ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2021

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ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
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INTRODUCTORY SECTION

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHOOL BOARD AND ADMINISTRATION
JUNE 30, 2021

SCHOOL BOARD

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Amy Edwards	December 31, 2024	Chair
Beth Preska	December 31, 2022	Vice-Chair
Eric Gordee	December 31, 2022	Treasurer
Jessica Johnson	December 31, 2024	Clerk
Brady Anderson	December 31, 2022	Member
Jenny Kneeland	December 31, 2024	Member

ADMINISTRATION

Rhonda Dean	Superintendent
Tanley Lego	Business Manager
Patty Vacek	Pay & Benefits Coordinator
Sara Pepin	Account Clerk
Erin Raukar	Human Resources Director

District Offices:

Independent School District No. 883
Rockford Public Schools
6051 Ash Street
Rockford, MN 55373
(763) 447-9165

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and budgetary comparison for the General Fund, Food Service Fund, and Community Service Fund, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 15 to the financial statements, there is a prior period restatement of net position in the governmental activities and fund balance in the Food Service Fund related to deferred revenue and prepaids not properly recorded in the prior year. Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the District's Net OPEB Liability (Asset) and Related Ratios, the schedule of money weighted rate of return on plan assets, the schedule of the District's proportionate share of the net pension liability, and the schedule of Districts contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as listed 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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Matters (Continued)

Supplementary Information (Continued)

The Uniform Financial Accounting and Reporting Standards Compliance Table 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 information is 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 December 1, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 1, 2021

REQUIRED SUPPLEMENTARY INFORMATION

This section of Rockford Area Schools – Independent School District No. 883's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follows this section.

FINANCIAL HIGHLIGHTS

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

- Net position increased by approximately $1,394,000 on revenues of $28,657,000 compared to expenses of $27,263,000.
- Total General Fund revenues were approximately $22,253,000 as compared to about $22,791,000 of expenditures.
- The fund balance of the General Fund increased by a net of approximately $378,000 from the prior year due to the District issuing capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – independent auditors' report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two 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.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.

The 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

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 and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position 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 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 services, and community education. Property taxes and state aids finance most of these activities.

Fund Financial Statements

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

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

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

- *Fiduciary Funds* – The District is the trustee, or fiduciary, for assets that belong to others such as the District's Postemployment Benefits Irrevocable Trust Fund. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was a negative $387,557 on June 30, 2021. This was an increase from the prior year net position of negative $1,732,425.

Table A-1
The District's Net Position

	Governmental Activities		Percentage
	2021	2020	Change
Current and Other Assets	$ 18,523,862	$ 17,354,607	6.7 %
Capital Assets	41,348,332	42,656,486	(3.1)
Total Assets	59,872,194	60,011,093	(0.2)
Deferred Outflows of Resources	5,903,407	8,744,936	(32.5)
Current Liabilities	6,199,154	5,598,479	10.7
Long-Term Liabilities	42,603,235	43,786,361	(2.7)
Total Liabilities	48,802,389	49,384,840	(1.2)
Deferred Inflows of Resources	17,360,769	21,103,614	(17.7)
Net Position:			
Net Investment in Capital Assets	8,646,320	6,404,000	35.0
Restricted	3,519,756	3,339,531	5.4
Unrestricted	(12,553,633)	(11,475,956)	9.4
Total Net Position	$ (387,557)	$ (1,732,425)	77.6

The change in the District's financial position is due to the decrease of deferred inflows of resources related to pensions as a result of changes in assumptions along with a decrease in long-term liabilities.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's revenues for all governmental activities were approximately $28,657,000 for the year ended June 30, 2021.

The total cost for all governmental activities of all programs and services including interest and fiscal charges was approximately $27,263,000. Total revenues exceeded expenses, increasing net position by about $1,394,000 from the prior year. The increase is due to the increase in federal aid offset by a decrease in charges for services due to a change in funding. Expenses increased due to the additional federal funding received and spent.

Table A-2
Change in Net Position

	Governmental Activities for the		Total %
	2021	2020	Change
Revenues			
Program Revenues			
Charges for Services	$ 1,137,574	$ 1,605,631	(29.2)%
Operating Grants and Contributions	6,792,575	4,810,848	41.2
Capital Grants and Contributions	252,649	285,330	(11.5)
General Revenues			
Property Taxes	7,955,350	7,837,426	1.5
Unrestricted State Aid	12,176,503	12,501,318	(2.6)
Investment Earnings	21,514	107,427	(80.0)
Gain on Sale of Property and Equipment	4,000	-	100.0
Other	316,341	193,465	63.5
Total Revenues	28,656,506	27,341,445	4.8
Expenses			
Administration	1,254,620	1,061,872	18.2
District Support Services	1,527,143	1,104,485	38.3
Regular Instruction	11,255,146	10,986,545	2.4
Vocational Education Instruction	393,199	294,287	33.6
Special Education Instruction	2,746,132	2,600,831	5.6
Instructional Support Services	1,417,854	1,304,379	8.7
Pupil Support Services	2,995,021	2,963,532	1.1
Sites and Buildings	3,080,998	2,431,478	26.7
Fiscal and Other Fixed Cost Programs	121,843	101,606	19.9
Food Service	736,254	663,163	11.0
Community Service	1,035,469	1,220,850	(15.2)
Interest and Fiscal Charges on Long-Term Liabilities	698,987	827,628	(15.5)
Total Expenses	27,262,666	25,560,656	6.7
Change in Net Position	1,393,840	1,780,789	
Beginning Net Position, as Previously Reported	(1,732,425)	(3,513,214)	
Restatement - Correction of an Error	(48,972)	-	
Beginning Net Position, as Restated	(1,781,397)	(3,513,214)	
Ending Net Position	$ (387,557)	$ (1,732,425)	

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

The cost of all *governmental* activities this year was approximately $27,263,000.

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

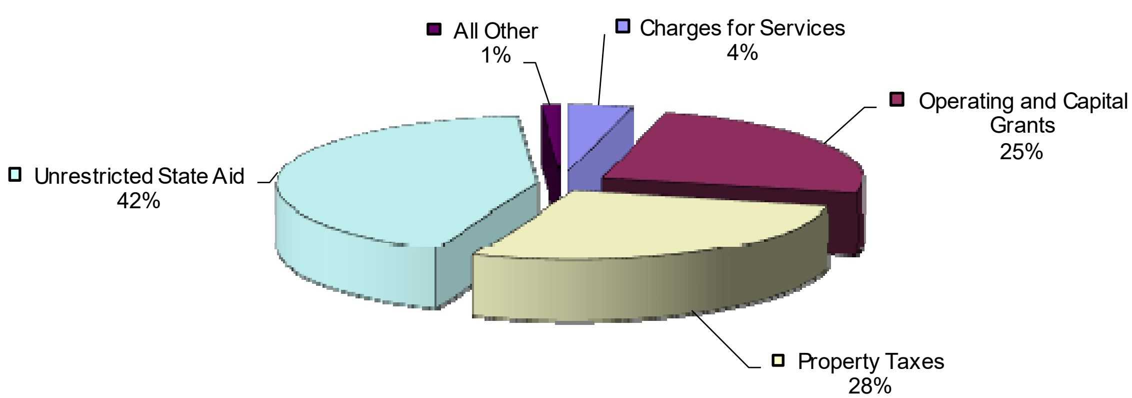
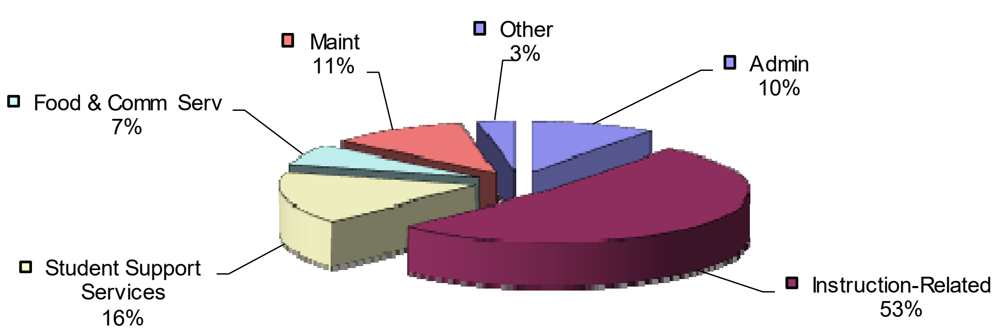


Figure A-2
District Expenses for Fiscal 2021



FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

All governmental activities includes not only funds received for the general operation of the District, which are used for classroom instruction, but also includes resources from the other operating funds of Food Service and Community Education, and from resources for fiscal service transactions. 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 or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction.

Table A-3
Program Expenses and Net Cost of Services

	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2021	2020	Change	2021	2020	Change
Administration	$ 1,254,620	$ 1,061,872	18.2 %	$ 1,254,620	$ 1,061,868	18.2 %
District Support Services	1,527,143	1,104,485	38.3	1,388,270	846,698	64.0
Regular Instruction	11,255,146	10,986,545	2.4	8,993,305	9,373,861	(4.1)
Vocational Education Instruction	393,199	294,287	33.6	392,017	293,466	33.6
Special Education Instruction	2,746,132	2,600,831	5.6	540,096	330,584	63.4
Instructional Support Services	1,417,854	1,304,379	8.7	1,276,585	1,160,659	10.0
Pupil Support Services	2,995,021	2,963,532	1.1	1,179,318	2,361,600	(50.1)
Sites and Buildings	3,080,998	2,431,478	26.7	3,029,202	2,382,786	27.1
Fiscal and Other Fixed Cost Programs	121,843	101,606	19.9	121,843	101,606	19.9
Food Service	736,254	663,163	11.0	60,224	(70,617)	(185.3)
Community Service	1,035,469	1,220,850	(15.2)	145,401	188,708	(22.9)
Interest and Fiscal Charges on Long-Term Liabilities	698,987	827,628	(15.5)	698,987	827,628	(15.5)
Total	$ 27,262,666	$ 25,560,656	6.7	$ 19,079,868	$ 18,858,847	1.2

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of approximately $7,325,000 which is about $369,000 more than last year's ending fund balance of $6,956,074. This is due primarily to the District continuing to monitor expenditures and continuing to make cut backs, along with receiving more federal and state aid than the prior year.

GENERAL FUND

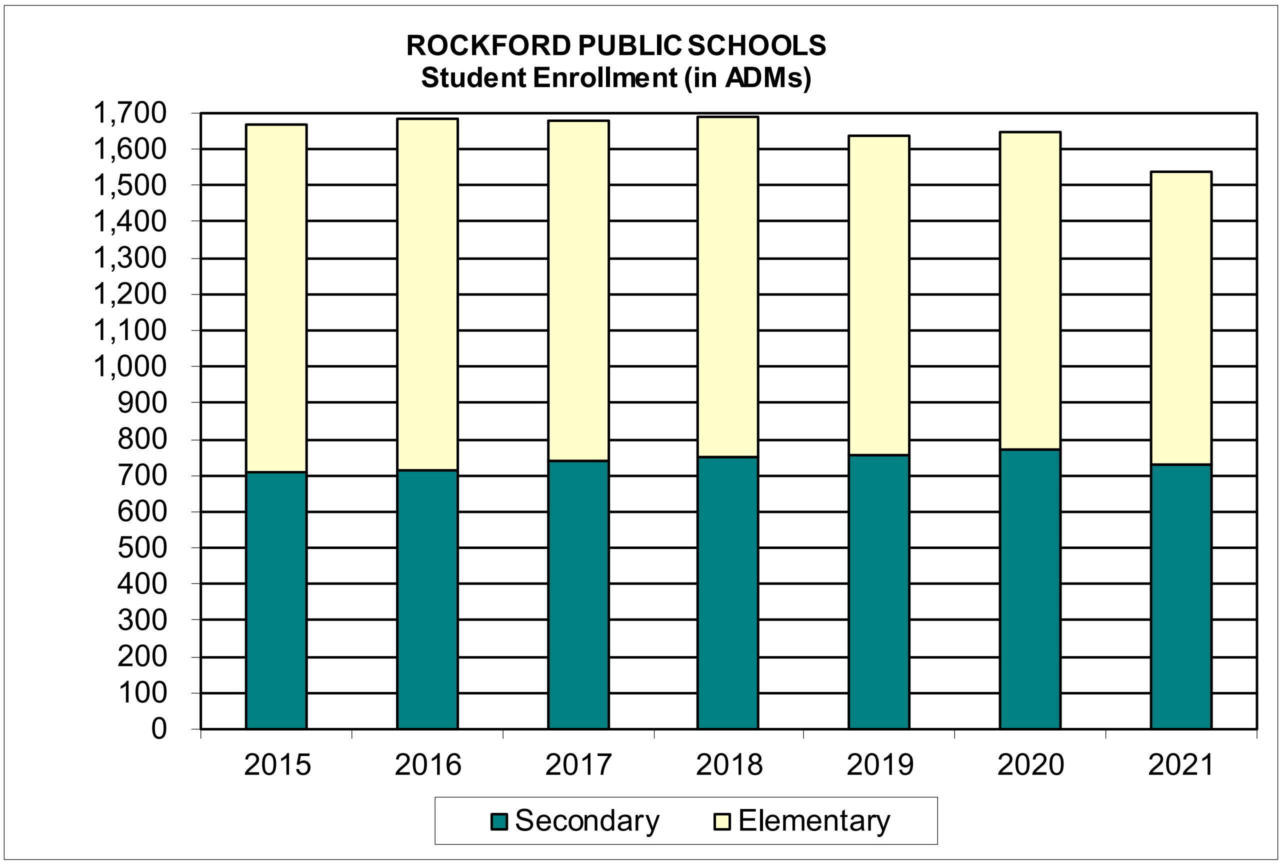
The General Fund includes the primary operations of the District in providing educational services to students from pre-kindergarten through grade 12 including pupil transportation activities and capital outlay projects.

General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local school board having no meaningful authority to determine the level of resources. This includes special education state aid that is based upon a cost reimbursement model. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

ENROLLMENT

Enrollment is a critical factor in determining revenue. The following chart shows that the number of students increased over the prior year.

Table A-4
Seven-Year Enrollment Trend
Average Daily Membership (ADM)



Over the last seven years, the District has experienced a decrease in average daily membership by 134 students. The enrollment is expected to grow as the District has added new programs and is promoting many new initiatives. The District continues to encourage and welcome enrollment of students and hopes increased enrollment continues as new families move to the area and as students from neighboring areas choose to open enroll to Rockford.

Table A-4

	2015	2016	2017	2018	2019	2020	2021
Reg K, Pre-K & KH	151	143	142	151	133	141	120
Elementary	809	825	795	788	745	737	686
Secondary	710	716	741	749	758	771	730
Total Students for Aid	1,670	1,684	1,678	1,688	1,636	1,649	1,536
Percent Change	3.96%	0.83%	-0.33%	0.60%	-3.10%	0.79%	-6.85%

GENERAL FUND

The following schedule presents a summary of General Fund revenues.

Table A-5
General Fund Revenues

	Year Ended		Change	
Fund	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent
Local Sources:				
Property Taxes	$ 3,658,234	$ 3,489,113	$ 169,121	4.8 %
Earnings on Investments	14,358	68,086	(53,728)	(78.9)
Other	597,368	578,011	19,357	3.3
State Sources	16,646,786	15,859,975	786,811	5.0
Federal Sources	1,336,023	753,619	582,404	77.3
Total General Fund Revenue	$ 22,252,769	$ 20,748,804	$ 1,503,965	7.2

Total General Fund revenue increased by approximately $1,504,000 or 7.2% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of mostly state aid revenue. Other state-authorized revenue including operating levy referendum, operating capital revenue and the property tax shift also involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

Federal revenue increased overall by $582,404 due mostly to additional federal grant money that was received and spent in the current year.

State revenue increased due to an increase in desegregation transportation money received.

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures.

Table A-6
General Fund Expenditures

	Year Ended June 30, 2021	Year Ended June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	$ 11,176,172	$ 10,560,390	$ 615,782	5.8 %
Employee Benefits	3,490,701	3,260,033	230,668	7.1
Purchased Services	4,997,935	5,200,016	(202,081)	(3.9)
Supplies and Materials	1,384,281	827,260	557,021	67.3
Capital Expenditures	1,588,186	239,571	1,348,615	562.9
Other Expenditures	153,425	104,736	48,689	46.5
Total Expenditures	$ 22,790,700	$ 20,192,006	$ 2,598,694	12.9

Total General Fund expenditures increased approximately $2,599,000 or 12.9% due to an increase in due to an increase in supplies, materials, and capital expenditures related to increased expenses from federal revenues.

Revenues exceeded expenditures which resulted in an increase in fund balance at the end of 2020-21.

General Fund Budgetary Highlights

Following approval of the budget prior to the beginning of the fiscal year, the District revises the annual operating budget in mid-year. The school district monitored the budget closely and proposed one budget revision in addition to the original adopted budget. These budget amendments typically fall into two categories:

- Implementing budgets for specially funded projects, which include both federal and state grants and reinstating unexpended funds being carried over.
- Increases in appropriations for significant unbudgeted costs.

Actual revenues were approximately $358,000 less than expected from the budget, primarily due to a decrease in federal revenues received as the District anticipated more federal grant money would be spent.

The actual expenditures were approximately $342,000 more than budgeted primarily due to an increase in capital outlay. Restricted safe schools fund balance ended with a positive balance of $68,533. Restricted operating capital fund balance ended with a positive balance of $962,225. Restricted long-term facilities maintenance fund balance ended with a positive balance of $311,935. Restricted student activities fund balance ended with a positive balance of $120,204. Restricted staff development fund balance ended with a positive balance of $149,787. Restricted learning and development fund balance ended with a positive balance of $98,607.

DEBT SERVICE FUNDS

The Debt Service Fund expenditures exceeded revenues by approximately $13,461 for fiscal 2021.

OTHER MAJOR FUNDS

Expenditures exceeded revenues in the Food Service Fund by about $5,911. Revenues exceeded expenditures in the Community Service Fund by approximately $10,458.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the District had invested approximately $79,357,000 million in a broad range of capital assets (see Table A-7). (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was $2,186,855.

Table A-7
The District's Capital Assets

	2021	2020	Percentage Change
Land	$ 1,224,853	$ 1,224,853	- %
Land Improvements	8,948,471	9,345,624	(4.2)
Buildings and Improvements	62,658,342	62,658,342	-
Equipment	6,383,023	6,024,459	6.0
Less: Accumulated Depreciation	(38,008,857)	(36,596,792)	3.9
Total	$ 41,348,332	$ 42,656,486	(3.1)

LONG-TERM LIABILITIES

At year-end, the District had $32,521,175 in general obligation bonds and net bond premium (discount) – a decrease of 38.2% from last year – as shown in Note 6 to the financial statements. The decrease is due to regular payments made on outstanding debt. The District also had an estimated $35,655 in vacation and severance payable at June 30, 2021, a decrease of $5,855 from June 30, 2020.

Table A-8
The District's Long-Term Liabilities

	2021	2020	Percentage Change
General Obligation Bonds	$ 31,440,000	$ 34,735,000	(9.5)%
Net Bond Premium (Discount)	1,081,175	1,517,486	(28.8)
Obligations Under Capital Lease	858,978	6,038	14126.2
Severance Benefits Payable	11,335	11,209	1.1
Compensated Absences Payable	24,320	30,301	(19.7)
Total	$ 33,415,808	$ 36,300,034	(7.9)
Long-Term Liabilities:			
Due within One Year	$ 3,606,285	$ 3,348,320	
Due in More than One Year	29,809,523	32,951,714	
Total	$ 33,415,808	$ 36,300,034	

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District experienced an enrollment decline during the pandemic, and is working to build enrollment back up to pre-pandemic levels. Projected enrollment for the District shows stable to minimal increases for the next few years, followed by a potential increase as new housing is scheduled to be built in the District. As for state aid funding, the District will receive an additional 2.45% and 2% in the general aid funding formula for FY2022 and FY2023 respectively. Funding increases, if any, beyond FY2023 will be determined by the state legislature as part of their budget setting process. Federal funds that were available during the pandemic will have been spent by the end of FY2022, consequently the District will need to monitor expenses that were related to these federal funds to determine if any of these costs will continue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 883, 6051 Ash St., Rockford, Minnesota 55373.

Bond Ratings
The District's bonds presently carry a *Standard & Poor's* "AA-" rating.

Limitations on Debt
The state limits the amount of general obligation debt the District can issue to 15% of the assessed value of all taxable property within the District's corporate limits. Our outstanding debt is significantly below this limit – which is currently $160 million.

BASIC FINANCIAL STATEMENTS

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities 2021
ASSETS	
Cash and Investments	$ 10,123,412
Receivables:	
Property Taxes	4,516,664
Other Governments	3,000,353
Other	107,731
Due from Fiduciary Funds	98,214
Net OPEB Asset	677,488
Capital Assets:	
Land	1,224,853
Construction-in-Progress	142,500
Other Capital Assets, Net of Depreciation	39,980,979
Total Assets	59,872,194
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	5,782,043
OPEB Related	121,364
Total Deferred Outflows of Resources	5,903,407
LIABILITIES	
Salaries and Compensated Absences Payable	1,672,587
Accounts and Contracts Payable	280,549
Accrued Interest	419,577
Due to Other Governmental Units	107
Due to Other Minnesota School Districts	47,364
Unearned Revenue:	
Local Sources	172,685
Net Pension Liability	12,793,712
Long-Term Liabilities:	
Portion Due Within One Year	3,606,285
Portion Due in More Than One Year	29,809,523
Total Liabilities	48,802,389
DEFERRED INFLOWS OF RESOURCES	
Pension Related	9,216,825
OPEB Related	305,400
Property Taxes	7,838,544
Total Deferred Inflows of Resources	17,360,769
NET POSITION (DEFICIT)	
Net Investment in Capital Assets	8,646,320
Restricted for:	
General Fund Operating Capital Purposes	962,225
General Fund State-Mandated Restricted	769,888
Food Service	118,361
Community Service	259,064
Other Postemployment Benefits	677,488
Debt Service	732,730
Unrestricted	(12,553,633)
Total Net Position (Deficit)	$ (387,557)

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	2021				
		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Administration	$ 1,254,620	$ -	$ -	$ -	$ (1,254,620)
District Support Services	1,527,143	-	-	138,873	(1,388,270)
Regular Instruction	11,255,146	328,429	1,853,035	80,377	(8,993,305)
Vocational Education Instruction	393,199	-	1,182	-	(392,017)
Special Education Instruction	2,746,132	-	2,206,036	-	(540,096)
Instructional Support Services	1,417,854	400	140,869	-	(1,276,585)
Pupil Support Services	2,995,021	20,000	1,795,703	-	(1,179,318)
Sites and Buildings	3,080,998	2,020	16,377	33,399	(3,029,202)
Fiscal and Other Fixed Cost Programs	121,843	-	-	-	(121,843)
Food Service	736,254	41,380	634,650	-	(60,224)
Community Service	1,035,469	745,345	144,723	-	(145,401)
Interest and Fiscal Charges on Long-Term Liabilities	698,987	-	-	-	(698,987)
Total School District	$ 27,262,666	$ 1,137,574	$ 6,792,575	$ 252,649	(19,079,868)
	GENERAL REVENUES				
	Property Taxes Levied for:				
	General Purposes				3,697,093
	Community Service				129,912
	Debt Service				4,128,345
	State Aid Not Restricted to Specific Purposes				12,176,503
	Earnings on Investments				21,514
	Gain on Sale of Capital Assets				4,000
	Miscellaneous				316,341
	Total General Revenues				20,473,708
	CHANGE IN NET POSITION				1,393,840
	Net Position - Beginning of Year, as Previously Stated				(1,732,425)
	Restatement - Correction of an Error				(48,972)
	Net Position - Beginning of Year, as Restated				(1,781,397)
	NET POSITION - END OF YEAR				$ (387,557)

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
BALANCE SHEET
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Major Funds				Total Governmental Funds
	General	Food Service	Community Service	Debt Service	2021
ASSETS					
Cash and Investments	$ 6,749,508	$ 62,408	$ 339,831	$ 2,971,665	$ 10,123,412
Receivables:					
Current Property Taxes	1,733,786	-	65,767	2,188,581	3,988,134
Delinquent Property Taxes	203,473	-	9,874	315,183	528,530
Accounts and Interest Receivable	31,399	69,077	7,255	-	107,731
Due from Other Minnesota School Districts	330,338	-	7,570	-	337,908
Due from Minnesota Department of Education	2,322,218	172	16,393	(2,656)	2,336,127
Due from Federal Government through Minnesota Department of Education	303,860	16,869	5,589	-	326,318
Due from Other Funds	93,970	-	4,244	-	98,214
Total Assets	$ 11,768,552	$ 148,526	$ 456,523	$ 5,472,773	$ 17,846,374
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities:					
Salaries and Compensated Absences Payable	$ 781,393	$ -	$ 56,769	$ -	$ 838,162
Payroll Deductions and Employer Contributions Payable	834,425	-	-	-	834,425
Accounts and Contracts Payable	279,953	-	596	-	280,549
Due to Other Governmental Units	107	-	-	-	107
Due to Other Minnesota School Districts	47,364	-	-	-	47,364
Unearned Revenue	-	30,165	142,520	-	172,685
Total Liabilities	1,943,242	30,165	199,885	-	2,173,292
Deferred Inflows of Resources:					
Property Taxes Levied for Subsequent Year	3,384,771	-	133,307	4,320,466	7,838,544
Unavailable Revenue - Delinquent Taxes	184,109	-	9,874	315,183	509,166
Total Deferred Inflows of Resources	3,568,880	-	143,181	4,635,649	8,347,710
Fund Balance:					
Restricted:					
Student Activities	120,204	-	-	-	120,204
Staff Development	149,787	-	-	-	149,787
Operating Capital	962,225	-	-	-	962,225
Learning and Development	98,607	-	-	-	98,607
Basic Skills	13	-	-	-	13
Achievement & Integration	17,486				17,486
Safe Schools - Crime	68,533	-	-	-	68,533
Long-Term Facilities Maintenance	311,935	-	-	-	311,935
Medical Assistance	3,323	-	-	-	3,323
Early Childhood and Family Educations Programs	-	-	79,512	-	79,512
Other Restricted	-	118,361	33,945	837,124	989,430
Assigned:					
Q Comp	311,911	-	-	-	311,911
Capital Projects	304,518	-	-	-	304,518
Scholarships	10,516	-	-	-	10,516
Unassigned	3,897,372	-	-	-	3,897,372
Total Fund Balance	6,256,430	118,361	113,457	837,124	7,325,372
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 11,768,552	$ 148,526	$ 456,523	$ 5,472,773	$ 17,846,374

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2021

	2021
Total Fund Balance for Governmental Funds	$ 7,325,372
Total net position reported for governmental activities in the statement of net position is different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	1,224,853
Construction in Progress	142,500
Land Improvements, Net of Accumulated Depreciation	4,939,160
Buildings and Improvements, Net of Accumulated Depreciation	34,023,446
Equipment, Net of Accumulated Depreciation	1,018,373
OPEB trust contributions net of the OPEB liability and deferred outflows of resources recognized to date, are not current financial resources and, therefore, are not reported at fund level.	677,488
OPEB deferred outflows are reported only on the statement of net position.	121,364
OPEB deferred inflows are reported only on the statement of net position.	(305,400)
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:	
Net Pension Liability	(12,793,712)
Deferred Inflows of Resources - Pension Related	(9,216,825)
Deferred Outflows of Resources - Pension Contributions	5,782,043
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred inflows of resources in the funds.	509,166
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(419,577)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:	
Bonds Payable	(31,440,000)
Unamortized Premiums	(1,081,175)
Obligations Under Capital Lease	(858,978)
Severance Benefits Payable	(11,335)
Compensated Absences Payable	(24,320)
Total Net Position of Governmental Activities	$ (387,557)

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	Major Funds				Total Governmental
		Food	Community	Debt	Funds
	General	Service	Service	Service	2021
REVENUES					
Local Sources:					
Property Taxes	$ 3,658,234	$ -	$ 128,009	$ 4,062,801	$ 7,849,044
Earnings on Investments	14,358	135	726	6,295	21,514
Other	597,368	95,558	745,385	-	1,438,311
State Sources	16,646,786	12,168	178,078	409,720	17,246,752
Federal Sources	1,336,023	622,482	5,589	-	1,964,094
Total Revenues	22,252,769	730,343	1,057,787	4,478,816	28,519,715
EXPENDITURES					
Current:					
Administration	1,205,482	-	-	-	1,205,482
District Support Services	1,270,064	-	-	-	1,270,064
Regular Instruction	8,921,411	-	-	-	8,921,411
Vocational Education Instruction	310,528	-	-	-	310,528
Special Education Instruction	2,652,486	-	-	-	2,652,486
Instructional Support Services	1,347,804	-	-	-	1,347,804
Pupil Support Services	2,970,640	-	-	-	2,970,640
Sites and Buildings	2,337,383	-	-	-	2,337,383
Fiscal and Other Fixed Cost Programs	121,843	-	-	-	121,843
Food Service	-	736,254	-	-	736,254
Community Service	-	-	1,043,783	-	1,043,783
Capital Outlay	1,588,186	-	102	-	1,588,288
Debt Service:					
Principal	56,184	-	3,019	3,315,000	3,374,203
Interest and Fiscal Charges	8,689	-	425	1,197,277	1,206,391
Total Expenditures	22,790,700	736,254	1,047,329	4,512,277	29,086,560
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(537,931)	(5,911)	10,458	(33,461)	(566,845)
OTHER FINANCING SOURCES (USES)					
Sale of Equipment	4,000	-	-	-	4,000
Issuance of Bonds	-	-	-	590,000	590,000
Principal Payments on Refunded Bonds	-	-	-	(570,000)	(570,000)
Capital Lease Issued	912,143	-	-	-	912,143
Total Other Financing Sources (Uses)	916,143	-	-	20,000	936,143
NET CHANGE IN FUND BALANCE	378,212	(5,911)	10,458	(13,461)	369,298
FUND BALANCE					
Beginning of Year, as Previously Stated	5,878,218	173,244	102,999	850,585	7,005,046
Restatement - Correction of an Error	-	(48,972)	-	-	(48,972)
Beginning of Year, as Restated	5,878,218	124,272	102,999	850,585	6,956,074
End of Year	$ 6,256,430	$ 118,361	$ 113,457	$ 837,124	$ 7,325,372

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS
TO STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED JUNE 30, 2021

	2021
Net Change in Fund Balance - Total Governmental Funds	$ 369,298
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.	
Capital Outlay	878,701
Depreciation Expense	(2,186,855)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a sources of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.	
Other Financing Sources - Capital Lease Issued	(912,143)
Principal Payments - Capital Lease	59,203
Payment of OPEB benefits are recognized as expenditures at the fund level while the change in the net prepaid OPEB obligation, deferred outflows of resources and deferred inflows of resources is recognized in the statement of net position.	(37,539)
Pension expenditures on the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources	(690,965)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of discounts and premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:	
Repayment of Bond Principal	3,885,000
Issuance of Bonds	(590,000)
Change in Accrued Interest Expense - General Obligation Bonds	70,668
Amortization of Bond Premium	436,311
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period’s expenditures and, therefore, are unavailable in the funds.	106,306
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	5,855
Change in Net Position of Governmental Activities	$ 1,393,840

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 3,695,573	$ 3,668,637	$ 3,658,234	$ (10,403)
Earnings on Investments	110,000	90,000	14,358	(75,642)
Other	595,870	671,658	597,368	(74,290)
State Sources	16,185,023	16,449,323	16,646,786	197,463
Federal Sources	697,347	1,731,286	1,336,023	(395,263)
Total Revenues	21,283,813	22,610,904	22,252,769	(358,135)
EXPENDITURES				
Current:				
Administration	1,120,827	1,230,834	1,205,482	(25,352)
District Support Services	1,032,528	1,318,194	1,270,064	(48,130)
Elementary and Secondary Regular Instruction	8,663,573	9,709,593	8,921,411	(788,182)
Vocational Education Instruction	267,893	277,588	310,528	32,940
Special Education Instruction	2,715,425	2,855,517	2,652,486	(203,031)
Instructional Support Services	1,477,550	1,431,537	1,347,804	(83,733)
Pupil Support Services	2,510,204	2,504,994	2,970,640	465,646
Sites and Buildings	2,608,405	2,449,276	2,337,383	(111,893)
Fiscal and Other Fixed Cost Programs	141,000	141,000	121,843	(19,157)
Capital Outlay	422,619	530,409	1,588,186	1,057,777
Debt Service:				
Principal	-	-	56,184	56,184
Interest and Fiscal Charges	-	-	8,689	8,689
Total Expenditures	20,960,024	22,448,942	22,790,700	341,758
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	323,789	161,962	(537,931)	(699,893)
OTHER FINANCING SOURCES				
Sale of Equipment	-	-	4,000	4,000
Capital Lease Issued	-	-	912,143	912,143
Total Other Financing Sources	-	-	916,143	916,143
NET CHANGE IN FUND BALANCE	$ 323,789	$ 161,962	378,212	$ 216,250
FUND BALANCE				
Beginning of Year			5,878,218	
End of Year			$ 6,256,430	

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Earnings on Investments	$ -	$ -	$ 135	$ 135
Other - Primarily Meal Sales	445,943	445,943	95,558	(350,385)
State Sources	36,186	36,186	12,168	(24,018)
Federal Sources	306,381	306,381	622,482	316,101
Total Revenues	788,510	788,510	730,343	(58,167)
EXPENDITURES				
Current:				
Food Service	740,826	740,826	736,254	(4,572)
NET CHANGE IN FUND BALANCE	$ 47,684	$ 47,684	(5,911)	$ (53,595)
FUND BALANCE				
Beginning of Year, as Previously Stated			173,244	
Restatement - Correction of an Error			(48,972)	
Beginning of Year, as Restated			124,272	
End of Year			$ 118,361	

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
MAJOR COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Over (Under) Final
	Original	Final	Amounts	Budget
REVENUES				
Local Sources:				
Property Taxes	$ 130,443	$ 129,912	$ 128,009	$ (1,903)
Earnings on Investments	-	-	726	726
Other - Primarily Tuition and Fees	1,092,341	791,936	745,385	(46,551)
State Sources	183,478	179,771	178,078	(1,693)
Federal Sources	-	-	5,589	5,589
Total Revenues	1,406,262	1,101,619	1,057,787	(43,832)
EXPENDITURES				
Current:				
Community Service	1,342,928	1,048,321	1,043,783	(4,538)
Capital Outlay	10,000	5,500	102	(5,398)
Debt Service:				
Principal	-	-	3,019	3,019
Interest and Fiscal Charges	-	-	425	425
Total Expenditures	1,352,928	1,053,821	1,047,329	(6,492)
NET CHANGE IN FUND BALANCE	$ 53,334	$ 47,798	10,458	$ (37,340)
FUND BALANCE				
Beginning of Year			102,999	
End of Year			$ 113,457	

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Postemployment Benefits Irrevocable Trust Fund
ASSETS	
Negotiable Certificates of Deposit	$ 983,300
Investments:	
Money Market	191,742
Interest Receivable	5,704
Total Assets	1,180,746
LIABILITIES	
Due to Primary Government	98,214
NET POSITION	
Restricted for Postemployment Benefits other than Pensions	$ 1,082,532

See accompanying Notes to Basic Financial Statements.

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2021

	Postemployment Benefits Irrevocable Trust Fund
ADDITIONS	
Investment Income:	
Interest and Dividends	$ 9,952
Less Investment Expense	(250)
Net Investment Income	9,702
DEDUCTIONS	
Benefit Payments	69,520
CHANGE IN NET POSITION	(59,818)
Net Position - Beginning of Year	1,142,350
NET POSITION - END OF YEAR	$ 1,082,532

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 883 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Financial Reporting Entity

Independent School District No. 883 (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

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

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

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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

Separate Fund financial statements are provided for governmental and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type: Postemployment Benefits Irrevocable Trust Fund. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds would be excluded from the District-wide statements. The District has one trust fund.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are 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. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for amounts advance recognized in accordance with a statutory “tax shift” described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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 GAAP. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenues when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

2. Recording of Expenditures

Expenditures are generally recorded when a liability is incurred. However, expenditures are recorded as prepaid for approved disbursements or liabilities incurred in advance of the year in which the item is to be used. Principal and interest on long-term debt issues are recognized on their due dates.

Description of Funds

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

Major Governmental Funds

General Fund
The General Fund is used to account for all financial resources except those required to be accounted for in another fund. It includes the general operations and pupil transportation activities of the district, as well as the capital related activities such as maintenance of facilities equipment purchases, health and safety projects, and disabled accessibility projects.

Food Service Special Revenue Fund
The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund
The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes and state aids.

Debt Service Fund
The Debt Service Fund is used to account for and report financial resources restricted, committed, or assigned to pay general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service except for refunding bond issues, for which a separate refunding bond trust account is established.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

Private Purpose Trust Fund

Postemployment Benefits Irrevocable Trust Fund

This trust fund is used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits. District contributions to this fund must be expensed to an operating fund.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Each June, the School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

Budgeted amounts include mid-year budget amendments that increased or decreased revenue and expenditure budgets as follows:

Revenues	Original Budget	Amendments	Amended Budget
General Fund	$ 21,283,813	$ 1,327,091	$ 22,610,904
Special Revenue Funds:			
Community Service Fund	1,406,262	(304,643)	1,101,619
Expenditures			
General Fund	$ 20,960,024	$ 1,488,918	$ 22,448,942
Special Revenue Funds:			
Community Service Fund	1,352,928	(299,107)	1,053,821

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

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

F. Cash and Investments

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

Investments are stated at their fair value as determined by quoted market prices, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less which are recorded at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer or by other factors. Money market investments are short-term, highly liquid debt instruments including commercial paper, Bankers' acceptances, and U.S. Treasury and agency obligations.

G. Accounts Receivable

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Property Taxes

Property tax levies are established by the School Board in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1. Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through state credits which are included in revenue from state sources in the financial statements.

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as deferred inflows of resources (property taxes levied for subsequent year). The majority of District revenue in the General Fund (and to a lesser extent in the District’s Community Service Special Revenue Fund) is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between taxes and state aids by the Legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the “tax shift.”

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy (frozen at $108,596) for the District. Certain other portions of the District’s 2020 pay 2021 levy, normally revenue for the 2021-22 fiscal year are also advance recognized as of June 30, 2020, as required by state statute to match revenue with the same fiscal year as the related expenditures.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2021 are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of $5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the District-wide financial statement, but are not reported in the Fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. 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. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position reports 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. The District will not recognize the related outflow until a future event occurs.

K. Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bonds payable are reported net of applicable premiums and discounts which are amortized over the life of the bonds using the straight line method which approximates effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

L. Accrued Employee Benefits

Vacation Pay

The District’s twelve-month employees are entitled to annual vacations. These benefits are reported as liabilities in the District-wide financial statements and as expenditures when taken in the fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Accrued Employee Benefits (Continued)

Sick Pay

Substantially all district employees are entitled to sick leave at various rates. For certain employees, unused sick leave is a factor in the calculation of an employee's severance pay upon retirement.

Severance and Health Benefits

Severance and health benefits consist of lump sum early retirement incentive payments and postemployment health care benefits. Accounting policies for severance and health benefits are described below.

1. Severance and Convertible Sick Leave

The District maintains various severance payment plans for its employee groups. Each employee group plan contains benefit formulas based on years of service and/or minimum age requirements and unused accumulated sick leave upon termination subject to certain conditions. No employee can receive severance payments exceeding one year’s salary. If retirement occurs by year-end, the related benefits are included with salaries and other compensated absences as a current liability. Effective for contracts beginning July 1, 2005, the District provides Health Care Savings Account contributions based upon contract agreements. These amounts, to the extent applicable, are included in the calculation of severance liability.

2. Other Postemployment Benefits Payable

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District and additions to/deductions from the District’s fiduciary net position 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. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

M. Deferred Inflows of Resources

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has legal claim to them. The District has reported unearned revenues for the unearned grant revenue, charges for services and school lunch deposits.

O. 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.

P. Fund Balance

In the fund financial statements, governmental funds report nonspendable portions of fund balance related to prepaids, inventories, long-term receivables, and corpus on any permanent fund. Nonspendable portions of fund balance are related to prepaid items and inventory. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Business Manager to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District’s policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District’s policy to use committed first, then assigned, and finally unassigned amounts.

It is also the District’s policy to strive to maintain a minimum unassigned fund balance in the General Fund of 8% of the General Fund annual expenditure budget.

Q. Net Position

Net position represents the difference between assets and deferred outflows of resources, liabilities and deferred inflows of resources in the District-wide and Fiduciary Fund financial statements. Net Investment in Capital Assets consists of capital assets, net of accumulation depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the District’s policy to use restricted first, then unrestricted net position.

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amount in the following fund:

	Budget	Expenditures	Excess
General Fund	$ 22,448,942	$ 22,790,700	$ 341,758

These overages were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 3 INTERFUND TRANSACTIONS

A. Due to/from Other Funds

	Payable Fund
Receivable Fund:	OPEB Trust Fund
General Fund	$ 93,970
Community Service Fund	4,244
Total	$ 98,214

The amount due to the General and Community Service Fund from the OPEB Trust Fund relates to OPEB expenditures paid by the General and Community Service Fund to be reimbursed by the Trust.

NOTE 4 DEPOSITS AND INVESTMENTS

A. Deposits

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the balance sheet as "Cash and Investments." The District does have an investment policy which follows Minnesota Statutes. The District maintains deposits at financial institutions which are authorized by the School District's Board.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Custodial Credit Risk – Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral include: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust departments of a commercial bank or other financial institution not owned or controlled by the depository.

The District's deposits in banks at June 30, 2021 were entirely covered by federal depositories insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rate "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

At June 30, 2021, the District’s investment balances were as follows:

Type	Amount
Nonnegotiable Certificates of Deposit	$ 1,497,200
MN Trust Investment Shares	3,964,638
MN Trust Term Series	1,500,000
MN Trust Limited Term Duration Series	533,300
OPEB Trust	
MN Trust Investment Shares	191,742
Negotiable Certificates of Deposits	983,300
Total	$ 8,670,180

MN Trust is an external investment pool (Pool). The Pool is regulated by Minnesota statutes and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The MN Trust Investment Series and Term Series is managed to maintain a dollar-weighted average portfolio maturity of no greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of $1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Governmental Accounting Standards Board. The MN Trust Term Series withdraws requires a seven-day notice of redemption and would likely carry a penalty. The MN Trust Investment Series withdrawals may only be made on the third Wednesday of each month upon advance written notice, with no penalties assessed.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the District’s investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Type	Total	12 Months or Less	13 to 24 Months	24 Months or More
Nonnegotiable Certificates of Deposit	$ 1,497,200	$ 499,000	$ 998,200	$ -
MN Trust Investment Shares	3,964,638	3,964,638	-	-
MN Trust Term Series	1,500,000	1,500,000	-	-
MN Trust Limited Term Duration Series	533,300	533,300	-	-
OPEB Trust				
MN Trust Investment Shares	191,742	191,742	-	-
Negotiable Certificates of Deposits	983,300	745,000	238,300	-
Total	$ 8,670,180	$ 7,433,680	$ 1,236,500	$ -

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by *Standard & Poor's*:

Type	Credit Quality Rating	Amount
Nonnegotiable Certificate of Deposits	NR	$ 1,497,200
MN Trust Investment Shares	AAAm	3,964,638
MN Trust Term Series	NR	1,500,000
MN Trust Limited Term Duration Series	NR	533,300
OPEB Trust		
MN Trust Investment Shares	AAAm	191,742
Nonnegotiable Certificate of Deposits	NR	983,300
Total		$ 8,670,180

Custodial Credit Risk – For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the School District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's bond documents require insurance of all balances held with each investment account. As of June 30, 2021, the investment balances were fully covered by insurance.

The District's deposits ($2,628,274) and investments ($8,670,180) are presented in the financial statements as follows:

Cash and Investments - Statement of Net Position	$ 10,123,412
Cash and Investments - Statement of Fiduciary Net Position	1,175,042
Total Cash and Investments	$ 11,298,454

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Nonnegotiable Certificates of Deposit	$ -	$ 2,480,500	$ -	$ 2,480,500

NOTE 5 CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,224,853	$ -	$ -	$ 1,224,853
Construction in Progress	-	142,500	-	142,500
Total Capital Assets, Not Being Depreciated	1,224,853	142,500	-	1,367,353
Capital Assets, Being Depreciated:				
Land Improvements	9,345,624	166,048	(563,201)	8,948,471
Buildings and Improvements	62,658,342	-	-	62,658,342
Equipment	6,024,459	570,153	(211,589)	6,383,023
Total Capital Assets, Being Depreciated	78,028,425	736,201	(774,790)	77,989,836
Accumulated Depreciation for:				
Land Improvements	(4,186,646)	(385,866)	563,201	(4,009,311)
Buildings and Improvements	(26,967,975)	(1,666,921)	-	(28,634,896)
Equipment	(5,442,171)	(134,068)	211,589	(5,364,650)
Total Accumulated Depreciation	(36,596,792)	(2,186,855)	774,790	(38,008,857)
Total Capital Assets, Being Depreciated, Net	41,431,633	(1,450,654)	-	39,980,979
Governmental Activities Capital Assets, Net	$ 42,656,486	$ (1,308,154)	$ -	$ 41,348,332

Depreciation expense was charged to functions of the District as follows:

Governmental Activities	
Regular Instruction	$ 1,985,344
Pupil Support Services	345
Sites and Buildings	199,693
Community Service	1,473
Total Depreciation Expense, Governmental Activities	$ 2,186,855

NOTE 6 LONG-TERM LIABILITIES

A. Components of Long-Term Debt

Issue Date	Net Interest Rate	Original Issue	Final Maturity	Principal Outstanding Due Within One Year	Principal Outstanding Total
2013	2.00%	$ 26,890,000	2/1/2029	$ 320,000	$ 24,665,000
2015	5.00%	17,690,000	2/1/2023	3,010,000	6,185,000
2021	0.28%	590,000	2/1/2025	147,000	590,000
Total General Obligation Bonds				3,477,000	31,440,000
Bond Premium - Net				-	1,081,175
Lease Purchase Obligations:					
RCC Treadmill Lease				3,019	3,019
LED Lease				69,497	764,493
Copier Lease				32,449	91,466
Total Leases Purchase Obligations				104,965	858,978
Severance Benefits Payable				-	11,335
Compensated Absences Payable				24,320	24,320
Total				$ 3,606,285	$ 33,415,808

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, not including severance, other postemployment benefits payable, or other compensated absences are as follows:

Year Ending June 30,	General Obligation Bonds Payable Principal	General Obligation Bonds Payable Interest	Capital Leases Payable Principal	Capital Leases Payable Interest
2022	$ 3,477,000	$ 1,004,998	$ 104,965	$ 23,905
2023	3,637,000	848,270	104,917	20,508
2024	3,993,000	682,807	99,305	17,472
2025	3,983,000	586,266	75,831	14,998
2026	3,940,000	470,800	78,068	12,761
2027 - 2031	12,410,000	751,950	395,892	27,979
Total	$ 31,440,000	$ 4,345,091	$ 858,978	$ 117,623

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt

General Obligation School Building Bonds

These bonds were issued to finance acquisition, construction, and/or improvement of capital facilities or to refinance (refund) previous bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated for the retirement of these bonds. Total deferred tax levies available to retire bond principal and interest payable at June 30, 2021 are $37,574,345. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

In November 2015, the District issued $17,690,000 General Obligation School Building Refunding Bonds, Series 2015A. The Bonds were issued for a current refunding of: 2006A General Obligation School Building Refunding Bonds of $21,265,000. The total gross savings to the District attributable to the refunding and defeasance of these bonds is $2,361,656 with a net present value savings of $2,221,212.

In January 2021, the District issued $590,000 General Obligation Capital Facilities Refunding Bonds, Series 2021A. The Bonds were issued for a current refunding of 2020A General Obligation Capital Facilities Bonds of $1,875,000. The total gross savings to the District attributable to the refunding and defeasance of these bonds is $26,881 with a net present value savings of $26,020.

Capital Lease Obligations

On February 20, 2019, the District entered into a lease agreement to finance the use of copiers. The total lease was for $161,242 which matures March 1, 2024. The District is to make monthly payments of $2,883 with an interest rate of 2.80%.

On July 30, 2019, the District entered into a lease agreement to finance three treadmills. The total lease was for $9,057 which matures June 30, 2022. The District is to make monthly payments of $287.

On March 18, 2021, the District entered into a lease-purchase agreement for the proper, efficient and economic use of lighting fixtures. The total lease was for $789,123 which matures February 15, 2031. The District is to make annual payments of $7,569 with an implicit interest rate of about 2.91%. Since these items did not meet the requirement of being a capital asset, these items were not added as capital assets.

The assets acquired through a capital lease, is summarized as follows:

Equipment	$ 138,051
Less: Accumulated Depreciation	(33,608)
Total	$ 104,443

NOTE 6 LONG-TERM LIABILITIES (CONTINUED)

C. Description of Long-Term Debt (Continued)

Severance Benefits Payable

Severance benefits payable consist of administrator experience benefits and other severance pay. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

During fiscal 2005, the District initiated a Health Reimbursement Plan. The purpose of the Plan is to provide certain Employees with an opportunity to receive reimbursement for certain Health Care Expenses as provided in the Plan. It is the intention of the Adopting Employer that the benefits payable under this Plan be eligible for exclusion from the gross income of Participants as provided by Sections 105(b) and 106 of the Code. In addition, it is the intention of the Adopting Employer that the Plan qualify as a Health Reimbursement Arrangement (HRA) under IRS Revenue Ruling 2002-41 (June 26, 2002) and IRS Notice 2002-45 (June 26, 2002).

D. Changes in Long-Term Debt

	June 30, 2020	Net Additions	Retirements	June 30, 2021
Bonds Payable	$ 34,735,000	$ 590,000	$ (3,885,000)	$ 31,440,000
Bond Premium	1,517,486	-	(436,311)	1,081,175
Lease Purchase Obligations	6,038	912,143	(59,203)	858,978
Severance Benefits Payable	11,209	126	-	11,335
Compensated Absences Payable - Net	30,301	5,627	(11,608)	24,320
Total	$ 36,300,034	$ 1,507,896	$ (4,392,122)	$ 33,415,808

NOTE 7 RESTRICTED FUND BALANCES

A. Restricted for Student Activities

Represents available resources to be used for extracurricular activity funds raised by students.

B. Restricted for Staff Development

The fund balance restriction represents accumulated unspent staff development dollars.

C. Restricted for Operating Capital

The District levies taxes and receives state aid to be used for the purchase of equipment or facilities. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)

D. Restricted for Learning and Development

This restriction represents general education revenue to be used for learning and development.

E. Restricted for Basic Skills

This restriction represents accumulated resources available to be used for the basic skills program.

F. Restricted for Achievement and Integration

The unspent resources available from the achievement and integration program must be restricted and spent on the students that generated the revenue in the current year.

G. Restricted for Safe Schools

This restriction represents the unspent resources from the safe schools levy to be used for crime prevention, student and staff safety, and violence prevention measures.

H. Restricted for Long-term Facilities Maintenance (LTFM)

This restriction represents available resources to be used for LTFM projects in accordance with the 10-year capital plan.

I. Restricted for Medical Assistance

This restriction represents available resources to be used for medical assistance expenditures.

J. Restricted for Early Childhood and Family Education Programs

This fund balance restriction represents accumulated resources available to provide services for early childhood and family education programming.

NOTE 7 RESTRICTED FUND BALANCES (CONTINUED)

K. Restricted for Other Purposes

Restricted for other purposes represents amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. See amounts below:

Other Restricted:	
Food Service	$ 118,361
Community Service	33,945
Debt Service	837,124
Total Other Restricted	$ 989,430

NOTE 8 ASSIGNED FUND BALANCES

A. Assigned for Q Comp

This represents an amount set aside for Q Comp expenditures of $311,911.

B. Assigned for Capital Projects

This represents an amount set aside for District capital projects.

C. Assigned for Scholarship

This represents an amount set aside for scholarships.

NOTE 9 PENSION PLANS

A. Plan Description

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

1. <u>General Employees Retirement Plan</u>

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

NOTE 9 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

2. Teachers Retirement Fund (TRA)

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

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

B. Benefits Provided

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

1. General Employees Plan Benefits

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

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

Benefits 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% 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.

2. TRA Benefits

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

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

Tier 1 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 of Service 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 Services Years are July 1, 206 or After	1.9% per Year

NOTE 9 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.

(b) 3.0% per year early retirement reduction factor for all years under normal retirement age.

(c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. 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 I, 2015, the early retirement reduction factors are based on rates established under Minnesota Statutes. 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.

NOTE 9 PENSION PLANS (CONTINUED)

C. Contributions

1. General Employees Plan Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were $232,006. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 8.13% for the employer. Basic rates were 11.00% for the employee and 12.13% for the employer for the year ended June 30, 2021. The Districts contributions to TRA for the plan's fiscal year ended June 30, 2021 were $704,190. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Plan Pension Costs

At June 30, 2021, the District reported a liability of $2,428,160 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 nonemployer 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 $74,788, for a total net pension liability of $2,502,948 associated with the District. 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 0.0405% at the end of the measurement period and 0.0386% for the beginning of the period.

For the year ended June 30, 2021, the District recognized pension expense of $45,097 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $6,509 as grant revenue for its proportionate share of the state of Minnesota's contribution.

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Plan Pension Costs (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 22,139	$ 9,187
Changes in Actuarial Assumptions	-	90,021
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	41,948	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	90,780	40,558
District Contributions Subsequent to the Measurement Date	232,006	-
Total	$ 386,873	$ 139,766

$232,006 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Pension Expenses Amount
2022	$ (129,310)
2023	9,322
2024	76,425
2025	58,664

2. TRA Pension Costs

At June 30, 2021, the District reported a liability of $10,365,552 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.1403% at the end of the measurement period and 0.1365% at the beginning of the period.

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	$ 10,365,552
State's Proportionate Share of TRA's Net Pension Liability Associated with the District	868,906
Total Liability	$ 11,234,458

For the year ended June 30, 2021, the District recognized pension expense of $1,575,954. It also recognized $79,575 as an increase to pension expense and grant revenue for the support provided by direct aid.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 207,871	$ 157,139
Changes in Actuarial Assumptions	3,719,169	8,701,632
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	160,495	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	603,445	218,288
District Contributions Subsequent to the Measurement Date	704,190	-
Total	$ 5,395,170	$ 9,077,059

$704,190 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 9 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

Year Ended June 30	Pension Expenses Amount
2022	$ 239,921
2023	(3,077,316)
2024	(1,983,473)
2025	327,382
2026	107,407

3. Summary

The aggregate amount of net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense for the District's defined benefit pension plans are summarized below. These liabilities are typically liquidated by the individual activity in which the employee's costs are associated.

	General Employees Fund	Teachers Retirement Fund	Total
Net Pension Liability	$ 2,428,160	$ 10,365,552	$ 12,793,712
Deferred Outflows of Resources	386,873	5,395,170	5,782,043
Deferred Inflows of Resources	139,766	9,077,059	9,216,825
Pension Expense	51,606	1,655,529	1,707,135

E. Actuarial Assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Assumptions	GERF	TRA
Inflation	2.25% per Year	2.50% per Year
Active Member Payroll Growth	3.00% per year	2.85% for 10 Years and 3.25%, Thereafter
Investment Rate of Return	7.50%	7.50%

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

NOTE 9 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on 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. Postretirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

Changes in Actuarial Assumptions

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

NOTE 9 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Changes in Plan Provisions

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

The following changes in actuarial assumptions for TRA occurred in 2020:

- 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 5 years and female rates set back 7 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.30
Fixed Income	20.0	0.75
Private Markets	25.0	5.90
Cash	2.0	-
Totals	100.0 %	

NOTE 9 PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2020 was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at rates set in Minnesota Statutes. Based on these assumptions, the pension plan's 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.

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

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	$ 3,891,498	$ 2,428,160	$ 1,221,024
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	$ 15,869,550	$ 10,365,552	$ 5,830,535

NOTE 9 PENSION PLANS (CONTINUED)

H. Pension Plan Fiduciary Net Position

Detailed information about the General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at www.mnpera.org.

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at www.MinnesotaTRA.org; by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-652-9026.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates and administers a single-employer defined benefit other postemployment benefit plan (the Plan) that provides health and dental insurance to retired and active eligible employees and their spouses through the District's health insurance plan. There are 108 active participants and 2 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which are included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 3. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust. Contribution requirements are negotiated between the District and union representatives. For fiscal year 2021, the District made no contribution to the plan; the current year benefits were paid from the District's OPEB Trust Fund.

C. Net OPEB Liability (Asset) of the District

The components of the net OPEB liability (asset) of the District at June 30, 2021, were as follows:

Total OPEB Liability	$ 405,044
Plan Fiduciary Net Position	1,082,532
District's net OPEB Liability (Asset)	$ (677,488)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)	267%

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

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

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	3.00%
Investment Rate of Return	2.00%
Health Care Trend Rates	6.70% Decreasing to 3.80% in FY2076

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

The long-term expected rate of return on OPEB 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 OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.25%). Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

For the year ended June 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan expenditures, was .87%. The money-weighted rate of return expresses investment performance, net of investment expenditures, adjusted for the changing amounts actually invested.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Nominal Rate of Return
Cash and Equivalents	(0.33)%	1.92 %
Total		1.92
Reduced for Assumed Investment Expense		(0.02)
Net Assumed Investment Return (Weighted Avg, Rounded to 1/4%)		2.00 %

The discount rate used to measure the total OPEB liability was 1.99%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected long-term asset class returns and the District's target asset allocation.

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 2.73% to 1.99% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The long-term expected rate of return on OPEB plan investments was changed from 3.00% to 2.00% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/20 valuations.
- Participation and spousal assumption for future Superintendent retirees were removed as the explicit subsidy benefit for Superintendents are no longer offered to future Superintendent retirees. Superintendents are valued using the assumptions applicable to teachers.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- The percent of all other future retirees assumed to elect coverage at retirement changed from 20% to 10% to reflect recent plan experience.

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

D. Actuarial Methods and Assumptions (Continued)

Since the most recent GASB 75 valuation, the following changes have been made (Continued):

- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

Medical Plan	Fiscal 2021 Valuation	Fiscal 2020 Valuation
BCBS $2000 Aware	5%	5%
BCBS $2000 Access	N/A	5%
BCBS $2000 High Value	5%	0%
BCBS $3500 Aware	50%	50%
BCBS $3500 Access	N/A	15%
BCBS $3500 High Value	15%	10%
BCBS $5000 Aware	20%	5%
BCBS $5000 Access	N/A	5%
BCBS $5000 High Value	5%	5%

- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50% to 3.00% based on the 7/1/2020 Teachers Retirement Association valuation.
- The dental increase rate was changed from 4.00% to 3.50% to reflect updated increase expectations.

E. Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances - June 30, 2020	$ 679,201	$ 1,142,350	$ (463,149)
Changes for the Year:			
Service Cost	60,824	-	60,824
Interest	19,254	-	19,254
Differences Between Expected and Actual Experience	(157,250)	-	(157,250)
Net Investment Income	-	9,952	(9,952)
Changes of Assumptions	(127,465)	-	(127,465)
Benefit Payments	(69,520)	(69,520)	-
Administrative Expense	-	(250)	250
Net Changes	(274,157)	(59,818)	(214,339)
Balances - June 30, 2021	$ 405,044	$ 1,082,532	$ (677,488)

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (0.99%)	Discount Rate (1.99%)	1% Increase (2.99%)
Net OPEB Liability (Asset)	$ (655,173)	$ (677,488)	$ (699,623)

The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1% point lower (5.7% decreasing to 2.8%) or 1% point higher (7.7% decreasing to 4.8%) than the current healthcare cost trend rates:

	1% Decrease (5.7% Decreasing to 2.8%)	Healthcare Cost Current Trend Rates (6.7% Decreasing to 3.8%)	1% Increase (7.7% Decreasing to 4.8%)
Net OPEB Liability (Asset)	$ (719,443)	$ (677,488)	$ (627,830)

For the year ended June 30, 2021, the District recognized OPEB expense of $37,539. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Liability	$ 83,092	$ 172,716
Change of Assumptions	4,615	132,684
Net Difference Between Projected and Actual Investment Earnings	33,657	-
Contributions Between Measurement Date and Reporting Date	-	-
Total	$ 121,364	$ 305,400

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

Year Ended June 30,	Future Recognition
2022	$ (15,406)
2023	(19,934)
2024	(22,341)
2025	(24,203)
2026	(30,039)
Thereafter	(72,113)
Total	$ (184,036)

NOTE 10 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. Changes in the Net OPEB Liability (Asset) (Continued)

At June 30, 2021, the District's trust reported a payable, which is due to the General and Community Service Fund, of $98,214 for the outstanding amount of contributions paid by the General and Community Service Fund for the year ended June 30, 2021.

NOTE 11 FLEXIBLE BENEFIT PLAN

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

Before the beginning of the plan year, which is January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the District is contingently liable for claims against the total amount of participants' annual contributions to the plan, whether or not such contributions have been made.

Payments of insurance premiums (health and dental) are made by the District directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the General Fund.

All assets of the plan are administered by a third-party administrator. Payments are made by the third-party administrator to participating employees upon submitting a request for reimbursement of eligible expenses incurred by the participant. Payments of insurance premiums (health, dental, life, and disability) are made by the District directly to the designated insurance companies.

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

NOTE 12 DEFINED CONTRIBUTION PLAN

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the year ended June 30, 2021 was $133,089.

NOTE 13 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; and natural disasters. The District purchases commercial insurance coverage for such risks.

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

NOTE 14 COMMITMENTS AND CONTINGENCIES

Federal and State Programs

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

NOTE 15 PRIOR PERIOD RESTATEMENT

There is a prior period restatement of net position in the Governmental Activities and fund balance in the Food Service fund in the amount of $48,972 for the year ended June 30, 2021. This restatement is the result of deferred revenue and prepaids not properly recorded in the prior year.

	Governmental Activities	Food Service Fund
Net Position/Fund Balance - Beginning of Year, as Previously Reported	$ (1,732,425)	$ 173,244
Restatement - Correction of an Error	(48,972)	(48,972)
Net Position/Fund Balance - Beginning of Year, as Restated	$ (1,781,397)	$ 124,272

NOTE 16 SUBSEQUENT EVENTS

Subsequent to year-end, the District sold General Obligation School Building Refunding Bonds, Series 2021B in the amount of $22,860,000 at an interest rate of 1.50% to 3.00% and is set to mature on August 1, 2029. These bonds will be used to refund the District's outstanding General Obligation School Building Bonds, Series 2013A.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
JUNE 30, 2021

Total OPEB Liability	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017
Service Cost	$ 60,824	$ 66,414	$ 61,718	$ 57,124	$ 53,517
Interest	19,254	17,950	22,022	19,886	18,459
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	(157,250)	107,858	(51,454)	-	-
Changes of Assumptions	(127,465)	(4,517)	(25,247)	9,471	-
Benefit Payments	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Net Change in Total OPEB Liability	(274,157)	130,317	(33,550)	56,271	32,600
Total OPEB Liability - Beginning	679,201	548,884	582,434	526,163	493,563
Total OPEB Liability - Ending (a)	$ 405,044	$ 679,201	$ 548,884	$ 582,434	$ 526,163
Plan Fiduciary Net Position					
Contributions - Employer	$ -	$ -	$ -	$ -	$ -
Net Investment Income	9,952	27,079	29,424	18,304	8,124
Benefit Payments	(69,520)	(57,388)	(40,589)	(30,210)	(39,376)
Administrative Expense	(250)	(250)	(250)	(250)	(250)
Net Change in Plan Fiduciary Net Position	(59,818)	(30,559)	(11,415)	(12,156)	(31,502)
Plan Fiduciary Net Position - Beginning	1,142,350	1,172,909	1,184,324	1,196,480	1,227,982
Plan Fiduciary Net Position - Ending (b)	$ 1,082,532	$ 1,142,350	$ 1,172,909	$ 1,184,324	$ 1,196,480
District's Net OPEB Liability (Asset) - Ending (a) - (b)	$ (677,488)	$ (463,149)	$ (624,025)	$ (601,890)	$ (670,317)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	267.26 %	168.19 %	213.69 %	203.34 %	227.40 %
Covered-employee Payroll	$ 9,417,094	$ 11,504,615	$ 9,684,811	$ 10,495,521	$ 9,958,587
District's Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(7.19)%	(4.03)%	(6.44)%	(5.73)%	(6.73)%

Note 1: The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF MONEY WEIGHTED RATE OF RETURN ON PLAN ASSETS
JUNE 30, 2021

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	0.61%
2018	1.61%
2019	2.48%
2020	2.31%
2021	0.87%

The District implemented GASB Statement Nos. 74 and 75 in fiscal year 2017, and the above table will be expanded to 10 years of information as the information becomes available.

See accompanying Notes to Required Supplementary Information

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

	Measurement Date June 30, 2020	Measurement Date June 30, 2019	Measurement Date June 30, 2018
General Employees Plan			
District's Proportion of the Net Pension Liability	0.0405%	0.0386%	0.0398%
District's Proportionate Share of the Net Pension Liability	$ 2,428,160	$ 2,134,108	$ 2,207,941
State's Proportionate Share of the Net Pension Liability Associated with the District	74,788	66,330	72,415
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	$ 2,502,948	$ 2,200,438	$ 2,280,356
District's Covered Payroll	$ 2,878,000	$ 2,735,307	$ 2,676,693
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	86.97%	80.45%	85.19%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10%	80.23%	79.50%
TRA			
District's Proportion of the Net Pension Liability	0.1403%	0.1365%	0.1346%
District's Proportionate Share of the Net Pension Liability	$ 10,365,552	$ 8,700,539	$ 8,456,848
State's Proportionate Share of the Net Pension Liability Associated with the District	868,906	769,972	794,544
Total District's Proportionate Share of the Net Pension Liability and State's Proportionate Share of the Net Pension Liability	$ 11,234,458	$ 9,470,511	$ 9,251,392
District's Covered Payroll	$ 8,203,712	$ 7,807,471	$ 7,483,213
District's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	126.35%	111.44%	113.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	78.21%	78.07%

Note: Information is presented prospectively and an accumulation of 10 years will be provided.

See accompanying Notes to Required Supplementary Information

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

Measurement Date June 30, 2017	Measurement Date June 30, 2016	Measurement Date June 30, 2015	Measurement Date June 30, 2014
0.0400%	0.0439%	0.0456%	0.0432%
$ 2,553,574	$ 3,564,462	$ 2,363,229	$ 2,030,005
32,094	46,581	-	-
$ 2,585,668	$ 3,611,043	$ 2,363,229	$ 2,030,005
$ 2,550,173	$ 2,724,708	$ 2,551,634	$ 2,278,585
101.39%	132.53%	92.62%	89.09%
75.90%	68.91%	78.20%	78.75%
0.1319%	0.1386%	0.1404%	0.1487%
$ 26,329,632	$ 33,059,407	$ 8,685,129	$ 6,853,290
2,546,075	3,318,302	1,065,169	-
$ 28,875,707	$ 36,377,709	$ 9,750,298	$ 6,853,290
$ 7,113,973	$ 7,178,669	$ 7,177,021	$ 6,892,344
370.11%	460.52%	121.01%	99.43%
51.57%	44.88%	76.77%	81.50%

See accompanying Notes to Required Supplementary Information

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

	2021	2020	2019
General Employees Plan			
Contractually Required Contribution	$ 232,006	$ 215,850	$ 205,148
Contributions in Relation to the Contractually Required Contribution	(232,006)	(215,850)	(205,148)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 3,093,413	$ 2,878,000	$ 2,735,307
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%
TRA			
Contractually Required Contribution	$ 704,190	$ 649,734	$ 601,956
Contributions in Relation to the Contractually Required Contribution	(704,190)	(649,734)	(601,956)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Payroll	$ 8,661,624	$ 8,203,712	$ 7,807,471
Contributions as a Percentage of Covered Payroll	8.13%	7.92%	7.71%

Note: Information is presented prospectively and an accumulation of 10 years will be provided.

See accompanying Notes to Required Supplementary Information

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF DISTRICT CONTRIBUTIONS
LAST EIGHT FISCAL YEARS

2018	2017	2016	2015	2014
$ 200,752	$ 191,263	$ 204,438	$ 188,695	$ 165,198
(200,752)	(191,263)	(204,438)	(188,695)	(165,198)
$ -	$ -	$ -	$ -	$ -
$ 2,676,693	$ 2,550,173	$ 2,724,708	$ 2,551,634	$ 2,278,585
7.50%	7.50%	7.50%	7.40%	7.25%
$ 561,241	$ 533,548	$ 538,361	$ 538,422	$ 484,692
(561,241)	(533,548)	(538,361)	(538,422)	(484,692)
$ -	$ -	$ -	$ -	$ -
$ 7,483,213	$ 7,113,973	$ 7,178,669	$ 7,177,021	$ 6,892,344
7.50%	7.50%	7.50%	7.50%	7.03%

See accompanying Notes to Required Supplementary Information

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

2020
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019
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, decreased from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018
Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% 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 in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement 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.

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017 (Continued)
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 in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the year ended June 30:

2020
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 5 years and female rates set back 7 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.

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)
Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019
Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018
Changes in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

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

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)
Changes in Plan Provisions (Continued)

- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% 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 in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustment 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 nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for 10 years followed by 3.25% thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016
Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at 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 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The postdisability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.

NOTE 1 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2016 (Continued)
Changes in Actuarial Assumptions (Continued)

- 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 forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015
Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

- The Duluth Teachers Retirement Fund Association was merged into TRA on June 30, 2015. This also resulted in a state-provided contribution stream of $14.377 million until the System becomes fully funded.

2014
Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

- The increase in the postretirement benefit adjustment (COLA) will be made once the System is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

Since the most recent GASB 75 valuation, the following changes have been made:

July 1, 2021

- The discount rate was changed from 2.73% to 1.99% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

July 1, 2021 (Continued)

- The long-term expected rate of return on OPEB plan investments was changed from 3.00% to 2.00% based on updated capital market assumptions.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the 7/1/2018 PERA General Employees Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/20 valuations.
- Participation and spousal assumption for future Superintendent retirees were removed as the explicit subsidy benefit for Superintendents are no longer offered to future Superintendent retirees. Superintendents are valued using the assumptions applicable to teachers.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 40% to 30% to reflect recent plan experience.
- The percent of all other future retirees assumed to elect coverage at retirement changed from 20% to 10% to reflect recent plan experience.
- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings. The following table provides the changes for the assumed percent electing each plan:

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- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The payroll growth assumption was changed from 3.50% to 3.00% based on the 7/1/2020 Teachers Retirement Association valuation.
- The dental increase rate was changed from 4.00% to 3.50% to reflect updated increase expectations.

NOTE 2 CHANGES IN SIGNIFICANT OTHER POSTEMPLOYMENT BENEFIT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

July 1, 2020

- The discount rate was changed from 3.06% to 2.73% based on updated expectations of long-term returns
- Index rate for 20-year, tax-exempt bonds used in discount rate determination went from 3.13% to 2.45%.

July 1, 2019

- The discount rate was changed from 3.53% to 3.06% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- The health care trend rates were changed to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future Teacher retirees assumed to elect coverage at retirement changed from 60% to 40% to reflect recent plan experience.
- The percent of future retirees other than the Superintendent assumed to elect spouse coverage at retirement changed from 0% to 20% based on recent plan experience.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

July 1, 2018

- The discount rate was changed from 3.50% to 3.53%.
- The health care trend rates were changed to better anticipate short term and long term medical increases.

July 1, 2017

- The actuarial cost method changed from using the Projected Unit Credit cost method of the Entry Age Normal level percentage of pay cost method.
- The discount rate was changed from 3.00% to 3.50%.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect the costs method change.
- The percent of future Teacher retirees assumed to elect coverage at retirement changes from 80% to 60% to reflect recent plan experience.
- The percent of future Superintendent retirees assumed to elect coverage at retirement change from 0% to 100% to reflect the addition of the direct subsidy benefits.
- The percent of future non-Medicare eligible retirees electing each medical plan changed to reflect recent plan experience.

SUPPLEMENTARY INFORMATION

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
JUNE 30, 2021

	Audit	UFARS	Audit-UFARS
01 GENERAL FUND			
Total Revenues	$ 22,252,769	$ 22,252,766	$ 3
Total Expenditures	22,790,700	22,790,697	3
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
401 Student Activities	120,204	120,204	-
403 Staff Development	149,787	149,787	-
406 Health & Safety	-	-	-
407 Capital Project Levy	-	-	-
408 Cooperative Programs	-	-	-
409 Alternative Facilities	-	-	-
413 Projects Funded by COP/LP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Excess Taconite Building Maint. Funds	-	-	-
423 Certain Teacher Programs	-	-	-
424 Operating Capital	962,225	962,225	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	-	-	-
428 Learning & Development	98,607	98,607	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Prog.	-	-	-
438 Gifted & Talented	-	-	-
441 Basic Skills	13	13	-
448 Achievement & Integration	17,486	17,486	-
449 Safe Schools Levy	68,533	68,533	-
450 Pre-Kindergarten	-	-	-
451 QZAB and QSCB Payments	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
467 Long Term Facilities Maintenance	311,935	311,935	-
472 Medical Assistance	3,323	3,323	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	626,945	626,945	-
Unassigned:			
422 Unassigned	3,897,372	3,897,369	3
02 FOOD SERVICE			
Total Revenues	730,343	730,340	3
Total Expenditures	736,254	736,251	3
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
452 OPEB Liab. Not in Trust	-	-	-
464 Restricted Fund Balance	118,361	118,361	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
04 COMMUNITY SERVICE			
Total Revenues	1,057,787	1,057,786	1
Total Expenditures	1,047,329	1,047,327	2
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
426 $25 Taconite	-	-	-
431 Community Education *	(119,796)	(119,796)	-
432 E.C.F.E.	79,512	79,512	-
444 School Readiness *	(15,937)	(15,937)	-
447 Adult Basic Education	-	-	-
452 OPEB Liab. Not in Trust	-	-	-
Restricted:			
464 Restricted Fund Balance	169,678	169,679	(1)
Unassigned:			
463 Unassigned Fund Balance	-	-	-

* Amounts differ from those reported on the fund-level balance sheet due to the need to reclassify restricted fund balance to unassigned fund balance.

	Audit	UFARS	Audit-UFARS
06 BUILDING CONSTRUCTION			
Total Revenues	$ -	$ -	$ -
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
407 Capital Projects Levy	-	-	-
409 Alternative Fac. Program	-	-	-
413 Projects Funded by COP/LP	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-
07 DEBT SERVICE			
Total Revenues	4,478,816	4,478,817	(1)
Total Expenditures	5,082,277	5,082,278	(1)
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted/Reserved:			
425 Bond Refundings	-	-	-
451 QZAB and QSCB Payments	-	-	-
Restricted:			
464 Restricted	837,124	837,124	-
Unassigned			
463 Unassigned Fund Balance	-	-	-
08 TRUST			
Total Revenues	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
09 AGENCY			
Unrestricted: Should Always Be -0-			
422 Unassigned	-	-	-
20 INTERNAL SERVICE			
Total Revenues	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
25 OPEB REVOCABLE TRUST			
Total Revenues	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-
45 OPEB IRREVOCABLE TRUST			
Total Revenues	9,952	9,952	-
Total Expenditures	69,770	69,770	-
422 Net Assets	1,082,532	1,082,531	1
47 OPEB DEBT SERVICE			
Total Revenues	-	-	-
Total Expenditures	-	-	-
Nonspendable:			
460 Nonspendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned			
463 Unassigned Fund Balance	-	-	-

REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND SINGLE AUDIT

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

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-003 that we consider to be material weaknesses.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 1, 2021

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

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the Independent School District No. 883's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' 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 for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, the District 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-004, that we consider to be a significant deficiency.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 1, 2021

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through Minnesota Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	1-0883-000	$ 57,312	$ -
Cash Assistance:				
School Breakfast Program	10.553	1-0883-000	648	-
National School Lunch Program	10.555	1-0883-000	5,829	-
Commodity Cash Rebate Program	10.555	1-0883-000	25	-
Summer Food Service Program for Children	10.559	1-0883-000	558,668	-
Total Child Nutrition Cluster			622,482	-
Total U.S. Department of Agriculture			622,482	-
U.S. DEPARTMENT OF TREASURY				
Passed Through Minnesota Department of Education:				
COVID 19 - CARES Relief Funds for Back to School	21.019	N/A	418,142	-
COVID 19 - American Rescue Plan (ARP) Summer Academic Enrichment and Mental Health	21.027	N/A	14,715	-
Passed Through Wright County, Minnesota				
COVID 19 - Coronavirus Relief Fund	21.019	SLT0016	134,381	-
Total U.S. Department of Treasury			567,238	-
U.S. DEPARTMENT OF EDUCATION				
Passed Through Northwest Suburban Integration School District:				
Magney Schools Assistance	84.165	U165A180040	379,954	-
Passed Through Great River Perkins Consortium:				
Carl Perkins Vocational and Applied Technology	84.048	N/A	2,581	-
Passed Through Minnesota Department of Education:				
Title I Grants for Local Educational Agencies	84.010	S010A180023A	76,240	-
Special Education Cluster:				
Special Education Grants to States	84.027	1-6050-061	85,474	-
Special Education Preschool Grants	84.173	H173A180086	11,360	-
Total Special Education Cluster			96,834	-
Title II, Part A - Teacher and Principal Training and Recruiting	84.367	S367A180022	24,403	-
Education Stabilization Fund:				
COVID 19 - 90% Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	S425D200045	118,164	-
COVID 19 - 9.5% Elementary and Secondary School Emergency Relief Fund (ESSER I)	84.425D	S425D200045	12,478	-
COVID 19 - Governor's Emergency Relief Fund (GEER I)	84.425C	S425C200015	20,411	-
COVID 19 - 90% Elementary and Secondary School Emergency Relief Fund II (ESSER II) - Summer Program	84.425D	S425D200045	43,039	-
Total Education Stabilization Fund			194,092	-
Total U.S. Department of Education			774,104	-
Total Expenditures of Federal Awards			$ 1,963,824	$ -

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Notes to Schedule of Expenditures of Federal Awards:

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 883 for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a select portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, with the exception of Federal Assistance Listing Number 21.019, which follows criteria determined by the department of Treasury for allowability of costs. Under these principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has not elected to use the 10% de minimis in direct costs rate as allowed under Uniform Guidance.

NOTE 3 TOTAL FEDERAL ASSISTANCE LISTING NUMBERS

The total of Federal Assistance Listing Number 10.555 is $63,166.
The total of Federal Assistance Listing Number 84.425D is $173,681.
The total of Federal Assistance Listing Number 21.019 is $552,523.

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

School Board
Independent School District No. 883
Rockford Area Schools
Rockford, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 883 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2021.

In connection with our audit, we noted that the District failed to comply with the provisions of the contracting and bidding, and conflicts of interest sections of the *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minn. Stat §6.65, insofar as they relate to accounting matters as described in the schedule of findings and questioned costs as items 2021-005 and 2021-006. Also, 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 deposits and investments, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts,* promulgated by the State Auditor pursuant to Minn. Stat §6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The District's written response to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

School Board
Independent School District No. 883
Rockford Area Schools

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
December 1, 2021

ROCKFORD AREA SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 883
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? __X__ yes ____ no
- Significant deficiency(ies) identified? ____ yes __X__ none reported

Noncompliance material to financial statements noted? ____ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes __X__ no
- Significant deficiency(ies) identified? __X__ yes ____ none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __X__ yes ____ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555, and 10.559	Child Nutrition Cluster
21.019	COVID-19 CARES Relief Funds for Back to School and COVID-19 Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee? ____ yes __X__ no

B. FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS

Finding 2021-001 - Financial Statement Preparation

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with GAAP. While it is acceptable to outsource various accounting functions, the responsibility for internal control cannot be outsourced.

Condition: The District engages the auditor to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system. As part of its internal control over the preparation of its financial statements, including disclosures, the District has implemented a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the District's activities and operations.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, they have reviewed and approved the annual financial statements and the related footnote disclosures.

Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the District's internal controls.

Repeat Finding: Yes – Finding 2020-001

Recommendation: Management should continue to evaluate their internal staff capacity to determine if an internal control policy over the annual financial reporting is beneficial.

Views of Responsible Officials: There is no disagreement with the audit finding.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS (CONTINUED)

Finding 2021-002 – Segregation of Duties

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: A good system of internal accounting control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The District has limited number of office personnel and accordingly, does not have adequate internal controls in certain areas, such as taxes, nonexchange revenues, exchange revenues, capital assets, payroll, and other postemployement benefits, because of a lack of segregation of duties.

Cause: The District's resources have not allowed for personnel to address this issue.

Effect: Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Repeat Finding: Not applicable

Recommendation: When we recognize that the District may not be large enough to permit complete segregation of duties in all material respects for an effective system of internal controls, the functions should be reviewed to determine if additional segregation of duties is feasible and to improve efficiency and effectiveness of financial management of the District.

Views of Responsible Officials: There is no disagreement with the audit finding.

B. FINDINGS – FINANCIAL STATEMENT AUDIT – MATERIAL WEAKNESS (CONTINUED)

Finding 2021-003 – Material Audit Adjustment for a Prior Period Misstatement

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements in accordance with accounting principles generally accepted in the United States of America. Management is responsible for the accuracy and completeness of all financial records and related information.

Condition: A material prior period adjustment was proposed and subsequently recorded by management to properly state beginning deferred revenue and prepaids.

Cause: Lack of controls over year-end closing could affect the District's ability to detect or prevent errors.

Effect: The potential exists that a material misstatement of the annual financial statement could occur and not be prevented or detected by the District's internal controls.

Repeat Finding: Not applicable

Recommendation: We recommend that District management develop internal control policies to ensure proper recording of all transactions at year-end.

Views of Responsible Officials: There is no disagreement with the audit finding.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL

Finding 2021-004 – Allowable Costs/Allowable Activities

Federal agency: U.S. Department of Treasury

Federal program title: CARES Relief Funds for Back to School and Coronavirus Relief Funds

Assistance Listing Number: 21.019

Pass-Through Agency: Minnesota Department of Education and Wright County, Minnesota

Pass-Through Number(s): N/A and SLT0016

Award Period: July 1, 2020 - June 30, 2021

Type of Finding:

- Significant deficiency in internal control over compliance
- Other matters

Criteria: The District should have controls in place to ensure the accuracy of all allowable costs coded against the District's Coronavirus Relief Funds. These controls should be formally documented to ensure they have been properly implemented.

Condition: During allowable costs/allowable activities testing, it was noted that an employee's pay coded to the program was not approved at the rate allocated to the program.

Questioned Costs: Not applicable.

Context: 1 out of 20 payments selected did not have proper support for the amount charged to the grant and was lacking the review process to ensure the amount allocated to the program was correct.

Cause: Oversight.

Effect: Lack of proper documentation of controls over compliance with allowable costs/allowable activities could result in paying for costs that are unallowable or incorrect. This could ultimately result in questioned costs.

Repeat Finding: Not applicable.

Recommendation: We recommend that the District implement procedures and controls to ensure the expenses are accurate.

Views of Responsible Official: There is no disagreement with the finding.

D. FINDINGS AND QUESTIONED COSTS – MINNESOTA LEGAL COMPLIANCE

Finding 2021-005 – Conflicts of Interest

Criteria: Minnesota State Statute §471.88, subd. 21 states that all board members must abstain from voting on matters that relate to their spouse.

Condition: A school board member voted on their spouse's change in position and contract with the District.

Cause: Oversight.

Effect: The District is not compliant with Minnesota State Statute regarding conflicts of interest.

Repeat Finding: Not applicable

Recommendation: We recommend that District school board members do not vote on matters relating to their spouses.

Views of Responsible Officials: There is no disagreement with the audit finding.

Finding 2021-006 – Contracting and Bidding

Criteria: Minnesota State Statute §471.6161, subd. 2 states that RFP advertisements for health insurance, must be placed in the newspaper for at least 3 weeks.

Condition: The health insurance RFP was not placed in the newspaper for the required 3 weeks.

Cause: Unknown.

Effect: The District is not compliant with Minnesota State Statute regarding contracting and bidding.

Repeat Finding: Not applicable

Recommendation: We recommend that advertisements for health insurance, be in the newspaper for at least 3 weeks.

Views of Responsible Officials: There is no disagreement with the audit finding.