

**Independent School District No. 47
Sauk Rapids, Minnesota**

Basic Financial Statements

June 30, 2021



**Independent School District No. 47
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**Independent School District No. 47
Board of Education and Administration
June 30, 2021**

<u>Board of Education</u>	<u>Position</u>	<u>Term Expires</u>
Ryan Butkowski	Chairperson	December 31, 2024
Jan Solarz	Vice Chairperson	December 31, 2024
Lisa Braun	Clerk	December 31, 2022
Robyn Holthaus	Treasurer	December 31, 2022
Mark Hauck	Director	December 31, 2024
Tracy Morse	Director	December 31, 2024
Lisa Loidolt	Director	December 31, 2022
<u>Administration</u>		
Brad Bergstrom	Superintendent	
Tracey Fioreck	Director of Business Services	
Kari Pelzer	Controller	

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Basic Financial Statements

The management of Independent School District No. 47 is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the basic 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 District'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 basic 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 basic financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of June 30, 2021, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

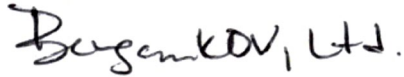
Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic 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 accompanying supplementary information identified in the Table of Contents and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



St. Cloud, Minnesota
October 29, 2021

Independent School District No. 47 Management's Discussion and Analysis

This section of Independent School District No. 47, Sauk Rapids-Rice Public Schools' annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's basic financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by GASB Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. GASB Statement No. 34 establishes reporting requirements that include basic financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

Comparative information between the current fiscal year and the prior fiscal year is presented in the MD&A.

Financial Summary

- Net position decreased by \$270,014.
- Overall governmental fund revenues and other financing sources were \$71,102,324 and expenses and other financing uses were \$80,164,991.
- The total fund balance of the General Fund decreased by \$1,638,358.
- The General Fund unassigned fund balance decreased by \$2,287,844.
- During the 2018-2019 school year, the school board approved a plan to limit and cap open enrollment of non-resident students to the school district. The district will have to closely monitor enrollment in the future.

Overview of the Basic Financial Statements

The financial section of the annual report consists of four parts – Independent Auditor's Report; required supplementary information, which includes the MD&A (this section); the basic financial statements and the supplementary information. The basic financial statements include several statements that present different views of the District:

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

Independent School District No. 47 Management's Discussion and Analysis

Overview of the Basic Financial Statements (Continued)

- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

The basic financial statements also include notes that explain some of the information in the statements and provide more detailed data.

District-Wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information following the governmental funds statements that explains the relationship (or differences) between them.

- **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 by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**Independent School District No. 47
Management's Discussion and Analysis**

Overview of the Basic Financial Statements (Continued)

Net Position

The District's combined net position was \$23,166,939 on June 30, 2021, (see details in Table A-1). This was a decrease of \$270,014 from June 30, 2020.

**Statement of Net Position
As of June 30, 2021
Table A-1**

	Governmental Activities		Percentage Change
	2021	2020	
Assets			
Total current assets	\$ 80,659,374	\$ 89,446,421	-9.82%
Total capital assets	77,768,015	64,831,120	19.95%
Total assets	<u>158,427,389</u>	<u>154,277,541</u>	<u>2.69%</u>
Deferred Outflows of Resources			
	<u>18,543,760</u>	<u>27,945,632</u>	<u>-33.64%</u>
Total assets and deferred outflows of resources	<u>\$ 176,971,149</u>	<u>\$ 182,223,173</u>	<u>-2.88%</u>
Liabilities			
Current liabilities	\$ 14,105,881	\$ 13,440,146	4.95%
Long-term liabilities	103,977,523	97,680,416	6.45%
Total liabilities	<u>118,083,404</u>	<u>111,120,562</u>	<u>6.27%</u>
Deferred Inflows of Resources			
	<u>35,720,806</u>	<u>47,665,658</u>	<u>-25.06%</u>
Net Position			
Net investment in capital assets	36,691,402	32,462,849	13.03%
Restricted amounts	9,114,509	8,480,215	7.48%
Unrestricted amounts	<u>(22,638,972)</u>	<u>(17,506,111)</u>	<u>29.32%</u>
Total net position	<u>23,166,939</u>	<u>23,436,953</u>	<u>-1.15%</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 176,971,149</u>	<u>\$ 182,223,173</u>	<u>-2.88%</u>

**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Change in Net Position

In Table A-2, Change in Net Position, operations are reported on a district-wide basis with no reference to funds.

**Change in Net Position
Table A-2**

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2021	2020	
Revenues			
Program revenues			
Charges for services	\$ 2,328,671	\$ 3,978,224	-41.46%
Operating grants and contributions	18,358,713	15,944,749	15.14%
Capital grants and contributions	1,962,450	1,951,796	0.55%
General revenues			
Property taxes	10,355,374	8,903,757	16.30%
State aid-formula grants	31,794,814	31,288,374	1.62%
Other	268,486	129,014	108.11%
Investment income	245,289	839,010	-70.76%
Total revenues	<u>65,313,797</u>	<u>63,034,924</u>	<u>3.62%</u>
Expenditures			
Administration	\$ 2,085,796	\$ 2,045,965	1.95%
District support services	2,271,170	2,144,880	5.89%
Elementary and secondary regular education	24,824,790	22,769,494	9.03%
Vocational education instruction	868,352	577,897	50.26%
Special education instruction	13,346,088	12,232,583	9.10%
Instructional support services	3,514,855	4,524,558	-22.32%
Pupil support services	4,883,853	5,490,226	-11.04%
Sites and buildings	7,046,305	5,439,327	29.54%
Fiscal and other fixed cost programs	208,116	193,047	7.81%
Food service	2,173,233	2,381,736	-8.75%
Community service	1,472,216	1,508,508	-2.41%
Unallocated depreciation	30,585	1,978,641	-98.45%
Interest and fiscal charges on long-term debt	1,500,808	1,264,174	18.72%
Total expenditures	<u>64,226,167</u>	<u>62,551,036</u>	<u>2.68%</u>
Change in net position	1,087,630	483,888	124.77%
Beginning of year net position	23,436,953	22,751,638	
Change in accounting principle	(1,357,644)	201,427	
Beginning of year net position, as restated	<u>22,079,309</u>	<u>22,953,065</u>	<u>-3.81%</u>
Ending of year net position	<u>\$ 23,166,939</u>	<u>\$ 23,436,953</u>	<u>-1.15%</u>

The District's total revenues were \$65,313,797 for the year ended June 30, 2021. Property taxes and state aids accounted for 16% and 49%, respectively, of total revenues. For the fiscal year ended June 30, 2021, the overall percentage of revenue funds received from state aid has remained similar to the previous year (see Figure A-1).

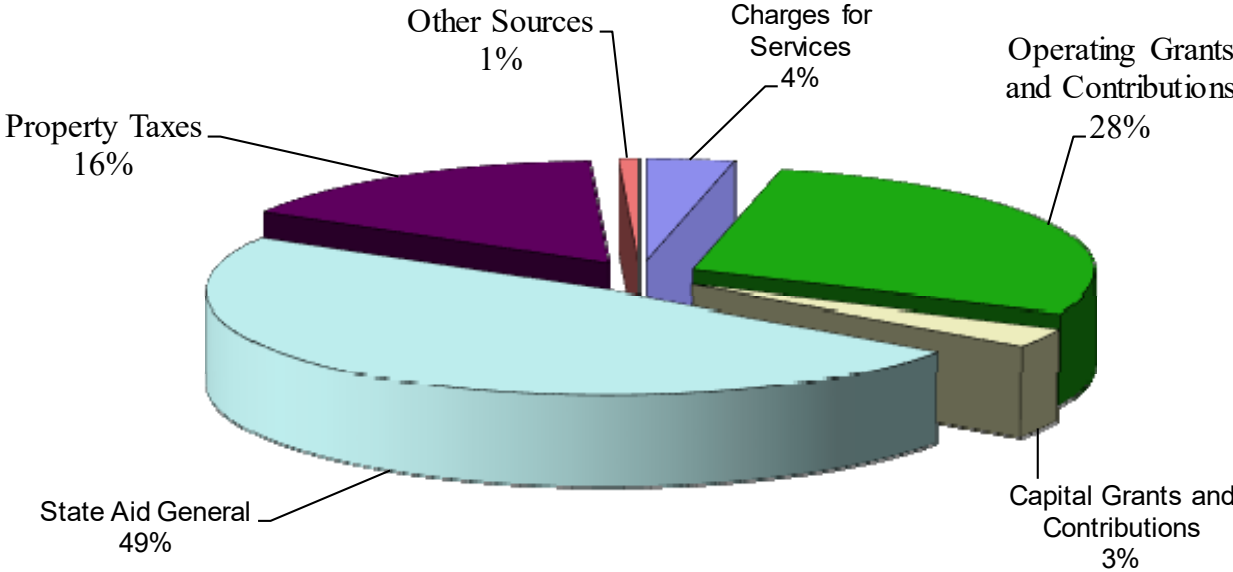
**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Change in Net Position (Continued)

The total costs of all programs and services were \$64,226,167. Most of these costs are instruction, special education services and pupil support services, 40%, 21% and 8%, respectively (see Figure A-2). The majority of District expenditures in operating areas are for human resources. Salaries and benefits make up approximately 77% of total expenditures. Many of the other operational costs are fixed costs, such as utilities and core supplies.

Figure A-1 Sources of District's Revenues for Fiscal 2021

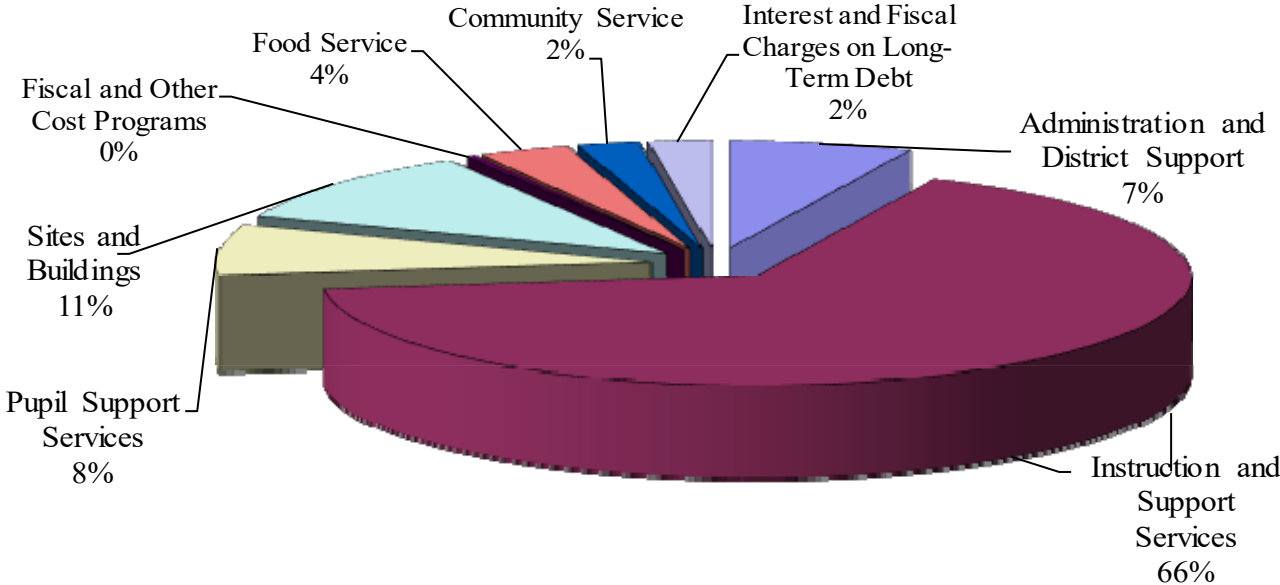


**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Change in Net Position (Continued)

Figure A-2 District Expenses for Fiscal 2021



**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Change in Net Position (Continued)

The net cost of governmental activities is the total cost less program revenues applicable to each category. All governmental activities include not only funds received for the general operation of the District, but also include resources from the entrepreneurial-type funds of Food Service and Community Education. Funding for the general operation of the District is controlled by the State and the District does not have the latitude to allocate money received in Food Service or Community Education for the fiscal services to enhance general operation resources. Table A-3 presents these costs.

**Net Cost of Governmental Activities
Table A-3**

	Total Cost of Services		Total Percentage Change	Net Cost of Services		Total Percentage Change
	2021	2020	2021-2020	2021	2020	2021-2020
Administration	\$ 2,085,796	\$ 2,045,965	1.95%	\$ 2,085,796	\$ 2,045,965	1.95%
District Support Services	2,271,170	2,144,880	5.89%	2,271,170	2,144,880	5.89%
Elementary and Secondary						
Regular Education	24,824,790	22,769,494	9.03%	20,219,693	17,449,077	15.88%
Vocational Education Instruction	868,352	577,897	50.26%	800,103	460,175	73.87%
Special Education Instruction	13,346,088	12,232,583	9.10%	4,046,076	4,073,525	-0.67%
Instructional Support Services	3,514,855	4,524,558	-22.32%	2,502,922	3,898,834	-35.80%
Pupil Support Services	4,883,853	5,490,226	-11.04%	2,802,410	3,143,860	-10.86%
Sites and Buildings	7,046,305	5,439,327	29.54%	4,814,658	3,404,653	41.41%
Fiscal and Other Fixed						
Cost Programs	208,116	193,047	7.81%	208,116	193,047	7.81%
Food Service	2,173,233	2,381,736	-8.75%	(87,407)	220,050	-139.72%
Community Service	1,472,216	1,508,508	-2.41%	381,403	399,386	-4.50%
Depreciation - Unallocated	30,585	1,978,641	-98.45%	30,585	1,978,641	-98.45%
Interest and Fiscal Charges on						
Long-Term Debt	1,500,808	1,264,174	18.72%	1,500,808	1,264,174	18.72%
Total	\$ 64,226,167	\$ 62,551,036	2.68%	\$ 41,576,333	\$ 40,676,267	2.21%

The increase of total cost of services and net cost of services is primarily due to increased salary and benefit packages, inflation and additional expenses related to mitigation strategies for the COVID-19 pandemic.

**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Fund Balance

The financial performance of the District as a whole is reflected in its governmental funds. As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$62,192,713, an overall decrease of \$9,062,667. The large decrease seen during the year is related to the construction of the new Pleasantview Elementary School in the Capital Projects Fund. The General Fund decreased by \$1,638,358, which is related to the decrease in pupil units as a result of enrollment policies and increased expenditures. The Food Service fund balance increased by \$19,876. The Community Service fund had an overall decrease to fund balance of \$33,563. The Debt Service fund was stable, ending the year with a decrease in fund balance of \$13,608.

General Fund

The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 and beyond, including transportation services and capital outlay projects.

General Fund Revenues are outlined in Table A-4 below:

**Summary of General Fund Revenues
Table A-4**

	June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
Local Sources				
Property taxes	\$ 4,486,301	\$ 4,149,819	\$ 336,482	8.11%
Other	1,781,682	2,877,311	(1,095,629)	-38.08%
State sources	46,387,573	45,483,824	903,749	1.99%
Federal sources	2,623,028	1,266,609	1,356,419	107.09%
Sales and other conversion of assets	140,244	234,256	(94,012)	-40.13%
 Total General Fund revenue	 <u>\$ 55,418,828</u>	 <u>\$ 54,011,819</u>	 <u>\$ 1,407,009</u>	 <u>2.61%</u>

Total General Fund revenue increased by \$1,407,009, or 2.61%, from the previous year. The main reason for the increase was due to federal funds received by the District to meet the needs and challenges related to COVID-19.

General fund revenue is received in two major categories as follows:

1. State Education Finance Appropriations
 - a. General Education Aid – The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program and is enrollment driven.

**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

General Fund (Continued)

1. State Education Finance Appropriations (Continued)
 - b. Categorical Aids – Categorical revenue formulas are used to meet costs of that program (i.e., special education) or promote certain types of programs (i.e., career and technical aid, staff development, operating capital, long-term facilities maintenance).
2. Property Tax Levies
 - a. The largest share of the levy is from board-approved local optional revenue, which is also enrollment driven.

General Fund Expenditures are itemized in Table A-5:

**Summary of General Fund Expenditures
Table A-5**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2021	June 30, 2020		
Salaries	\$ 33,123,709	\$ 31,831,404	\$ 1,292,305	4.06%
Employee benefits	10,701,257	9,315,606	1,385,651	14.87%
Purchased services	6,892,857	6,545,589	347,268	5.31%
Supplies, material, and equipment	2,777,199	3,101,946	(324,747)	-10.47%
Other expenditures	3,532,449	7,103,605	(3,571,156)	-50.27%
 Total expenditures	 \$ 57,027,471	 \$ 57,898,149	 \$ (870,679)	 -1.50%

Total General Fund expenditures decrease by \$870,679 or 1.50% from the prior year. The decrease can be attributed the Safe & Secure Entrance Project, replacement of portable classroom that was expensed in fiscal year 2020.

Salaries expense increased mainly as a result of factors including employee longevity, education, pay rates and other items included in bargaining agreements, statutory increases in TRA employer contributions, and rising insurance premiums. The District continues to look at various strategies to minimize the impact of rising health insurance premiums through investigating plan design and increasing employee education.

Purchased services and supplies, materials, and equipment consist of expenditures for fees for service, postage, utilities, diesel and gasoline, property insurance, maintenance repairs, leases, travel, telephone, tuition, contracted transportation, instructional supplies, textbooks, as well as capital expenditures such as, equipment, technology equipment, and building improvements.

**Independent School District No. 47
Management's Discussion and Analysis**

Financial Analysis of the District as A Whole (District-Wide Financial Statements) (Continued)

Budgetary Highlights

During the year ended June 30, 2021, the District revised its operating budget one time. The original budget was adopted in June of 2020 (a budget must be in place prior to the beginning of the fiscal year on July 1). The final budget was adopted in March of 2021. The final budget encompasses known changes due to student enrollment, staffing levels and other significant information items that are estimates. A similar revision is made each year for the same reasons.

The District's final budget for the General Fund anticipated that expenditures would exceed revenues by \$1,998,533. The actual results for the year show that expenditures exceeded revenues by \$1,608,643. Reasons for the difference between budget and actual include:

- Increase in revenue related to summer programming that was released after the revised budget was completed.
- The District also utilized federal special education funds to pay the cost of tuition bills for students that received services from other district, allowing the district to maximize its special education funding.
- The District also invested additional resources into summer school programming and vocational programs.

Capital Assets and Debt Administration

Capital Assets

The District investment in capital assets for its governmental activities equates to \$77,768,015 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery, and equipment (see Table A-6). Additional information on capital assets can be found in Note 3 of this report.

**Capital Assets - Governmental Activities
Table A-6**

	2021	2020	Percent Change 2020-2019
Land and land improvements	\$ 8,352,958	\$ 7,351,958	13.62%
Construction in progress	20,912,489	7,272,753	187.55%
Buildings	86,430,091	84,906,877	1.79%
Equipment	6,451,729	8,626,924	-25.21%
Less accumulated depreciation	(44,379,252)	(43,327,392)	2.43%
Total	\$ 77,768,015	\$ 64,831,120	19.95%

**Independent School District No. 47
Management's Discussion and Analysis**

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of \$68,606,664. Additional information on long-term debt can be found in Note 5 of this report.

**Outstanding Long-Term Liabilities
Table A-7**

	Total School District		Percent
	2021	2020	Change 2021-2020
G. O. Bonds payable	\$ 62,905,000	\$ 61,265,000	2.68%
Capital lease obligations	727,438	1,155,267	-37.03%
Premium/issuance costs	4,583,414	4,832,862	-5.16%
Compensated absences and severance payable	390,812	393,946	-0.80%
 Total	 \$ 68,606,664	 \$ 67,647,075	 1.42%

State Economic Factors and Next Year's Budget

- The budget for the 2021-2022 fiscal year was completed using the latest funding information available from the State Legislature at the time of the adoption of the budget, which occurred prior to June 30, 2020.
- COVID-19 has and will continue to have a significant impact on budgets and expenditures.
- Anticipated increases in the cost of operation of all facilities were taken into consideration in the budget development process.
- A budget revision will be done mid-year to reflect all known and anticipated changes to the budget as of that date.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Independent School District No. 47 Sauk Rapids-Rice Public Schools, Attention: Director of Business Services, 1833 Osauka Road, Sauk Rapids, Minnesota, 56379.

BASIC FINANCIAL STATEMENTS

Independent School District No. 47
Statement of Net Position
June 30, 2021

	Governmental Activities
Assets	
Cash and investments	\$ 68,902,563
Current property taxes receivable	4,891,639
Delinquent property taxes receivable	180,359
Accounts receivable	24,863
Interest receivable	2,805
Due from Department of Education	4,984,705
Due from Federal Government through Department of Education	875,842
Due from other Minnesota school districts	711,536
Due from other governmental units	7,778
Inventory	57,772
Prepaid items	19,512
Capital assets not being depreciated	
Land	2,165,189
Construction in progress	20,912,489
Capital assets less: accumulated depreciation	
Buildings	86,430,091
Land improvements	6,187,769
Equipment	6,451,729
Less accumulated depreciation	<u>(44,379,252)</u>
Total assets	<u>158,427,389</u>
Deferred Outflows of Resources	
Deferred outflows of resources related to pensions	18,156,755
Deferred outflows of resources related to OPEB	<u>387,005</u>
Total deferred outflows of resources	<u>18,543,760</u>
Total assets and deferred outflows of resources	<u>\$ 176,971,149</u>
Liabilities	
Accounts payable	\$ 598,851
Contracts payable	689,613
Salaries and benefits payable	6,291,746
Interest payable	901,083
Due to other Minnesota school districts	484,899
Due to other governmental units	444
Unearned revenue	146,177
Bond principal payable, net of premium	
Payable within one year	4,240,000
Payable after one year	63,248,414
Capital lease payable	
Payable within one year	428,331
Payable after one year	299,107
Compensated absences payable	
Payable within one year	324,737
Payable after one year	66,075
Total other post employment benefits (OPEB) liability	2,690,234
Net pension liability	<u>37,673,693</u>
Total liabilities	<u>118,083,404</u>
Deferred Inflows of Resources	
Property taxes levied for subsequent year's expenditures	10,142,443
Deferred inflows of resources related to deferred charge on refunding	658,575
Deferred inflows of resources related to pensions	24,687,319
Deferred inflows of resources related to OPEB	<u>232,469</u>
Total deferred inflows of resources	<u>35,720,806</u>
Net Position	
Net investment in capital assets	36,691,402
Restricted for	
Debt service	580,599
Other purposes	8,533,910
Unrestricted	<u>(22,638,972)</u>
Total net position	<u>23,166,939</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 176,971,149</u>

Independent School District No. 47
Statement of Activities
Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
					Governmental Activities
Governmental activities					
Administration	\$ 2,085,796	\$ -	\$ -	\$ -	\$ (2,085,796)
District support services	2,271,170	-	-	-	(2,271,170)
Elementary and secondary regular instruction	24,824,790	934,352	3,670,745	-	(20,219,693)
Vocational education instruction	868,352	288	67,961	-	(800,103)
Special education instruction	13,346,088	578,409	8,721,603	-	(4,046,076)
Instructional support services	3,514,855	-	1,011,933	-	(2,502,922)
Pupil support services	4,883,853	-	2,081,443	-	(2,802,410)
Sites and buildings	7,046,305	15,063	310,433	1,906,151	(4,814,658)
Fiscal and other fixed cost programs	208,116	-	-	-	(208,116)
Food service	2,173,233	162,187	2,042,154	56,299	87,407
Community education and services	1,472,216	638,372	452,441	-	(381,403)
Unallocated depreciation	30,585	-	-	-	(30,585)
Interest and fiscal charges on long-term debt	1,500,808	-	-	-	(1,500,808)
Total governmental activities	\$ 64,226,167	\$ 2,328,671	\$ 18,358,713	\$ 1,962,450	(41,576,333)
General revenues					
Taxes					
Property taxes, levied for general purposes					4,470,762
Property taxes, levied for community services					270,543
Property taxes, levied for debt service					5,614,069
State aid-formula grants					31,794,814
Other general revenues					268,486
Investment income					245,289
Total general revenues					<u>42,663,963</u>
Change in net position					1,087,630
Net position - beginning					23,436,953
Change in accounting principle (Note 10)					<u>(1,357,644)</u>
Net position - beginning, as restated					<u>22,079,309</u>
Net position - ending					<u>\$ 23,166,939</u>

See notes to basic financial statements.

Independent School District No. 47
Balance Sheet - Governmental Funds
June 30, 2021

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments	\$ 35,074,806	\$ 4,394,287	\$ 27,742,720	\$ 1,690,750	\$ 68,902,563
Current property taxes receivable	2,004,883	2,761,399	-	125,357	4,891,639
Delinquent property taxes receivable	78,321	95,463	-	6,575	180,359
Accounts receivable	18,706	-	-	6,157	24,863
Interest receivable	1,683	-	1,122	-	2,805
Due from Department of Education	4,913,034	37,831	-	33,840	4,984,705
Due from Federal Government through Department of Education	749,336	-	-	126,506	875,842
Due from other Minnesota school districts	570,498	-	-	141,038	711,536
Due from other governmental units	7,778	-	-	-	7,778
Inventory	-	-	-	57,772	57,772
Prepaid items	19,512	-	-	-	19,512
Total assets	\$ 43,438,557	\$ 7,288,980	\$ 27,743,842	\$ 2,187,995	\$ 80,659,374
Liabilities					
Accounts payable	\$ 418,616	\$ -	\$ 4,020	\$ 176,215	\$ 598,851
Contracts payable	20,167	-	669,446	-	689,613
Salaries and benefits payable	6,070,535	-	-	221,211	6,291,746
Due to other Minnesota school districts	484,899	-	-	-	484,899
Due to other governmental units	444	-	-	-	444
Unearned revenue	61,676	-	-	84,501	146,177
Total liabilities	7,056,337	-	673,466	481,927	8,211,730
Deferred Inflows of Resources					
Unavailable revenue - delinquent property taxes	49,815	58,134	-	4,539	112,488
Property taxes levied for subsequent year's expenditures	4,052,157	5,815,603	-	274,683	10,142,443
Total deferred inflows of resources	4,101,972	5,873,737	-	279,222	10,254,931
Fund Balances					
Nonspendable	19,512	-	-	57,772	77,284
Restricted	7,102,525	1,415,243	27,070,376	1,369,074	36,957,218
Committed	2,087,662	-	-	-	2,087,662
Assigned	3,738,043	-	-	-	3,738,043
Unassigned	19,332,506	-	-	-	19,332,506
Total fund balances	32,280,248	1,415,243	27,070,376	1,426,846	62,192,713
Total liabilities, deferred inflows of resources, and fund balances	\$ 43,438,557	\$ 7,288,980	\$ 27,743,842	\$ 2,187,995	\$ 80,659,374

Independent School District No. 47
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
June 30, 2021

Total fund balances - governmental funds \$ 62,192,713

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	122,147,267
Less accumulated depreciation	(44,379,252)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(62,905,000)
Capital lease payable	(727,438)
Unamortized premium	(4,583,414)
Compensated absences payable	(390,812)
Total OPEB liability	(2,690,234)
Net pension liability	(37,673,693)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred outflows of resources related to pensions	18,156,755
Deferred inflows of resources related to pensions	(24,687,319)
Deferred outflows of resources related to OPEB	387,005
Deferred inflows of resources related to OPEB	(232,469)

Deferred charges are not recognized in the governmental funds but amortized over the life of the debt in the Statement of Activities.

(658,575)

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

112,488

Governmental funds do not report a liability for accrued interest on bonds and capital leases until due and payable.

(901,083)

Total net position - governmental activities

\$ 23,166,939

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended June 30, 2021

	General	Debt Service	Capital Projects	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 4,486,301	\$ 5,615,698	\$ -	\$ 279,195	\$ 10,381,194
Other local and county revenues	1,781,682	2,307	216,689	703,691	2,704,369
Revenue from state sources	46,387,573	378,308	-	406,454	47,172,335
Revenue from federal sources	2,623,028	-	-	2,082,175	4,705,203
Sales and other conversion of assets	140,244	-	-	162,187	302,431
Total revenues	<u>55,418,828</u>	<u>5,996,313</u>	<u>216,689</u>	<u>3,633,702</u>	<u>65,265,532</u>
Expenditures					
Current					
Administration	1,980,649	-	-	-	1,980,649
District support services	2,251,960	-	-	-	2,251,960
Elementary and secondary regular instruction	22,852,905	-	-	-	22,852,905
Vocational education instruction	790,849	-	-	-	790,849
Special education instruction	12,610,183	-	-	-	12,610,183
Instructional support services	3,266,393	-	-	-	3,266,393
Pupil support services	4,637,000	-	-	-	4,637,000
Sites and buildings	5,210,265	-	3,350,745	-	8,561,010
Fiscal and other fixed cost programs	208,116	-	-	-	208,116
Food service	-	-	-	2,140,227	2,140,227
Community education and services	-	-	-	1,375,771	1,375,771
Capital outlay					
Administration	36,085	-	-	-	36,085
District support services	685	-	-	-	685
Elementary and secondary regular instruction	14,174	-	-	-	14,174
Special education instruction	38,679	-	-	-	38,679
Instructional support services	38,142	-	-	-	38,142
Pupil support services	61,891	-	-	-	61,891
Sites and buildings	2,592,566	-	10,089,862	-	12,682,428
Food service	-	-	-	100,911	100,911
Debt service					
Principal	427,829	3,735,000	-	-	4,162,829
Interest and fiscal charges	9,100	2,274,921	33,437	-	2,317,458
Total expenditures	<u>57,027,471</u>	<u>6,009,921</u>	<u>13,474,044</u>	<u>3,616,909</u>	<u>80,128,345</u>
Excess of revenues over (under) expenditures	(1,608,643)	(13,608)	(13,257,355)	16,793	(14,862,813)
Other Financing Sources (Uses)					
Proceeds from sale of assets	6,931	-	-	-	6,931
Bond issuance	-	-	5,375,000	-	5,375,000
Bond premium	-	-	418,215	-	418,215
Transfers in	-	-	-	36,646	36,646
Transfers out	(36,646)	-	-	-	(36,646)
Total other financing sources (uses)	<u>(29,715)</u>	<u>-</u>	<u>5,793,215</u>	<u>36,646</u>	<u>5,800,146</u>
Net change in fund balances	(1,638,358)	(13,608)	(7,464,140)	53,439	(9,062,667)
Fund Balances					
Beginning of year	33,918,606	1,428,851	34,534,516	1,373,407	71,255,380
End of year	<u>\$ 32,280,248</u>	<u>\$ 1,415,243</u>	<u>\$ 27,070,376</u>	<u>\$ 1,426,846</u>	<u>\$ 62,192,713</u>

Independent School District No. 47
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the
Statement of Activities - Governmental Funds
Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ (9,062,667)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	16,730,886
Depreciation expense	(2,419,538)
Disposal of capital assets	(16,809)
Compensated absences are recognized as paid in the governmental funds but recognized as the loss is incurred in the Statement of Activities.	
	3,134
OPEB are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	
	(272,178)
Principal payments on long-term debt are recognized as expenditures in the governmental funds but an increase in the net position in the Statement of Activities.	
	4,162,829
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	2,637
Bond premiums and deferred charges on refunding's are amortized on the Statement of Activities, whereas governmental funds record the entire amount at the time of issuance.	
	395,798
Proceeds from the issuance of bonds and capital leases are recognized as an other financing source in the governmental funds but as a liability on the Statement of Net Position.	
Bond issuance	(5,375,000)
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.	
	(3,035,642)
Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the funds.	
	<u>(25,820)</u>
Change in net position - governmental activities	<u>\$ 1,087,630</u>

Independent School District No. 47
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
Revenues				
Local property taxes	\$ 4,408,290	\$ 4,408,290	\$ 4,486,301	\$ 78,011
Other local and county revenues	2,504,802	2,248,498	1,781,682	(466,816)
Revenue from state sources	50,564,301	45,448,626	46,387,573	938,947
Revenue from federal sources	1,095,770	2,372,816	2,623,028	250,212
Sales and other conversion of assets	-	-	140,244	140,244
Total revenues	58,573,163	54,478,230	55,418,828	940,598
Expenditures				
Current				
Administration	1,924,144	1,953,091	1,980,649	27,558
District support services	2,300,241	2,300,160	2,251,960	(48,200)
Elementary and secondary regular instruction	22,086,975	22,088,169	22,852,905	764,736
Vocational education instruction	869,911	872,125	790,849	(81,276)
Special education instruction	12,296,132	11,885,507	12,610,183	724,676
Instructional support services	1,284,306	3,575,663	3,266,393	(309,270)
Pupil support services	5,595,191	5,147,498	4,637,000	(510,498)
Sites and buildings	8,505,332	5,018,037	5,210,265	192,228
Fiscal and other fixed cost programs	377,373	488,250	208,116	(280,134)
Capital outlay				
Administration	-	40,000	36,085	(3,915)
District support services	2,000	3,000	685	(2,315)
Elementary and secondary regular instruction	-	25,000	14,174	(10,826)
Special education instruction	74,436	74,436	38,679	(35,757)
Instructional support services	-	-	38,142	38,142
Pupil support services	38,722	100,722	61,891	(38,831)
Sites and buildings	2,285,000	2,468,176	2,592,566	124,390
Debt service				
Principal	427,829	427,829	427,829	-
Interest and fiscal charges	9,100	9,100	9,100	-
Total expenditures	58,076,692	56,476,763	57,027,471	550,708
Excess of revenues under expenditures	496,471	(1,998,533)	(1,608,643)	389,890
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	5,900	6,931	1,031
Transfers out	-	(363,074)	(36,646)	326,428
Total other financing sources (uses)	-	(357,174)	(29,715)	327,459
Net change in fund balances	\$ 496,471	\$ (2,355,707)	(1,638,358)	\$ 717,349
Fund Balances				
Beginning of year			33,918,606	
End of year			\$ 32,280,248	

**Independent School District No. 47
Statement of Fiduciary Net Position
June 30, 2021**

	Custodial Fund	Private Purpose Trust Fund
Assets		
Current		
Cash and cash equivalents	\$ 44,005	\$ 32,819
Liabilities		
Accounts payable	7,600	-
Net position		
Restricted for student activities	4,672	-
Restricted for grants	30,833	-
Restricted scholarships	900	32,819
Total net position	\$ 36,405	\$ 32,819

**Statement of Changes in Fiduciary Net Position
Year Ended June 30, 2021**

	Custodial Fund	Private Purpose Trust Fund
Additions		
Program Revenues	\$ 4,885	\$ -
Investment income	-	40
Total additions	4,885	40
Deductions		
Program Expense	1,391	-
Total deductions	1,391	-
Change in net position	3,494	40
Net Position		
Beginning of year	32,911	32,779
End of year	\$ 36,405	\$ 32,819

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Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District operates under a school board form of government for the purpose of providing educational services to individuals within the District areas. The governing body consists of a seven member board elected by the voters of the District to serve four-year terms.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the more significant policies.

A. Reporting Entity

The basic financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the District are financially accountable and are included within the basic financial statements of the District because of the significance of their operational or financial relationships with the District.

The District is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the District.

As a result of applying the component unit definition criteria above, it has been determined the District has no component units.

The student activity accounts of the District are under board control and are not reported separately.

1. Joint Powers Agreement

The District has entered into a joint powers agreement to form the Central Minnesota Area Learning Center (ALC). Other member school districts include Independent School District No. 51, Foley; Independent School District No. 738, Holdingford; Independent School District No. 739, Kimball; Independent School District No. 742, St. Cloud and Independent School District No. 748, Sartell. The agreement establishes an area learning center to provide, by cooperative effort, increased educational opportunities for member students.

The agreement establishes a Joint Powers ALC Board, which consists of one representative appointed by each member district school board. Each district is entitled to one vote. Independent School District No. 742, St. Cloud, has been identified as the fiscal host district which, on behalf of the member districts, applies, receives, and administers educational funding that is appropriate to an area learning center. The care, management, and control of the Central Minnesota ALC are vested in the Joint Powers ALC Board. Any funding received by the Central Minnesota ALC is passed through to the member districts except for a 4% administrative fee and an additional joint powers fee allocation.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

1. Joint Powers Agreement (Continued)

A copy of the basic financial statements of the Central Minnesota ALC may be obtained by writing in care of Independent School District No. 47, 1833 NE Osauka Road, Sauk Rapids, Minnesota 56379.

The Joint Power Agreement was dissolved on June 30, 2021.

B. Basic Financial Statement Information

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

Depreciation expense that can be specifically identified by function is included in the direct expenses of that function. Depreciation expense relating to assets that serve multiple functions is presented as unallocated depreciation in the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. The effect of interfund activity has been removed from these statements.

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Private Purpose Trust and Custodial Funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the District; these funds are not incorporated into the government-wide statements.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary 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. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting transactions are recorded in the following manner.

1. Revenue Recognition

Revenue is recognized when it becomes measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to *Minnesota Statutes* and accounting principles generally accepted in the United States of America. *Minnesota Statutes* include state aid funding formulas for specific years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue is considered available if collected within 60 days.

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. The exceptions to this general rule are that interest and principal expenditures in the Debt Service Fund, compensated absences and claims and judgments are recognized when payment is due.

The District applies resources in the following order when an expenditure is incurred for a purpose for which both restricted and unrestricted fund balances are available: restricted, committed, assigned, and unassigned.

Description of Funds:

Major Funds:

General Fund – This fund is the basic operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and payment of, general obligation (G.O.) bond and state loan principal, interest, and related costs.

Capital Projects Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities authorized by bond issue.

Nonmajor Funds:

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

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Description of Funds (Continued):

Nonmajor Funds (Continued):

Community Service Special Revenue Fund – This fund is used to account for services provided to residents in the areas of community education, school readiness, early childhood and family education, or other similar services.

Fiduciary Funds:

Custodial Fund – This fund is used to account for resources received and held by the District for student activities, scholarships and grants.

Trust Fund – This fund is used to account for resources received and held by the District in a trustee capacity to be used in making scholarship awards.

D. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments held by investment pools are measured at amortized cost.

Cash and investments at June 30, 2021, were comprised of deposits, shares in the Minnesota School District Liquid Asset Fund (MSDLAF), brokered cash, mutual funds, and fixed income securities. MSDLAF Shares, brokered cash and mutual funds are valued at amortized cost, which approximates fair value.

Minnesota Statutes require all deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds.

Minnesota Statutes authorizes the District to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Deposits and Investments (Continued)

In accordance with GASB Statement No. 79, the various MSDLAF securities, brokered cash, and mutual funds are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the MSDLAF Liquid Shares, the brokered cash, or the mutual funds. Investments in the MSDLAF MAX must be deposited for a minimum of 14 calendar days with the exception of direct investments of funds distributed by the State of Minnesota. Withdrawals prior to the 14-day restriction period may be subject to a penalty and there is a 24 hour hold on all requests for redemptions.

E. Property Tax Receivable

Current property taxes receivable are recorded for taxes certified the previous December and collectible in the current calendar year, which have not been received by the District. Delinquent property taxes receivable represent uncollected taxes for the past six years, and are deferred and included in the deferred inflows of resources section of the fund financial statements as unavailable revenue because they are not available to finance the operations of the District in the current year.

F. Property Taxes Levied for Subsequent Year's Expenditures

Property taxes levied for subsequent year's expenditures consist principally of property taxes levied in the current year which will be collected and recognized as revenue in the District's following year to properly match those revenues with the budgeted expenditures for which they were levied. This amount is equal to the amount levied by the School Board in December 2020, less various components and their related adjustments as mandated by the state. These portions of that levy were recognized as revenue in the fiscal year 2021. The remaining portion of the levy will be recognized when measurable and available.

G. Inventories

Inventories of commodities donated directly by the U.S. Department of Agriculture are recorded at market value. Other inventories are stated at cost as determined on a first-in, first-out (FIFO) basis. Inventories are recorded as expenditures when consumed rather than when purchased.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

I. Property Taxes

The District levies its property tax during the month of December. December 28 is the last day the District can certify a tax levy to the County Auditor. Such taxes become a lien on January 1. The property tax is recorded as revenue when it becomes measurable and available. Benton County is the collecting agency for the levy and remit(s) the collections to the District three times a year. The Tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Delinquent collections for November and December are received the following January.

A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the basic financial statements.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets

Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements.

Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purpose. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

K. 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 represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. Deferred outflows of resources related to pensions, and deferred outflows of resources related to OPEB are reported in the government-wide Statement of Net Position. Deferred outflows of resources related to pensions is recorded for various estimate differences that will be amortized and recognized over future years. Deferred outflows of resources related to OPEB is recorded for various estimate differences that will be amortized and recognized over future years.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the Statement of Financial Position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 five types of items which qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide Statement of Net Position and the Governmental Funds Balance Sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred inflows of resources related to pensions is recorded on the government-wide statements for various estimate differences that will be amortized and recognized over future years. Deferred inflows of resources related to OPEB is recorded on the government wide statements for various estimate differences that will be amortized and recognized over future years.

L. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

M. Compensated Absences

The District compensates various full-time classified employees upon termination of employment for unused vacation time. The accumulated liability for unpaid vacation benefits was \$308,218 as of June 30, 2021. Vacation benefits expected to be paid within one year are recorded as a current obligation.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Compensated Absences (Continued)

District classified employees are entitled to sick leave at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment, unless taken in conjunction with severance pay as described in Note 1.N.

Certain classified employees who have 15 years of continuous service of at least 1,000 work hours a year with the District and have attained the age of 55 years receive severance pay based on 50% of unused sick leave of the maximum of 120 days.

Certain clerical employees who have at least 15 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

Certain custodians who have at least 20 years of continuous service of at least 1,000 work hours a year with the District receive severance pay equal to 50% of the maximum of 120 days of an employee's unused accumulated sick leave days.

The accumulated liability for compensated absences based on sick leave was \$82,594 as of June 30, 2021.

N. Severance Benefits

Certain certified and classified employees, including school administration, are eligible for severance pay upon retirement.

Certain administrators who have nine years of continuous service in the District are entitled to severance pay equal to a percentage of one half of one year's pay.

During the year ended June 30, 2021, the District paid out a total of \$49,200 in severance benefits to the four participants eligible to receive benefits.

O. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the additions to/deductions have been determined on the same basis as they are reported by the District. For this purpose, the District recognizes benefit payments when due and payable in accordance with the benefit terms.

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.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Pensions (Continued)

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

Q. Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in the District's insurance coverage during the year ending June 30, 2021.

R. Fund Equity

In the fund financial statements, governmental funds report various levels of spending constraints.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form as they are legally or contractually required to be maintained intact and include but are not limited to, prepaids and inventory.
- Restricted Fund Balances – These amounts are subject to externally enforceable legal restrictions.
- Committed Fund Balances – These amounts are constrained by formal action of the School Board. The government's highest level of decision making authority is the School Board. The formal action to establish, modify, or rescind a commitment must be made by majority vote of the School Board.
- Assigned Fund Balances – These are amounts that are constrained by the District's intent to be used for specific purposes that are neither restricted nor committed. Assignments may be made by a majority vote of the School Board. The board also delegates the power to assign fund balances to the District's Business Manager.
- Minimum Fund Balance Policy – The District will strive to maintain a minimum unassigned General Fund balance of 7% of the annual budget.
- Stabilization Arrangement – Fiscal stabilization funds in the amount of at least 3% of the prior year total General Fund expenditures shall be established by the Business Manager to protect the system from sudden shortfalls in revenue and to cover unanticipated expenditures. These stabilization funds may also be used to cover adverse financial or economic circumstances as they occur. These funds are reported as unassigned.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Net Position

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

T. Use of Estimates

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

U. Budgetary Information

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements:

1. Prior to July 1, the School Superintendent submits to the School Board, a proposed operating budget for the year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. The Superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the School Board.
3. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, and Debt Service Funds. Budgetary control for the Capital Project Fund is accomplished through the use of project controls.
4. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Budgets are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

A. Deposits

In accordance with applicable *Minnesota Statutes*, the District maintains deposits at depository banks authorized by the School Board.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a policy in place to address custodial credit risk for deposits, stating deposit type securities shall be collateralized as required by *Minnesota Statutes* 118A. As of June 30, 2021, the District's bank balance was not exposed to custodial credit risk. It was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name. The District's deposits had a book balance as listed below.

As of June 30, 2021, the District had the following deposits:

Certificates of deposit	<u><u>\$ 1,780,000</u></u>
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B. Investments

As of June 30, 2021, the District had the following investments:

Pooled Investments	Credit Rating	Fair Value
MN Trust Investment Shares		\$ 803
MDSLAF + Liquid Class	AAAm	1,596,097
MSDLAF + MAX Class	AAAm	<u>31,757,324</u>
Total pooled investments		<u><u>\$ 33,354,224</u></u>

Non-Pooled Investments	Credit Rating	Fair Value	Investment Maturities	
			Less than 1 year	1-2 Years
Brokered cash	AAA	\$ 16,099	\$ 16,099	\$ -
Mutual funds	AAA	5,185,818	5,185,818	-
Fixed income	AAA to BBB-	<u>28,642,231</u>	<u>28,093,163</u>	<u>549,068</u>
Total non-pooled investments		<u><u>\$ 33,844,148</u></u>	<u><u>\$ 33,295,080</u></u>	<u><u>\$ 549,068</u></u>

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy indicates the District may invest in those instruments specified in those Statutes. As of June 30, 2021, the District's investments were rated as noted in the table above.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. The District has an investment policy in place that addresses concentration of credit risk, stating the District shall diversify its investments to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, and maturities. However, it places no specific limit on the amount the District may invest in any one issuer. More than 5% of the non-pooled investments were in BANCOSantander SA (5.9%), NATIXIS Disc (5.9%), and Santander UK (5.9%).

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The District's investment policy addresses interest rate risk, stating investments shall be managed in a manner to attain a market rate of return through various economic and budgetary cycles. Furthermore, investment maturities shall be scheduled to coincide with projected District cash flow needs and shall provide for stability of income and reasonable liquidity.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy addresses custodial credit risk for investments, stating all investment securities shall be held in third party safekeeping by an institution designated as custodial agent.

The District has the following recurring fair value measurements as of June 30, 2020:

- \$28,642,231 of investments are valued using a matrix pricing model (Level 2 inputs)

C. Deposits and Investments

The following is a summary of total deposits and investments:

Deposits (Note 2.A.)	\$ 1,780,000
Pooled investments (Note 2.B.)	33,354,224
Non-pooled investments (Note 2.B)	33,844,148
Petty cash	<u>1,015</u>
 Total deposits and investments	 <u><u>\$ 68,979,387</u></u>

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

C. Deposits and Investments (Continued)

Deposits and investments are presented in the June 30, 2021, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 68,902,563
Statement of Fiduciary Net Position	
Cash and cash equivalents	
Custodial Fund	44,005
Private purpose trust fund	<u>32,819</u>
Total deposits and investments	<u><u>\$ 68,979,387</u></u>

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS

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

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	\$ 1,164,189	\$ -	\$ 1,001,000	\$ -	\$ 2,165,189
Construction in progress	7,272,753	-	14,403,173	763,437	20,912,489
Total capital assets not being depreciated	<u>8,436,942</u>	<u>-</u>	<u>15,404,173</u>	<u>763,437</u>	<u>23,077,678</u>
Capital assets being depreciated					
Buildings	84,906,877	703,757	819,457	-	86,430,091
Land improvements	6,187,769	-	-	-	6,187,769
Equipment	8,626,924	(2,512,168)	1,270,693	933,720	6,451,729
Total capital assets being depreciated	<u>99,721,570</u>	<u>(1,808,411)</u>	<u>2,090,150</u>	<u>933,720</u>	<u>99,069,589</u>
Less accumulated depreciation for					
Buildings	32,468,502	1,445,154	1,803,672	-	35,717,328
Land improvements	4,764,314	214,629	249,462	-	5,228,405
Equipment	6,094,576	(2,110,550)	366,404	916,911	3,433,519
Total accumulated Depreciation	<u>43,327,392</u>	<u>(450,767)</u>	<u>2,419,538</u>	<u>916,911</u>	<u>44,379,252</u>
Total capital assets being depreciated, net	<u>56,394,178</u>	<u>(1,357,644)</u>	<u>(329,388)</u>	<u>16,809</u>	<u>54,690,337</u>
Governmental activities capital assets, net	<u>\$ 64,831,120</u>	<u>\$ (1,357,644)</u>	<u>\$ 15,074,785</u>	<u>\$ 780,246</u>	<u>\$ 77,768,015</u>

The adjustment column relates to a change in accounting principle, see additional information in Note 10.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 3 – CAPITAL ASSETS (CONTINUED)

Depreciation expense of \$2,419,538 for the year ended June 30, 2021, was charged to the following governmental functions:

Administration	\$ 3,526
District	41,338
Elementary and secondary regular instruction	22,471
Special education	3,734
Instructional	69,097
Pupil support	73,598
Food service	47,281
Sites and buildings	2,127,908
Unallocated	<u>30,585</u>
Total depreciation expense	<u><u>\$ 2,419,538</u></u>

NOTE 4 – INTERFUND ACTIVITY

Interfund Transfers

The General Fund transferred \$36,646 to the Community Service Fund to cover operations deficit for the year.

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	Issue Date	Interest Rates	Original Issue	Final Maturity	Principal Outstanding	Due Within One Year
Long-term liabilities						
G.O. bonds, including						
Refunding bonds						
2015A School Building						
Refunding Bonds	11/03/15	4.00%-5.00%	\$ 38,340,000	02/01/26	\$ 21,720,000	\$ 3,920,000
2020A School Building	02/06/20	2.00%-4.00%	35,810,000	02/01/40	35,810,000	-
2020B School Building	07/16/20	2.00%-4.00%	5,375,000	02/01/36	5,375,000	320,000
Capital leases					727,438	428,331
Unamortized Premium					4,583,414	-
Compensated absences						
Payable					<u>390,812</u>	<u>324,737</u>
Total all long-term liabilities					<u><u>\$ 68,606,664</u></u>	<u><u>\$ 4,993,068</u></u>

The long-term bond and lease liabilities listed above were issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond issues. Capital leases, and compensated absences are normally liquidated through the General Fund.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Minimum Debt Payments for Bonds and Loans

Minimum annual principal and interest payments required to retire bond and loan liabilities:

Year Ending June 30,	G.O. Bonds		
	Principal	Interest	Total
2022	\$ 4,240,000	\$ 2,169,031	\$ 6,409,031
2023	4,240,000	1,960,231	6,200,231
2024	4,510,000	1,749,481	6,259,481
2025	4,795,000	1,525,732	6,320,732
2026	5,100,000	1,288,382	6,388,382
2027-2031	13,205,000	4,450,406	17,655,406
2032-2036	15,250,000	2,502,600	17,752,600
2037-2040	11,565,000	746,750	12,311,750
Total	<u>\$ 62,905,000</u>	<u>\$ 16,392,613</u>	<u>\$ 79,297,613</u>

C. Capital Lease Obligations

The District is obligated under certain leases accounted for as capital leases. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset.

On April 15, 2018, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease and corresponding equipment totaled \$1,111,600. Because the individual equipment items were under the District's capitalization threshold, none of the items were capitalized. The capital lease agreement includes annual principal and interest payments of \$285,151.

On May 21, 2020, the District entered into a lease purchase agreement for the acquisition of technology equipment. The capital lease obligation and corresponding equipment totaled \$597,438. Because the individual equipment items were under the District's capitalization threshold none of the item were capitalized. The capital lease agreement includes annual principal and interest payments of \$151,778.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 5 – LONG-TERM DEBT (CONTINUED)

C. Capital Lease Obligations (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments were as follows:

Year Ending June 30,		
2022		\$ 436,929
2023		151,778
2024		<u>151,777</u>
	Total minimum lease payments	740,484
	Less amount representing interest	<u>(13,047)</u>
	Present value of minimum lease payments	<u><u>\$ 727,437</u></u>

D. Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
Long-term liabilities				
G.O. Bonds	\$ 61,265,000	\$ 5,375,000	\$ 3,735,000	\$ 62,905,000
Capital lease obligations	1,155,267	-	427,829	727,438
Premium	4,832,862	418,215	667,663	4,583,414
Compensated absences Payable	393,946	353,594	356,728	390,812
Total long-term liabilities	<u>\$ 67,647,075</u>	<u>\$ 6,146,809</u>	<u>\$ 5,187,220</u>	<u>\$ 68,606,664</u>

NOTE 6 – FUND BALANCES/NET POSITION

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

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUE)

A. Fund Balance

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Debt Service	Capital Projects	Other Nonmajor Funds	Total
Nonspendable for					
Inventory	\$ -	\$ -	\$ -	\$ 57,772	\$ 57,772
Prepaid items	19,512	-	-	-	19,512
Total nonspendable	<u>19,512</u>	<u>-</u>	<u>-</u>	<u>57,772</u>	<u>77,284</u>
Restricted/reserved for					
Student Activity	229,360	-	-	-	229,360
Scholarship	11,973	-	-	-	11,973
Staff Development	60,086	-	-	-	60,086
Teacher Development and Evaluation	20,320	-	-	-	20,320
Area Learning Center	29,281	-	-	-	29,281
Operating Capital	5,578,314	-	-	-	5,578,314
Gifted and Talented	129,518	-	-	-	129,518
Achievement and Integration	37,185	-	-	-	37,185
Safe Schools - Crime Levy	60,384	-	-	-	60,384
Long-Term Facilities Maintenance	885,992	-	3,186,967	-	4,072,959
Medical Assistance	60,112	-	-	-	60,112
Community Education	-	-	-	175,861	175,861
Early Childhood and Family Education	-	-	-	113,446	113,446
School Readiness	-	-	-	397,860	397,860
Adult Basic Education	-	-	-	58,050	58,050
Restricted for					
Food Service	-	-	-	501,123	501,123
Community Service	-	-	-	122,734	122,734
Debt Service	-	1,415,243	-	-	1,415,243
Capital Projects	-	-	23,883,409	-	23,883,409
Total restricted/reserved	<u>7,102,525</u>	<u>1,415,243</u>	<u>27,070,376</u>	<u>1,369,074</u>	<u>36,957,218</u>
Committed for					
Separation benefits	2,087,662	-	-	-	2,087,662
Assigned for					
Budget carryover	1,953,289	-	-	-	1,953,289
Third party billing	1,569,224	-	-	-	1,569,224
Student activities	215,530	-	-	-	215,530
Total assigned	<u>3,738,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,738,043</u>
Unassigned	<u>19,332,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,332,506</u>
Total fund balance	<u>\$ 32,280,248</u>	<u>\$ 1,415,243</u>	<u>\$ 27,070,376</u>	<u>\$ 1,426,846</u>	<u>\$ 62,192,713</u>

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Nonspendable for Inventory – A portion of the fund balance has been spent on inventory and is not available for other uses.

Nonspendable for Prepaid Items – A portion of the fund balance has been spent on prepaid items and is not available for other uses.

Restricted/Reserved for Staff Development – This balance represents unspent staff development revenues set aside from general education revenue that were restricted/reserved for staff development related to Finance Code 316. Expenditures for staff development must equal at least 2% of the basic general education revenue, unless legal stipulations are met (Minnesota Statutes 122A.61, subdivision 1).

Restricted/Reserved for Student Activities – This balance represents available resources to be used for the extracurricular activity funds raised by the students.

Restricted/Reserved for Scholarships – This balance represents available resources for the scholarship funds.

Restricted/Reserved for Teacher Development and Evaluation – This balance represents resources available for teacher development and evaluation uses listed in *Minnesota Statutes* 122A.40, subd. 8 or 122A.41, subd. 5.

Restricted/Reserved for Area Learning Center – This balance represents resources available in the General Fund to be used for the Area Learning Center.

Restricted/Reserved for Operating Capital – This balance represents available resources in the General Fund to be used to purchase equipment and facilities.

Restricted/Reserved for Gifted and Talented – The part of general education aid revenue for the gifted and talented program that is unspent at years end must be reserved in this Balance Sheet account.

Restricted/Reserved for Achievement and Integration Revenue – This balance represents unspent resources available from the achievement and integration program.

Restricted/Reserved for Safe Schools Levy – The unspent resources available from the Safe Schools Levy must be restricted in this account for future use.

Restricted/Reserved for Long-Term Facilities Maintenance (LTFM) – This balance represents available resources to be used for LTFM projects in accordance with the 10-year plan (*Minnesota Statutes* 123B.595, subd. 12).

Restricted/Reserved for Medical Assistance – This balance represents available resources to be used for medical assistance expenditures (*Minnesota Statutes* 125A.21, subd. 3).

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

A. Fund Balance (Continued)

Restricted/Reserved for Community Education – This balance represents the resources available to provide programming such as: nonvocational, recreational and leisure time activities, programs for adults with disabilities, noncredit summer programs, adult basic education programs, youth development and youth service programming, early childhood and family education and extended day programs.

Restricted/Reserved for Early Childhood and Family Education – This balance represents the resources available to provide for services for early childhood and family education programming.

Restricted/Reserved for School Readiness – This balance represents the resources available to provide for services for school readiness programs. Related to Finance Code 344, School Readiness *Minnesota Statutes* 124D.16.

Restricted/Reserved for Adult Basic Education – This account will represent the balance of carryover monies for all activity involving adult basic education.

Restricted for Food Service – This balance represents the accumulation of the activity to provide the food service program.

Restricted for Community Service – This balance represents the remaining aggregate resources for community service programs after other restrictions are removed.

Restricted for Debt Service – This balance represents the resources available for the payment of bond principal, interest, and related costs.

Restricted/Reserved for Capital Projects – This balance represents available resources in the Capital Projects Fund for projects.

Committed for Separation/Retirement Benefits – This balance represents resources segregated from the unassigned fund balance for retirement benefits, including compensated absences, pensions, OPEB and termination benefits (as defined in GASB Statement Nos. 16, 27, 45, 47, and 50 and *Minnesota Statutes* 123B.79, subd. 7).

Assigned for Budget Carryover – This balance represents amounts segregated from unrestricted funds for unspent budget amounts.

Assigned for Third Party Billing – This balance represents amounts segregated from unrestricted funds to be spent on costs related to third party billings. This amount represents dollars set aside prior to the 2017 legislation change.

Assigned for Student Activities – This balance represents the aggregate activity for student accounts under School Board control.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 6 – FUND BALANCES/NET POSITION (CONTINUED)

B. Net Position

Net position restricted for other purposes is comprised of the General Fund positive restricted balances and Special Revenue Funds balances adjusted to net position.

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

The District participates in various pension plans, total pension expense for the year ended June 30, 2021, was \$6,029,954. The components of pension expense are noted in the following plan summaries.

The General Fund, Community Service Fund, and Food Service Fund typically liquidate the liability related to the pensions.

Teachers' Retirement Association

A. 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 schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those teachers 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 Minnesota State.

A. Benefits Provided

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

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

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

Tier I Benefits

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

With these provisions:

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

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members is applied. For years of service July 1, 2006, and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under *Minnesota Statute*. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Teachers' Retirement Association (Continued)

Tier II Benefits (Continued)

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

C. Contribution Rate

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

	<u>June 30, 2019</u>		<u>June 30, 2020</u>		<u>June 30, 2021</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.0%	11.71%	11.0%	11.92%	11.0%	12.13%
Coordinated	7.5%	7.71%	7.5%	7.92%	7.5%	8.13%

C. Contribution Rate

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 Schedule of Employer and Non-Employer Pension Allocations. Amounts are reported in thousands.

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

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

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation date	July 1, 2020
Experience study	June 5, 2015
	November 6, 2017, (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028, and 3.25% thereafter
Projected salary increase	2.85% to 8.85% before July 1, 2028, and 3.25% to 9.25% thereafter
Cost of living adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

Pre-retirement	RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
Post-retirement	RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projections uses the MP 2015 scale.
Post-disability	RP 2014 disabled retiree mortality table, without adjustment.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

D. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.5 %	5.10 %
International equity	17.5	5.30
Private markets	25.0	5.90
Fixed income	20.0	0.75
Unallocated cash	2.0	0.00
Total	<u>100 %</u>	

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

Changes in actuarial assumptions and methods for the July 1, 2020, valuation:

- 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.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

E. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal 2020 contribution rate, contributions from school districts will be made at 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).

E. Net Pension Liability

On June 30, 2021, the District reported a liability of \$30,365,231 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 0.4110% at the end of the measurement period and 0.4028% for the beginning of the year.

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

District's proportionate share of net pension liability	\$ 30,365,231
State's proportionate share of the net pension liability associated with the District	2,544,449

For the year ended June 30, 2021, the District recognized pension expense of \$5,433,872. Included in this amount, the District recognized \$233,089 as pension expense for the support provided by direct aid.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

F. Net Pension Liability (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 608,946	\$ 433,275
Net difference between projected and actual earnings on plan investments	624,261	-
Changes of assumptions	9,278,777	23,890,904
Changes in proportion	4,488,935	-
Contributions to TRA subsequent to the measurement date	2,062,527	-
Total	\$ 17,063,446	\$ 24,324,179

The \$2,062,527 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 of resources and (deferred inflows of resources) will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense Amount
2022	\$ 1,518,087
2023	(6,855,252)
2024	(5,127,894)
2025	928,327
2026	213,472
Total	\$ (9,323,260)

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Teachers' Retirement Association (Continued)

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5% as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percent lower (6.5%) and 1 percent higher (8.5%) than the current rate.

District proportionate share of NPL		
1% decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% increase in Discount Rate (8.5%)
\$ 46,488,847	\$ 30,365,231	\$ 17,080,186

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

H. Pension Plan Fiduciary Net Position

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

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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.

B. Benefits Provided

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

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1 the annuity accrual rate for a Coordinated Plan member is 1.2% for each of the first 10 years of service 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

Minnesota Statutes Chapter 353 set 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 General Employees Fund for the year ended June 30, 2021, were \$679,091. The District's contributions were equal to the required contributions as set by state statute.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of \$7,308,462 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$225,261. 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 0.1219% at the end of the measurement period and 0.1221% for the beginning of the period.

School's proportionate share of net pension liability	\$ 7,308,462
State of Minnesota's proportionate share of the net pension liability associated with the School	225,261
	225,261
Total	\$ 7,533,723

For the year ended June 30, 2021, the District recognized pension expense of \$596,082 for its proportionate share of the General Employees Plan's pension expense. Included in this amount, the District recognized \$19,605 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

At June 30, 2021, the District reported its proportionate share of deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 66,588	\$ 27,652
Changes in actuarial assumptions	-	266,549
Difference between projected and actual investments earnings	150,690	-
Change in proportion	196,940	68,939
Contributions paid to PERA subsequent to the measurement date	679,091	-
Total	\$ 1,093,309	\$ 363,140

The \$679,091 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Expense Amount
2022	\$ (358,576)
2023	96,877
2024	136,203
2025	176,574
Total	\$ 51,078

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions

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

Inflation	2.25 % Per year
Active member payroll growth	3.00 % Per year
Investment rate of return	7.50 %

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2020, valuation was 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:

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 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 change from two years older for females to one year older.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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 or current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

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

<u>Asset Class</u>	<u>Final Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>100 %</u>	

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

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

G. Pension Liability Sensitivity

The following table 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:

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
District's proportionate share of the PERA net pension liability	\$ 11,712,930	\$ 7,308,462	\$ 3,675,130

H. Pension Plan Fiduciary Net Position

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

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The District's defined benefit OPEB plan provides a single-employer defined benefit health care plan to eligible retirees. The plan offers medical coverage. Medical coverage is administered by Blue Cross Blue Shield. It is the District's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for District employees and retirees. No assets are acclimated in a trust.

B. Benefits Paid

Teachers who apply for early retirement shall remain eligible to participate in a blended rate medical premium until the end of the school year in which the teacher becomes Medicare eligible. The first access eligible age is 55 years of age. The General Fund, Food Service Fund and Community Service Fund typically liquidate the Liability related to OPEB.

**Independent School District No. 47
Notes to Basic Financial Statements**

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Members

As of July 1, 2020, the following were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Active employees	<u>658</u>
 Total	 <u><u>677</u></u>

D. Contributions

Retirees contribute to the health care plan at the same rate as District employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the District, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2021, the District contributed \$252,804 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total OPEB Liability

Discount Rate	2.40%
Salary increases	Service graded table
Inflation	2.40%
Healthcare cost trend increases	6.50% as of July 1, 2020, grading to 5.00% over 6 years and then to 4.00% over the next 48 years

Mortality assumption	Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables With MP-2019 Generational Improvement Scale
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The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019 – July 1, 2020.

The discount rate is based on the 20-year Municipal Bond Yield of 2.40%.

Changes in Benefits

- An Early Retirement Incentive was offered to teachers who retire after January 1, 2020 and prior to July 1, 2022 who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of \$20,000 paid to a Health Care Savings Plan.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

Changes in Assumptions

- 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-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 2.40%.

F. Total OPEB Liability

The District's total OPEB liability of \$2,690,234 was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020.

Changes in the total OPEB liability are as follows:

	<u>Total OPEB Liability</u>
Balances at July 1, 2019	<u>\$ 2,087,662</u>
Changes for the year	
Service cost	237,465
Interest	79,128
Assumption changes	48,099
Differences between expected and actual economic experience	104,679
Plan changes	362,967
Benefit payments	<u>(229,766)</u>
Net changes	<u>602,572</u>
Balances at July 1, 2020	<u><u>\$ 2,690,234</u></u>

G. OPEB Liability Sensitivity

The following presents the District's total OPEB liability calculated using the discount rate of 2.4% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

F. OPEB Liability Sensitivity (Continued)

Total OPEB Liability/(Asset)		
1% decrease in Discount Rate (1.4%)	Current Discount Rate (2.4%)	1% increase in Discount Rate (3.4%)
\$ 2,831,116	\$ 2,690,234	\$ 2,553,610

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability/(Asset)		
1% decrease (5.5% decreasing to 4.0%)	Current (6.5% decreasing to 5.0%)	1% increase (7.5% decreasing to 6.0%)
\$ 2,454,264	\$ 2,690,234	\$ 2,967,149

H. 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 \$624,982. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 44,477	\$ -
Liability losses	89,724	
Liability gains	-	232,469
Contributions made subsequent to the measurement date	252,804	-
Total	\$ 387,005	\$ 232,469

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 8 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

**H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
 Related to OPEB (Continued)**

\$252,804 reported as deferred outflows of resources related to OPEB resulting from District contributions made 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 of resources and (deferred inflows of resources) will be recognized in OPEB expense as follows:

Year Ending June 30,	Total
2022	\$ (54,578)
2023	(54,578)
2024	(54,582)
2025	21,827
2026	21,827
Thereafter	21,816
Total	\$ (98,268)

NOTE 9 – COMMITMENTS

Project	Contractor	Contract Amount	Expensed to Date	Commitment
MHES Roof	Central Roofing Co.	\$ 727,580	\$ 20,000	\$ 707,580
MS Wall	Ebert Construction	587,700	32,600	555,100
HS Lighting Project	Design Electric, Inc	817,502	673,225	144,277
New School @ PV	Various	29,656,662	12,595,626	17,061,036
HS BAS Upgrade	UHL Company	490,180	460,615	29,565
Total commitments		\$ 32,279,624	\$ 13,782,066	\$ 18,497,558

NOTE 10 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2021, the District made a change in depreciation, changing from a mid-month convention to a half-year convention. As a result, the District recognized a change in accounting principle of \$1,357,644.

Independent School District No. 47
Notes to Basic Financial Statements

NOTE 11 – GASB STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, Leases establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement will be effective for the year ending June 30, 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

Independent School District No. 47
Schedule of Changes in Total OPEB Liability
and Related Ratios

	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
Total OPEB Liability				
Service cost	\$ 169,713	\$ 164,965	\$ 169,914	\$ 237,465
Interest	79,222	82,468	72,765	79,128
Differenced between expected and actual experience	-	(464,939)	-	104,679
Changes of assumptions	-	6,505	-	48,099
Plan changes	-	-	-	362,967
Benefit payments	(143,798)	(153,718)	(127,090)	(229,766)
Net change in total OPEB liability	<u>105,137</u>	<u>(364,719)</u>	<u>115,589</u>	<u>602,572</u>
Beginning of year	<u>2,231,655</u>	<u>2,336,792</u>	<u>1,972,073</u>	<u>2,087,662</u>
End of year	<u>\$ 2,336,792</u>	<u>\$ 1,972,073</u>	<u>\$ 2,087,662</u>	<u>\$ 2,690,234</u>
Covered payroll	\$ 24,683,536	\$ 27,747,444	\$ 28,579,867	\$ 32,053,466
Total OPEB liability as a percentage of covered-employee	9.5%	7.1%	7.3%	8.4%

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

Independent School District No. 47
Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years General Employees Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.1105%	\$ 5,190,736	\$ -	\$ 5,190,736	\$ 5,802,469	89.46%	78.75%
2015	0.1073%	5,560,843	-	5,560,843	6,200,133	89.69%	78.19%
2016	0.1065%	8,647,272	112,946	8,760,218	6,610,693	130.81%	68.91%
2017	0.1188%	7,584,114	95,394	7,679,508	7,655,773	99.06%	75.90%
2018	0.1150%	6,379,729	209,139	6,588,868	7,727,947	82.55%	79.53%
2019	0.1221%	6,750,635	209,824	6,960,459	8,644,427	78.09%	80.23%
2020	0.1219%	7,308,462	225,261	7,533,723	8,690,467	84.10%	79.06%

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

Schedule of District's and Non-Employer Proportionate Share
(if Applicable) of Net Pension Liability
Last Ten Years TRA Retirement Fund

For Plan's Fiscal Year Ended June 30,	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset)	District's Proportionate Share of State of Minnesota's Proportionated Share of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability and District's Share of the State of Minnesota's Share of the Net Pension Liability	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.3506%	\$ 16,155,396	\$ 1,136,619	\$ 17,292,015	\$ 16,002,214	100.96%	81.50%
2015	0.3383%	20,927,201	2,566,950	23,494,151	17,170,227	121.88%	76.77%
2016	0.3499%	83,459,499	8,376,703	91,836,202	18,202,280	458.51%	44.88%
2017	0.3734%	74,537,413	7,205,374	81,742,787	20,099,040	370.85%	51.57%
2018	0.3878%	24,357,470	2,288,270	26,645,740	21,424,627	113.69%	78.07%
2019	0.4028%	25,674,557	2,271,879	27,946,436	22,870,558	112.26%	78.21%
2020	0.4110%	30,365,231	2,544,449	32,909,680	23,882,689	127.14%	75.48%

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

**Independent School District No. 47
Schedule of District Contributions
General Employees Retirement Fund
Last Ten Years**

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 420,679	\$ 420,679	\$ -	\$ 5,802,469	7.25%
2015	465,010	465,010	-	6,200,133	7.50%
2016	495,802	495,802	-	6,610,693	7.50%
2017	574,183	574,183	-	7,655,773	7.50%
2018	579,596	579,596	-	7,727,947	7.50%
2019	648,332	648,332	-	8,644,427	7.50%
2020	651,785	651,785	-	8,690,467	7.50%
2021	679,091	679,091	-	9,054,547	7.50%

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

**Schedule of District Contributions
TRA Retirement Funds
Last Ten Year**

For Fiscal Year Ended June 30,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2014	\$ 1,120,155	\$ 1,120,155	\$ -	\$ 16,002,214	7.00%
2015	1,287,767	1,287,767	-	17,170,227	7.50%
2016	1,365,171	1,365,171	-	18,202,280	7.50%
2017	1,507,428	1,507,428	-	20,099,040	7.50%
2018	1,606,847	1,606,847	-	21,424,627	7.50%
2019	1,763,320	1,763,320	-	22,870,558	7.71%
2020	1,891,509	1,891,509	-	23,882,689	7.92%
2021	2,062,527	2,062,527	-	24,176,490	8.13%

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

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund

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

2018 Changes

Changes in Actuarial Assumptions

- The discount rate was increased to 7.5% from 5.12%.
- The cost of living adjustment (COLA) was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019, and ending July 1, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to 0.0% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

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% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

2016 Changes

Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- 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.

Independent School District No. 47
Notes to the Required Supplementary Information

TRA Retirement Fund (Continued)

2015 Changes (Continued)

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%.

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- 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 and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and 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% thereafter. 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 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.0%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, 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 CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, the inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

Independent School District No. 47
Notes to the Required Supplementary Information

General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

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

Independent School District No. 47
Notes to the Required Supplementary Information

Other Post Employment Benefit

2020 Changes

Changes in Assumptions

- 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-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.50% to 2.40%.

Changes in Benefits

- An Early Retirement Incentive was offered to teachers who retire after January 1, 2020, and prior to July 1, 2022, who have attained age 55 with at least 25 years of service. Eligible retirees receive a lump sum of \$20,000 paid to a Health Care Savings Plan.

2019 Changes

Changes in 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-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.

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SUPPLEMENTARY INFORMATION

Independent School District No. 47
Combining Balance Sheet -
Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Assets			
Cash and investments	\$ 682,302	\$ 1,008,448	\$ 1,690,750
Current property taxes receivable	-	125,357	125,357
Delinquent property taxes receivable	-	6,575	6,575
Accounts receivable	6,157	-	6,157
Due from Department of Education	-	33,840	33,840
Due from other Minnesota school districts	-	141,038	141,038
Due from federal government			
Through department of education	126,506	-	126,506
Inventory	57,772	-	57,772
	<u>57,772</u>	<u>-</u>	<u>57,772</u>
Total assets	<u>\$ 872,737</u>	<u>\$ 1,315,258</u>	<u>\$ 2,187,995</u>
Liabilities			
Accounts payable	\$ 161,854	\$ 14,361	\$ 176,215
Salaries and benefits payable	67,487	153,724	221,211
Unearned revenue	84,501	-	84,501
Total liabilities	<u>313,842</u>	<u>168,085</u>	<u>481,927</u>
Deferred Inflows of Resources			
Unavailable revenue - delinquent property taxes	-	4,539	4,539
Property taxes levied for subsequent year's expenditures	-	274,683	274,683
Total deferred inflows of resources	<u>-</u>	<u>279,222</u>	<u>279,222</u>
Fund Balances			
Nonspendable	57,772	-	57,772
Restricted	501,123	867,951	1,369,074
Total fund balances	<u>558,895</u>	<u>867,951</u>	<u>1,426,846</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 872,737</u>	<u>\$ 1,315,258</u>	<u>\$ 2,187,995</u>

Independent School District No. 47
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds		Total Nonmajor Funds
	Food Service	Community Service	
Revenues			
Local property taxes	\$ -	\$ 279,195	\$ 279,195
Other local and county revenues	374	703,317	703,691
Revenue from state sources	16,278	390,176	406,454
Revenue from federal sources	2,082,175	-	2,082,175
Sales and other conversion of assets	162,187	-	162,187
Total revenues	<u>2,261,014</u>	<u>1,372,688</u>	<u>3,633,702</u>
Expenditures			
Current			
Food service	2,140,227	-	2,140,227
Community education and services	-	1,375,771	1,375,771
Capital outlay			
Food service	100,911	-	100,911
Total expenditures	<u>2,241,138</u>	<u>1,375,771</u>	<u>3,616,909</u>
Excess of revenues over expenditures	19,876	(3,083)	16,793
Other Financing Sources			
Transfers in	-	36,646	36,646
Total other financing sources (uses)	<u>-</u>	<u>36,646</u>	<u>36,646</u>
Net change in fund balances	19,876	33,563	53,439
Fund Balances			
Beginning of year	<u>539,019</u>	<u>834,388</u>	<u>1,373,407</u>
End of year	<u>\$ 558,895</u>	<u>\$ 867,951</u>	<u>\$ 1,426,846</u>

Independent School District No. 47
Uniform Financial Accounting And Reporting Standards
Compliance Table
Year Ended June 30, 2021

	Audit	UFARS	Audit-UFARS		Audit	UFARS	Audit-UFARS
01 GENERAL FUND				06 BUILDING CONSTRUCTION FUND			
Total revenue	\$ 55,418,828	\$ 55,418,827	\$ 1	Total revenue	\$ 216,689	\$ 216,689	\$ -
Total expenditures	57,027,471	57,027,467	4	Total expenditures	13,474,044	13,474,044	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
4.60 Nonspendable fund balance	19,512	19,512	-	4.60 Nonspendable fund balance	-	-	-
<i>Restricted/reserved:</i>				<i>Restricted/reserved:</i>			
4.01 Student Activities	229,360	229,361	(1)	4.07 Capital Projects Levy	-	-	-
4.02 Scholarships	11,973	11,973	-	4.13 Building Projects Funded by COP/LF	-	-	-
4.03 Staff Development	60,086	60,086	-	4.67 LTFM	3,186,967	3,186,967	-
4.07 Capital Projects Levy	-	-	-	<i>Restricted:</i>			
4.08 Cooperative Programs	-	-	-	4.64 Restricted fund balance	23,883,409	23,883,409	-
4.13 Project Funded by COP	-	-	-	<i>Unassigned:</i>			
4.14 Operating Debt	-	-	-	4.63 Unassigned fund balance	-	-	-
4.16 Levy Reduction	-	-	-				
4.17 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE FUND			
4.24 Operating Capital	5,578,314	5,578,314	-	Total revenue	\$ 5,996,313	\$ 5,996,313	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	6,009,921	6,009,920	1
4.27 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
4.28 Learning and Development	-	-	-	4.60 Nonspendable fund balance	-	-	-
4.34 Area Learning Center	29,281	29,281	-	<i>Restricted/reserved:</i>			
4.35 Contracted Alternative Programs	-	-	-	4.25 Bond refunding	-	-	-
4.36 State Approved Alternative Program	-	-	-	4.33 Maximum effort loan aid	-	-	-
4.38 Gifted and Talented	129,518	129,518	-	4.51 QZAB payments	-	-	-
4.40 Teacher Development and Evaluation	20,320	20,320	-	4.67 LTFM	-	-	-
4.41 Basic Skills Programs	-	-	-	<i>Restricted:</i>			
4.45 Career Technical Programs	-	-	-	4.64 Restricted fund balance	1,415,243	1,415,242	1
4.48 Achievement and Integration Revenue	37,185	37,185	-	<i>Unassigned:</i>			
4.49 Safe School Crime	60,384	60,384	-	4.63 Unassigned fund balance	-	-	-
4.51 QZAB payments	-	-	-				
4.52 OPEB liabilities not held in trust	-	-	-	08 TRUST FUND			
4.53 Unfunded Severance and Retirement Levy	-	-	-	Total revenue	\$ 40	\$ 40	\$ -
4.59 Basic Skills Extended Time	-	-	-	Total expenditures	-	-	-
4.67 Long-term Facilities Maintenance	885,992	885,993	(1)	4.01 Student Activities	-	-	-
<i>Restricted:</i>				4.02 Scholarships	32,819	32,819	-
4.72 Medical Assistance	60,112	60,112	-	4.22 Net Position	-	-	-
4.64 Restricted fund balance	-	-	-				
4.75 Title VII - Impact Aid	-	-	-	18 CUSTODIAL FUND			
4.76 Payments in Lieu of Taxes	-	-	-	Total revenue	\$ 4,885	\$ 4,885	\$ -
<i>Committed:</i>				Total expenditures	1,391	1,390	1
4.18 Separation benefits	2,087,662	2,087,662	-	4.01 Student Activities	4,672	4,671	1
4.61 Committed	-	-	-	4.02 Scholarships	900	900	-
<i>Assigned:</i>				4.48 Achievement & Integration	-	-	-
4.62 Assigned fund balance	3,738,043	3,738,046	(3)	4.64 Restricted Fund Balance	30,833	30,834	(1)
<i>Unassigned:</i>							
4.22 Unassigned fund balance (net position)	19,332,506	19,332,505	1	20 INTERNAL SERVICE FUND			
				Total revenue	\$ -	\$ -	\$ -
02 FOOD SERVICES FUND				Total expenditures	-	-	-
Total revenue	\$ 2,261,014	\$ 2,261,013	\$ 1	<i>Unassigned:</i>			
Total expenditures	2,241,138	2,241,140	(2)	4.22 Net Position	-	-	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	57,772	57,772	-	25 OPEB REVOCABLE TRUST			
<i>Restricted/reserved:</i>				Total revenue	\$ -	\$ -	\$ -
4.52 OPEB Liabilities not Held in Trust	-	-	-	Total expenditures	-	-	-
<i>Restricted:</i>				<i>Unassigned:</i>			
4.64 Restricted fund balance	501,123	501,121	2	4.22 Net Position	-	-	-
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-	45 OPEB IRREVOCABLE TRUST			
				Total revenue	\$ -	\$ -	\$ -
04 COMMUNITY SERVICE FUND				Total expenditures	-	-	-
Total revenue	\$ 1,372,688	\$ 1,372,686	\$ 2	<i>Unassigned:</i>			
Total expenditures	1,375,771	1,375,773	(2)	4.22 Net Position	-	-	-
<i>Nonspendable:</i>							
4.60 Nonspendable fund balance	-	-	-	47 OPEB DEBT SERVICE			
<i>Restricted/reserved:</i>				Total revenue	\$ -	\$ -	\$ -
4.26 \$25 Taconite	-	-	-	Total expenditures	-	-	-
4.31 Community Education	175,861	175,861	-	<i>Nonspendable:</i>			
4.32 ECFE	113,446	113,446	-	4.60 Nonspendable fund balance	-	-	-
4.40 Teacher Development and Evaluation	-	-	-	<i>Restricted:</i>			
4.44 School Readiness	397,860	397,860	-	4.25 Bond refundings	-	-	-
4.47 Adult Basic Education	58,050	58,050	-	4.64 Restricted fund balance	-	-	-
4.52 OPEB Liabilities not Held in Trust	-	-	-	<i>Unassigned:</i>			
<i>Restricted:</i>				4.63 Unassigned fund balance	-	-	-
4.64 Restricted fund balance	122,734	122,732	2				
<i>Unassigned:</i>							
4.63 Unassigned fund balance	-	-	-				

Independent School District No. 47
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Grant Name	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Through Minnesota Department of Education		
Child Nutrition Cluster		
Commodities Programs	10.555	\$ 175,581
School Breakfast	10.553	11,079
Special Milk	10.556	1,645
National School Lunch	10.555	33,205
COVID 19 - Summer Food Service Program	10.559	1,804,366
Total Child Nutrition Cluster and U.S. Department of Agriculture		<u>2,025,876</u>
U.S. Department of Treasury		
Through Minnesota Department of Education		
COVID-19 - Coronavirus Relief Funds	21.019C	1,164,214
Through Benton County		
COVID-19 - Coronavirus Relief Funds	21.019C	67,330
Total Coronavirus Relief Funds and U.S. Department of Treasury		<u>1,231,544</u>
U.S. Department of Education		
Through Minnesota Department of Education		
Title I, Part A	84.010	422,025
Title II, Part A - Improving Teacher Quality	84.367	97,905
Title IV, Part A	84.186	11,895
COVID 19 - Elementary and Secondary School Education Relief (ESSER) Fund	84.425D	56,299
COVID 19 - The Governor's Emergency Education Relief (GEER) Fund	84.425C	46,734
COVID 19 - Expanded Summer Learning - ESSER	84.425D	142,310
Total Education Stabilization Fund		<u>245,343</u>
Through Benton-Stearns Education District		
Special Education Cluster		
Special Education	84.027	555,439
Early Childhood Special Education	84.173	8,163
IDEA Part B Section 611 Mandatory Coordinated Early Intervening Services (cluster)	84.391	79,411
Total Special Education Cluster		<u>643,013</u>
Through Wright Technical Center		
Carl Perkins	84.048A	26,915
Total U.S. Department of Education		<u>1,447,096</u>
Total Federal Expenditures		<u><u>\$ 4,704,516</u></u>

Independent School District No. 47
Notes to the Schedule of Expenditures of Federal Awards

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 basic 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 – INVENTORY

Inventories of commodities donated by the U.S. Department of Agriculture are recorded at market value in the Food Service Fund as inventory. Revenue and expenditures are recorded when commodities are used.

NOTE 4 – INDIRECT COST RATE

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

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Basic Financial
Statements Performed in Accordance with *Government Auditing Standards***

Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ending June 30, 2021, and the related notes to basic financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2021.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance to be a significant deficiency, Audit Finding 2021-001.

Compliance and Other Matters

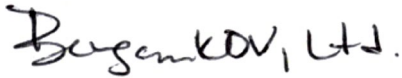
As part of obtaining reasonable assurance about whether the District's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

District's Response to the Findings

The District's response to the finding identified in our audit is described in the accompanying Schedule of Finding and Questioned Costs in Accordance with the Uniform Guidance. The District's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



St. Cloud, Minnesota
October 29, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**Independent Auditor's Report**

To the School Board
Independent School District No. 47
Sauk Rapids, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 47's, Sauk Rapids, Minnesota, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs, in Accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District'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 of 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 47 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.

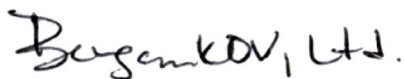
Report on Internal Control over Compliance

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

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

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

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



St. Cloud, Minnesota
October 29, 2021

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Basic Financial Statements

Type of auditor's report issued: We issued an unmodified opinion on the fair presentation of the basic 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:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes, Audit Finding 2021-001

Noncompliance material to basic financial statements noted? No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? 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.: 10.553, 10.555, and 10.559
Name of Federal Program or Cluster: Child Nutrition Cluster

CFDA No.: 84.425C, 84.425D
Name of Federal Program or Cluster: Education Stabilization Funds

CFDA No.: 21.019C
Name of Federal Program or Cluster: Coronavirus Relief Funds

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low risk auditee? No

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION II – BASIC FINANCIAL STATEMENT FINDINGS:

Audit Finding 2021-001

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

The District does not have adequate segregation of accounting duties.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect:

The lack of adequate segregation of accounting duties could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Management's Response:

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding
Administration will examine current segregation of accounting duties and identify areas of concern. As these areas are identified, Administration will develop practices that will address and mitigate such potential problems while working within current financial constraints. Specific areas of greatest concern will be identified first and then addressed, followed up by policies with a plan to reduce the risk of problems. Specifics will be noted in the policies as they are brought before the School Board. An individual who is responsible for the implementation of the specific control will be named as well as information on how the control added will potentially reduce risk of possible misstatement in the basic financial statements. As areas are addressed, other areas will be examined and corrected whenever possible.
3. Official Responsible for Ensuring CAP
Brad Bergstrom, Superintendent, is the official responsible for ensuring corrective action of the deficiency.
4. Planned Completion Date for CAP
The planned completion date for the CAP is ongoing.
5. Plan to Monitor Completion of CAP
The School Board will be responsible to monitor the ongoing progress towards the completion of the CAP by approving the policies brought forth by Administration and review of the annual audit.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

There were no findings or questioned costs.

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Audit Finding 2020-001

Criteria or Specific Requirement:

Internal control that supports the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the basic financial statements requires adequate segregation of accounting duties.

Condition:

During the course of our engagement, a material audit adjustment was required that would not have been identified as a result of the District's existing internal control system and, therefore, could have resulted in a material misstatement of the basic financial statements.

**Independent School District No. 47
Schedule of Findings and Questioned Costs
in Accordance with the Uniform Guidance**

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)

Audit Finding 2020-001 (Continued)

Context:

This finding impacts the District's ability to internally prepare their basic financial statements free from material misstatement.

Effect:

The basic financial statements had material misstatements.

Cause:

District personnel did not make all required audit adjustments or prepare government wide conversion reconciliations.

Recommendation:

Review the District's basic financial statements to assure all entries and reconciliations are prepared and posted.

Management's Response:

CORRECTIVE ACTION TAKEN:

No instances of material misstatement during 2021.

Minnesota Legal Compliance

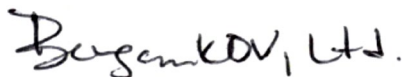
Independent Auditor's Report

To the School Board
Independent School District No. 47
Sauk Rapids, 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 basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 47, Sauk Rapids, Minnesota, as of and for the year ended June 30, 2021, and the related notes to basic financial statements, and have issued our report thereon dated October 29, 2021.

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

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



St. Cloud, Minnesota
October 29, 2021