000	5,000	110
Total Other Local and County Revenues	18,000	7,316	(10,684)	22,051
<u>Revenue From State Sources</u>				
Breakfast Reimbursement	33,000	858	(32,142)	25,925
Lunch Reimbursement	30,300	1,344	(28,956)	22,084
Summer Food Service Program	600		(600)	42
Total Revenue From State Sources	63,900	2,202	(61,698)	48,051
<u>Revenue From Federal Sources</u>				
Breakfast Reimbursement	124,000	3,022	(120,978)	94,143
Commodities	65,000	51,928	(13,072)	53,235
ESSER		17,049	17,049	3,588
Lunch Reimbursement	277,000	85,208	(191,792)	205,075
Summer Food Service Program	33,000	1,081,334	1,048,334	264,518
Total Revenue From Federal Sources	499,000	1,238,541	739,541	620,559
<u>Sales and Other Conversion of Assets</u>				
Lunch and Breakfast Sales	347,000	22,294	(324,706)	240,838
Total Revenues	927,900	1,270,353	342,453	931,499
Expenditures				
<u>Pupil Support Services</u>				
Commodities	65,000	51,928	(13,072)	53,235
Equipment	150,000	130,710	(19,290)	4,145
Professional Services	796,000	931,295	135,295	688,927
Repairs and Maintenance	10,000	14,478	4,478	14,004
Supplies	36,441	35,018	(1,423)	18,786
Travel and Transportation	1,200	185	(1,015)	319
Total Expenditures	1,058,641	1,163,614	104,973	779,416
Excess Revenues (Expenditures)	(130,741)	106,739	237,480	152,083
Fund Balance-July 1		499,014		346,931
Fund Balance-June 30		605,753		499,014

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

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	Year Ended June 30			
	2021		2020	
	Budget	Actual	Variance with Final Budget	Actual
Revenues				
<u>Local Property Tax Levy</u>				
Local Tax Levy	131,166	135,126	3,960	141,870
Total Local Property Tax Levy	131,166	135,126	3,960	141,870
<u>Other Local and County Revenues</u>				
Fees	29,500	33,420	3,920	27,317
Gifts and Bequests		6,544	6,544	200
Interest Income	7,200	1,254	(5,946)	11,576
Other Miscellaneous Income	151,824	152,409	585	151,911
Tuition from Patrons	75,350	71,701	(3,649)	81,295
Total Other Local and County Revenues	263,874	265,328	1,454	272,299
<u>Revenue From State Sources</u>				
Disparity	2,686	2,301	(385)	2,686
Market Value Credits	3,473	2,178	(1,295)	3,356
Other State Aids	53,587	55,882	2,295	65,813
Total Revenue From State Sources	59,746	60,361	615	71,855
<u>Revenue From Federal Sources</u>				
ESSER		5,549	5,549	9,274
CARES		5,000	5,000	
Total Revenue From Federal Sources	-0-	10,549	10,549	9,274
<u>Sales and Other Conversion of Assets</u>				
Sales of Materials	2,000	918	(1,082)	2,175
Total Sales and Other Conversion of Assets	2,000	918	(1,082)	2,175
Total Revenues	456,786	472,282	15,496	497,473
Expenditures				
<u>Community Education and Services</u>				
Dues and Memberships	600	644	44	546
Equipment	1,100		(1,100)	
Fixed Charges	69,906	36,787	(33,119)	61,821
Instructional Supplies	38,950	32,069	(6,881)	26,569
Other Non-Education Agencies	17,000	17,000		20,180
Professional Services	14,398	8,533	(5,865)	8,186
Rentals and Leases	31,158	31,417	259	34,973
Repair and Maintenance	750	197	(553)	315
Salaries	291,896	182,733	(109,163)	271,906
Supplies	9,950	7,292	(2,658)	20,847
Travel and Transportation	2,600	1,808	(792)	1,649
Utilities	1,380	1,329	(51)	1,092
Total Expenditures	479,688	319,809	(159,879)	448,084
Excess Revenues (Expenditures)	(22,902)	152,473	175,375	49,389
Fund Balance-July 1		311,336		261,947
Fund Balance-June 30		463,809		311,336

CAPITAL PROJECTS FUND
BALANCE SHEET
JUNE 30, 2021



	2021	2020
<u>Assets</u>		
Cash	4,989,752	24,334,357
Interest Receivable	92,066	237,656
Total Assets	5,081,818	24,572,013
 <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Accounts Payable	889,665	1,349,492
Total Liabilities	889,665	1,349,492
 <u>Fund Balances</u>		
Fund Balance-Restricted	4,192,153	23,222,521
Total Fund Balances	4,192,153	23,222,521
Total Liabilities, Deferred Inflows of Resources and Fund Balances	5,081,818	24,572,013

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



	Year Ended June 30			2020
	2021			Actual
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	
Revenues				
<u>Other Local and County Revenues</u>		175,252	175,252	387,247
Interest Income	-0-	175,252	175,252	387,247
Total Other Local and County Revenues				
Expenditures				
<u>Site, Building and Equipment</u>				
Building	17,744,970	16,635,531	(1,109,439)	2,970,286
Equipment		819,993	819,993	34,312
Professional Services	1,500,000	1,749,846	249,846	2,114,377
Travel and Transportation		250	250	
Total Expenditures	<u>19,244,970</u>	<u>19,205,620</u>	<u>(39,350)</u>	<u>5,118,975</u>
Excess Revenues (Expenditures)	(19,244,970)	(19,030,368)	214,602	(4,731,728)
Other Financing Sources (Uses)				
Bond Proceeds				25,415,000
Bond Premium				2,866,963
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>28,281,963</u>
Excess Revenues and Other Financing Sources Over Expenditures and Other Uses	<u>(19,244,970)</u>	<u>(19,030,368)</u>	<u>214,602</u>	23,550,235
Fund Balance-July 1		23,222,521		(327,714)
Fund Balance-June 30		<u>4,192,153</u>		<u>23,222,521</u>



DEBT SERVICE FUND
BALANCE SHEET
JUNE 30, 2021

<u>Assets</u>	<u>2021</u>	<u>2020</u>
Cash	900,123	937,199
Current Property Taxes Receivable	1,251,669	1,236,950
Delinquent Property Taxes Receivable	5,514	11,563
Due from Department of Education	76,200	54,229
Total Assets	<u>2,233,506</u>	<u>2,239,941</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue-Delinquent Taxes	5,514	11,562
Property Taxes Levied for Subsequent Years	1,833,968	1,860,611
Total Liabilities	<u>1,839,482</u>	<u>1,872,173</u>
<u>Fund Balances</u>		
Fund Balance-Restricted	394,024	367,768
Total Fund Balances	<u>394,024</u>	<u>367,768</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>2,233,506</u>	<u>2,239,941</u>

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

	<u>Year Ended June 30</u>			<u>2020</u>
	<u>2021</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
<u>Revenues</u>				
<u>Local Property Tax Levy</u>				
Local Tax Levy	1,267,477	1,098,231	(169,246)	1,018,230
Total Local Property Tax Levy	1,267,477	1,098,231	(169,246)	1,018,230
<u>Other Local and County Revenues</u>				
Interest Income	9,616	1,756	(7,860)	10,378
Total Other Local and County Revenues	9,616	1,756	(7,860)	10,378
<u>Revenue From State Sources</u>				
Disparity Reduction	34,886	37,762	2,876	35,663
Market Value Credits	44,752	35,741	(9,011)	44,565
School Building Bond Ag Credit	513,496	688,496	175,000	462,061
Total Revenue From State Sources	593,134	761,999	168,865	542,289
Total Revenue	1,870,227	1,861,986	(8,241)	1,570,897
<u>Expenditures</u>				
<u>Fiscal and Other Fixed Cost Programs</u>				
Interest and Fiscal Charges	1,440,730	1,440,730		25,670
Principal	395,000	395,000		1,510,000
Total Expenditures	1,835,730	1,835,730	-0-	1,535,670
Excess Revenues (Expenditures)	34,497	26,256	(8,241)	35,227
Fund Balance-July 1		367,768		332,541
Fund Balance-June 30		394,024		367,768

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



	Audit	UFARS	Audit - UFARS
<u>01 GENERAL FUND</u>			
Total Revenues	<u>14,222,794</u>	<u>14,222,794</u>	<u>0</u>
Total Expenditures	<u>13,888,034</u>	<u>13,888,035</u>	<u>(1)</u>
Nonspendable:			
460 Non Spendable Fund Balance	127,930	127,930	0
Restricted/Reserve:			
401 Student Activities	107,396	107,396	0
403 Staff Development	356,103	356,103	0
424 Operating Capital	81,056	81,056	0
428 Learning & Development	36	36	0
438 Gifted & Talented	225,569	225,569	0
441 Basic Skills Programs	195,834	195,834	0
449 Safe Schools Levy	62,257	62,257	0
467 Long Term Facility Maintenance	114,247	114,246	1
472 Medical Assistance	3,355	3,355	0
Restricted:			
464 Restricted Fund Balance	7,315	7,315	0
Committed:			
418 Committed for Separation	73,075	73,075	0
Assigned:			
462 Assigned Fund Balance	21,766	21,766	0
Unassigned:			
422 Unassigned Fund Balance	5,245,863	5,245,864	(1)
<u>02 FOOD SERVICE</u>			
Total Revenues	<u>1,270,353</u>	<u>1,270,353</u>	<u>0</u>
Total Expenditures	<u>1,163,614</u>	<u>1,163,614</u>	<u>0</u>
Restricted:			
464 Restricted Fund Balance	605,753	605,753	0
<u>04 COMMUNITY SERVICE</u>			
Total Revenues	<u>472,282</u>	<u>472,282</u>	<u>0</u>
Total Expenditures	<u>319,809</u>	<u>319,809</u>	<u>0</u>
Restricted/Reserve:			
431 Community Education	245,668	245,668	0
432 Early Childhood and Family Education	189,118	189,118	0
444 Learning Readiness	15,217	15,217	0
Restricted:			
464 Restricted Fund Balance	13,806	13,805	1
<u>06 BUILDING CONSTRUCTION</u>			
Total Revenues	<u>175,252</u>	<u>175,252</u>	<u>0</u>
Total Expenditures	<u>19,205,620</u>	<u>19,205,620</u>	<u>0</u>
Restricted			
464 Restricted	4,192,153	4,192,153	0
<u>07 DEBT SERVICE</u>			
Total Revenues	<u>1,861,986</u>	<u>1,861,986</u>	<u>0</u>
Total Expenditures	<u>1,835,730</u>	<u>1,835,730</u>	<u>0</u>
Restricted:			
464 Restricted Fund Balance	394,024	394,024	0

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2021**



<u>Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>	<u>Federal Funding Source</u>
Through Minnesota Department of Education				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3,022	None	USDOA
National School Lunch Program	10.555	8,859	None	USDOA
Summer Food Service Program for Children	10.559	1,081,334	None	USDOA
Total Child Nutrition Cluster		1,093,215		
Food Distribution Cluster:				
Commodity Supplemental Food Program	10.565	51,928	None	USDOA
Special Education Cluster:				
Carl Perkins	84.048	2,222	None	USDOED
Title I, Part A	84.010A	252,093	None	USDOED
Special Education-Grants to States (IDEA, Part B)	84.027	21,778	None	USDOED
Total Federal Special Education Cluster		276,093		
Education Stabilization Cluster:				
Title II, Part A	84.367A	37,969	None	USDOED
Elementary and Secondary School Emergency Relief Fund	84.425D	222,719	None	USDOED
Governor's Emergency Education Relief Fund	84.425C	1,951	None	USDOED
Total Education Stabilization Cluster		262,639		
Title III	84.365A	3,500	None	USDOED
Title IV	84.424A	6,654	None	USDOED
Special Education Preschool Grant, Classroom				
Engagement Model	84.173A	3,129	None	USDOED
Coronavirus Relief Fund	21.019C	313,037	None	USDT
Pandemic EBT Administrative Costs	10.649	1,183	None	USDOA
Child and Adult Care Food Program	10.558	76,349	None	USDOA
Through Pipestone County Minnesota				
Coronavirus Relief Fund	21.019C	80,000	None	USDT
Through Gray Township Minnesota				
Coronavirus Relief Fund	21.019C	5,250	None	USDT
Through Sweet Township Minnesota				
Coronavirus Relief Fund	21.019C	7,575	None	USDT
Total		<u>2,180,552</u>		

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.



NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same CFDA numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The District did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

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

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Independent School District No. 2689, Pipestone Area Schools, Pipestone, 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. 2689's basic financial statements and have issued our report thereon dated November 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Independent School District No. 2689's internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Independent School District No. 2689's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2689's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Independent School District No. 2689's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Recommendations, as items 2021-001 and 2021-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Independent School District No. 2689's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the Independent School District No. 2689 failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for School District's*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Independent School District No. 2689's noncompliance with the above referenced provisions.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota



Independent School District No. 2689's Response to Findings

The Independent School District No. 2689's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. The Independent School District No. 2689's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

November 15, 2021

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INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To The Board of Education
Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 2869, Pipestone Area Schools, Pipestone, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Independent School District No. 2869's major federal programs for the year ended June 30, 2021. Independent School District No. 2689's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, federal statements, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Independent School District No. 2869's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Independent School District No. 2869's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Independent School District No. 2869's compliance.

Opinion on Each Major Federal Program

In our opinion, the Independent School District No. 2869, Pipestone Area Schools, Pipestone, Minnesota, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Independent School District No. 2869, Pipestone Area Schools, Pipestone, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2869's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Independent School District No. 2689's internal control over compliance.

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

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

Independent School District No. 2689
Pipestone Area Schools
Pipestone, Minnesota



Independent School District No. 2869's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Independent School District No. 2869's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

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

November 15, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

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SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).
Internal control over financial reporting:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? 	Yes, Audit Finding 2021-001 No
Noncompliance material to financial statements noted:	No

Federal Awards

Type of auditor’s report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
<ul style="list-style-type: none"> • Material weakness(es) identified? • Significant deficiency(ies) identified? 	No No
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	No

Identification of Major Programs

CFDA No:	10.558
Name of Federal Program or Cluster:	Child and Adult Care Food Program
CFDA No:	10.553
Name of Federal Program or Cluster:	Child Nutrition Cluster
CFDA No:	10.555
Name of Federal Program or Cluster:	Child Nutrition Cluster
CFDA No:	10.559
Name of Federal Program or Cluster:	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low risk auditee?	No
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021



SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented an internal control policy on November 17, 2008, that addresses the areas of segregation the district is lacking, including bank reconciliation, receipts, disbursements, payroll, journal entries, and budget. The policy utilizes staff and board members to ensure that segregation of duties occurs to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2021

Plan to monitor completion of CAP:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

SECTION II – FINANCIAL STATEMENT FINDINGS - CONTINUED

2021-002 GAAP Financial Statements

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

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it. Although the district will continue to have the auditor prepare the financial statements, the district implemented an internal control policy on November 17, 2008, that documents the annual review of the financial statements, disclosures and schedules.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2021

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2020-001 Internal Accounting Controls

Criteria: Internal control should include an adequate segregation of duties in the accounting functions.

Condition: Due to a limited number of office personnel, proper segregation of duties in the accounting functions is not always possible.

Cause: This condition is not unusual where staffing size can result in an improper segregation of duties. Management has determined that given the size and resource limitations the desirable level of segregation of duties necessary may not be feasible.

Effect: Without an adequate segregation of duties these are opportunities for errors or fraudulent activities to occur and remain undetected.

Recommendation: We recommend that the District's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff and encourage additional controls as they become available due to changes in staff, etc.

Corrective Action Plan (CAP)

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

Because it is economically infeasible to hire additional staff to adequately provide for the proper segregation of duties, the district implemented an internal control policy on November 17, 2008, that addresses the areas of segregation the district is lacking, including bank reconciliation, receipts, disbursements, payroll, journal entries, and budget. The policy utilizes staff and board members to ensure that segregation of duties occurs to the extent possible.

Official responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned completion date for CAP:

December 31, 2021

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
IN ACCORDANCE WITH THE UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2021

DRAFT

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS – CONTINUED

2020-001 Internal Accounting Controls - continued

Plan to monitor completion of CAP:

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

2020-002 GAAP Financial Statements

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

Criteria: Personnel in the District should prepare the financial statements in accordance with generally accepted accounting principles.

Condition: It was determined that the personnel lacked the necessary expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Cause: Personnel in the District do not have the experience or expertise to prepare the financial statements in accordance with generally accepted accounting principles.

Effect: As the District personnel were unable to prepare the financial statements in accordance with generally accepted accounting principles, the District had the audit firm assist with the preparation of the financial statements in accordance with generally accepted accounting principles.

Corrective Action Plan (CAP):

Evaluation of disagreement with audit findings:

There is no disagreement with the audit findings.

Actions planned in response to the finding:

The District has studied the situation and found that it is economically infeasible to hire or provide adequate training required to adequately prepare financial statements in accordance with generally accepted accounting principles. The cost benefit of providing the necessary training to acquire and maintain this expertise prohibits it.

Official Responsible for Ensuring CAP:

The District's Superintendent in conjunction with the Business Manager is the official responsible for ensuring corrective action.

Planned Completion Date for CAP:

December 31, 2021

Plan to Monitor Completion of CAP:

The Superintendent and Board of Education will monitor the internal control policy is being followed in relation to the annual review of the financial statements.