



# Annual Financial Report

## Independent School District No. 2144

Chisago City, Minnesota

For the year ended June 30, 2021



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Chisago City, Minnesota  
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INTRODUCTORY SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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Independent School District No. 2144  
Chisago City, Minnesota  
Board of Education and Administration  
For the Year Ended June 30, 2021

**BOARD OF EDUCATION**

Name	Title
Mark Leigh	Chairperson
Lori Berg	Vice-Chairperson
Danielle Strenke	Clerk
Jeff Lindeman	Director
Brenda Carlson	Treasurer
Melissa Donovan	Director

**ADMINISTRATION**

Dean Jennissen	Superintendent
Robyn Vosberg-Torgerson	Director of Business Services

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FINANCIAL SECTION  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, 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 the Independent School District No. 2144 (the District), Chisago City, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statement presentation.

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

### Opinions

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

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## Other Matters

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17, the Schedules of Employer's Share of the Net Pension Liability and the Schedules of Employer's Contributions for Defined Benefit Plans, and the Schedules of Changes in the District's Net OPEB Liability and Related Ratios and Schedule of District Other Post-Employment Benefit Contributions starting on page 74 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.

### ***Other 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 introductory section and combining and individual fund financial statements, schedules and table are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, schedules and 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 combining and individual fund financial statements, schedules and table and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

### ***Other Reporting Required by Government Auditing Standards***

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



**Abdo**  
Minneapolis, Minnesota  
December 15, 2021



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## **Management's Discussion and Analysis**

As management of the Independent School District No. 2144 (the District), Chisago City, Minnesota, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

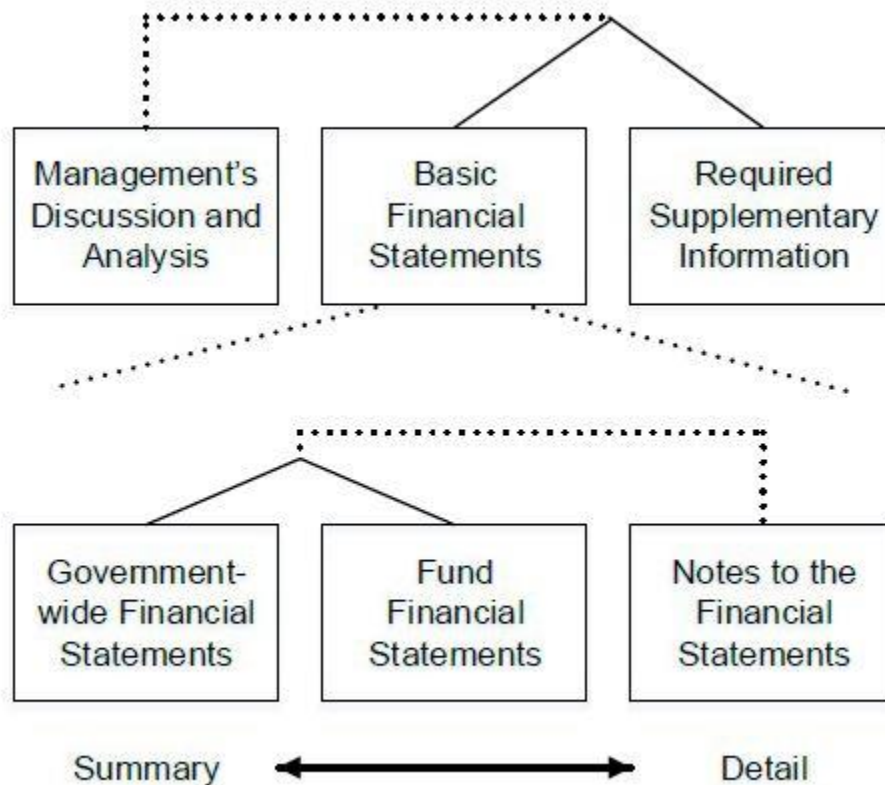
### **Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$5,135,678.
- The District's total net position increased by \$2,193,605. This increase can be attributed to an overall decrease in expenses of \$2,362,953 during the year.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,906,114, an increase of \$2,014,140 in comparison with the prior year. This increase is primarily the result of an overall decrease in expenditures during the fiscal year.
- The District's total liabilities decreased \$533,804 during the current fiscal year. This decrease was primarily the result of construction contracts payable down.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) District-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

### Organization of Independent School District No. 2144 Annual Financial Report



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

### Major Features of the District-wide and Fund Financial Statements

	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of deferred outflow/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-wide Financial Statements.** The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial indicators such as changes in the District's property tax base and condition of school buildings and other facilities.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

In the district-wide financial statements, the District activities are shown in one category titled “governmental activities”:

*Governmental Activities:* The District’s basic services are reported here, including regular and special education, transportation, administration, food services, and community education. Property taxes and state aids finance most of these activities.

The district-wide financial statements start on page 28 of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact by the District’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Debt Service and the Building Construction funds, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The District adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the district-wide financial statements because the resources of those funds are not available to support the District’s own programs. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The basic fiduciary fund financial statement can be found on page 38 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 41 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found on page 74 of this report.

**Other Information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules start on page 84 of this report.

## District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,135,678 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings, machinery and equipment); reflects its net book value less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Independent School District No. 2144's Net Position

	Governmental Activities		
	2021	2020	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 29,369,622	\$ 28,691,660	\$ 677,962
Capital assets (net of depreciation)	99,929,319	100,699,405	(770,086)
Total Assets	<u>129,298,941</u>	<u>129,391,065</u>	<u>(92,124)</u>
Deferred Outflows of Resources	<u>11,673,846</u>	<u>19,242,143</u>	<u>(7,568,297)</u>
<b>Liabilities</b>			
Noncurrent liabilities outstanding	99,347,432	98,777,618	569,814
Other liabilities	6,120,664	7,224,282	(1,103,618)
Total Liabilities	<u>105,468,096</u>	<u>106,001,900</u>	<u>(533,804)</u>
Deferred Inflows of Resources	<u>30,369,013</u>	<u>39,689,235</u>	<u>(9,320,222)</u>
<b>Net Position</b>			
Net investment in capital assets	34,969,544	34,848,455	121,089
Restricted	5,402,421	2,640,839	2,761,582
Unrestricted	<u>(35,236,287)</u>	<u>(34,547,221)</u>	<u>(689,066)</u>
Total Net Position	<u>\$ 5,135,678</u>	<u>\$ 2,942,073</u>	<u>\$ 2,193,605</u>

A portion of the District's net position (\$5,402,421) represents restricted money that will be subject to external restrictions on how they may be used once funding is received.

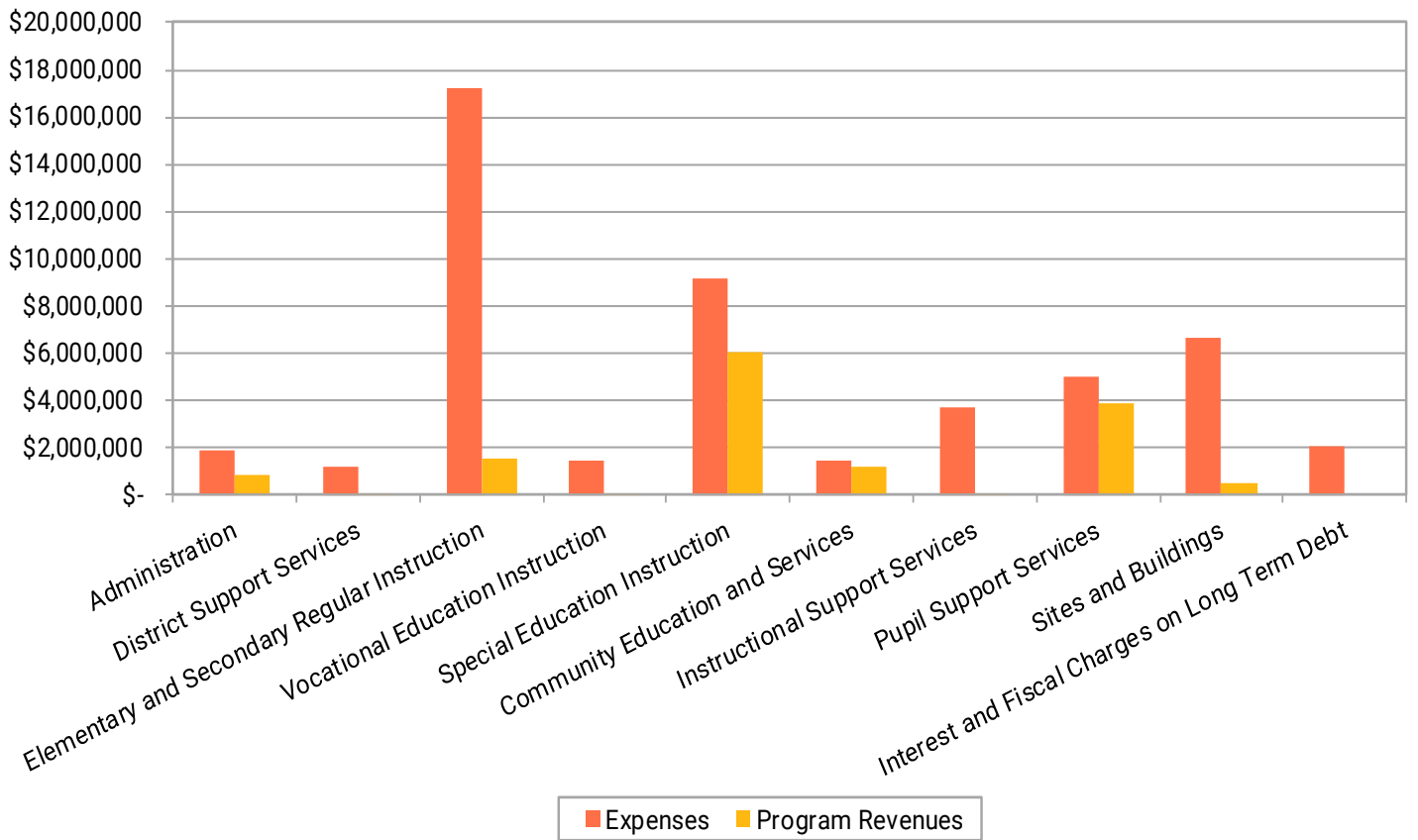
At the end of the current fiscal year, the District is able to report positive balances in two out of three categories of net position with the unrestricted balance reporting a deficit of \$35,236,287. The deficit can be attributed to the net pension liability for the PERA and TRA pension plans.

The District's net position increased \$2,193,605 during the current fiscal year. The following table summarizes the changes in net position.

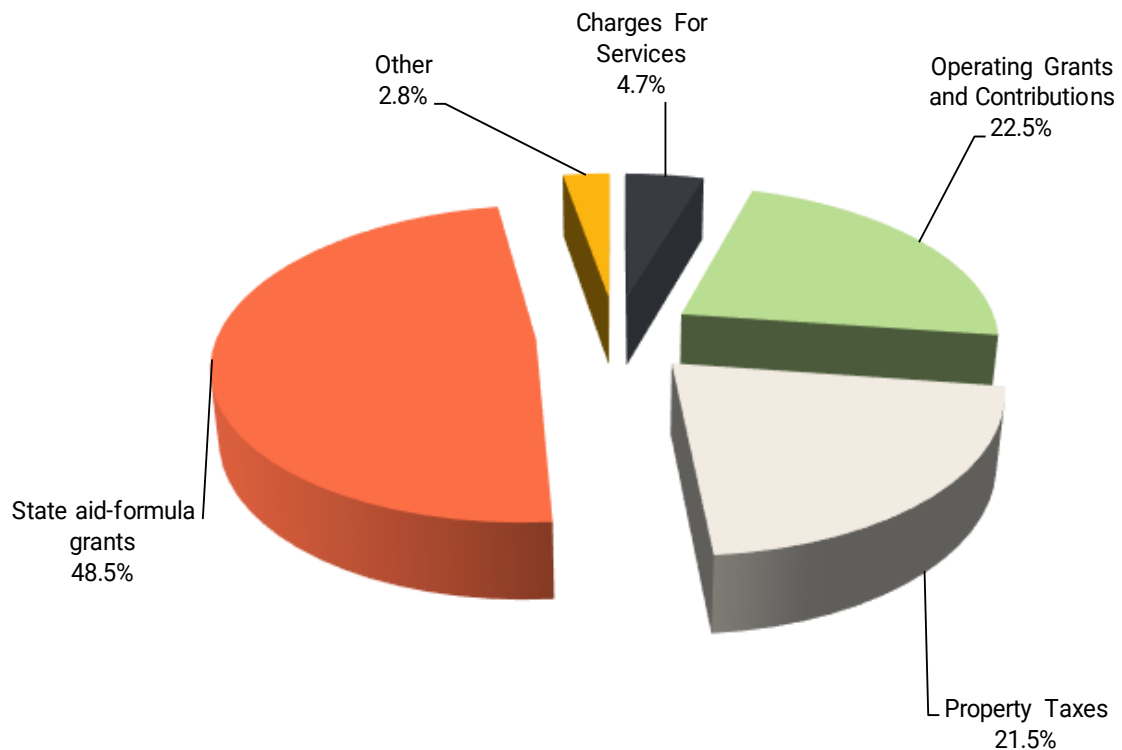
### Independent School District No. 2144's Changes in Net Position

	Governmental activities		
	2021	2020	Increase (Decrease)
Revenue			
Program revenue			
Charges for services	\$ 2,456,034	\$ 2,949,104	\$ (493,070)
Operating grants and contributions	11,717,659	10,980,754	736,905
General revenue			
Property taxes	11,194,331	10,545,660	648,671
State aid-formula grants	25,230,092	25,677,368	(447,276)
Gain on sale of capital assets	1,120,674	-	1,120,674
Other general revenues and investment earnings	356,548	511,300	(154,752)
Total Revenue	<u>52,075,338</u>	<u>50,664,186</u>	<u>1,411,152</u>
Expenses			
Administration	1,909,041	1,743,561	165,480
District support services	1,214,669	1,310,917	(96,248)
Elementary and secondary regular instruction	17,225,666	17,554,977	(329,311)
Vocational education instruction	1,475,110	1,564,242	(89,132)
Special education instruction	9,181,246	9,532,058	(350,812)
Community education and services	1,447,400	2,216,435	(769,035)
Instructional support services	3,723,814	4,652,708	(928,894)
Pupil support services	4,988,621	5,047,570	(58,949)
Sites and buildings	6,633,010	6,382,827	250,183
Interest and fiscal charges on long term debt	2,083,156	2,239,391	(156,235)
Total Expenses	<u>49,881,733</u>	<u>52,244,686</u>	<u>(2,362,953)</u>
Change in Net Position	2,193,605	(1,580,500)	3,774,105
Net Position, July 1	<u>2,942,073</u>	<u>4,522,573</u>	<u>(1,580,500)</u>
Net Position, June 30	<u>\$ 5,135,678</u>	<u>\$ 2,942,073</u>	<u>\$ 2,193,605</u>

## Expenses and Program Revenues - Governmental Activities



## Revenues by Source - Governmental Activities



## Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,906,114, an increase of \$2,014,140 in comparison with the prior year. The District's fund balance is not available for new spending because it is either 1) nonspendable (\$447,152), 2) restricted (\$9,672,787), or 3) assigned (\$1,797,753). Additional information on the purposes of the District's fund balances can be found in Note 3F starting on page 55 of this report.

The General fund is the chief operating fund of the District. The fund balance of the District's General fund increased \$3,929,764 during the current fiscal year. The budget variances are further explained below. At the end of the current year, the General fund balance ended at \$8,708,820. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance is 21.8 percent of total General fund expenditures.

The Debt Service fund has a total fund balance of \$1,013,905. The net decrease in fund balance during the current year was \$48,040. This was due to scheduled debt payments in excess of property taxes, interest on investments, and revenue from state sources.

The Building Construction fund has a total fund balance net decrease in fund balance during the current year of \$2,035,962. The decrease is due to expenditures related to ongoing building construction projects.

### General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operation budget once during the school year.

- The District received \$1,767,846 additional in its General fund revenues than was budgeted. The greatest share of this increased revenue came in Federal Aid. District enrollment is declining, the 2020-21 pupil units are down 109 from the prior year.
- The General fund expenditures in FY 21 were \$1,318,910 less than the budget (while representing a decrease of \$325,604 over the prior year). Expenditures fell below the revised budget in staff salary/wages, benefits, purchased services, and supplies. Transportation costs decreased by \$120,672 in FY 21. While the District has operated a shared program for Level IV special education students with neighboring school districts that are members of SCRED (St. Croix River Education District) in the past, this program came under the direction of SCRED effective July 1, 2019. Under this arrangement, the District continues to employ all staff assigned to this program. The District receives reimbursement for program costs from SCRED, and also charges a rental for SCRED's use of district space. This shift in program direction has been undertaken in large part due to funding limitations that the District is subject to under the current State Special Education Comprehensive Aid funding calculation. As an independent education district, SCRED is not subject to the same funding limitations that the District is. Accordingly, SCRED will be able to receive a greater level of reimbursement through the Special Education Comprehensive Aid funding formula than the District.
- The District spent \$8,814,290 in special education instruction - salaries, fringe benefits, purchased services, supplies, and materials in the General fund in 2020-21. This was a decrease of \$331,628 or 3.7% less than was spent in special education in 2019-20. The District also spent \$895,288 in special needs transportation. For the 2020-21 school year, all special education expenditures total 22.1% of the District's General fund budget, a decrease of .7% from the 2019-20 school year. Total Special Education aid from the State represented \$5.71 million. Typically, state Special Education reimbursement represents approximately 50% of District special education expenditures. However, the State Special Education funding formula uses prior year special education expenditures of the District.



- The District was projecting a \$40,600 decrease in the General fund balance through its initial adopted budget. With expenditure reductions implemented over the course of the year, and revenues increasing above budgeted levels, the fund balance increased \$3,929,764. Given a trend of declining fund balances, this fund balance increase is a welcome development. However, it should be noted that the bulk of this fund balance increase is within the restricted Operating Capital account (\$2,456,205) and the restricted LTFM account (\$1,412,869). In addition, the District's unreserved, unrestricted General fund balance is \$3,786,175, an increase of \$993,151. Of this balance, the District has assigned \$1,797,753 to separation benefits, leaving an unassigned balance of \$1,988,422. The Food Service fund balance increased by \$56,094. The Community Service fund balance increased by \$112,284. The increase in these two special revenue funds was mainly due to federal funds allocated to them due to the changes that occurred related to the COVID-19 pandemic.

### Capital Asset and Debt Administration

**Capital Assets.** The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$99,929,319 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, and machinery and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was 6.7 percent. This decrease is due to several projects being completed in the current year. The total depreciation expense for the year was \$3,244,079. The following is a schedule of capital assets as of June 30, 2021.

#### Independent School District No. 2144's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		
	2021	2020	Increase (Decrease)
Land	\$ 2,567,712	\$ 2,573,403	\$ (5,691)
Construction in Progress	782,764	5,547,315	(4,764,551)
Land Improvements	922,420	936,812	(14,392)
Buildings	94,019,104	89,949,688	4,069,416
Equipment	1,637,319	1,692,187	(54,868)
Total	<u>\$ 99,929,319</u>	<u>\$ 100,699,405</u>	<u>\$ (770,086)</u>

Additional information on the District's capital assets can be found in Note 3C on page 52 of this report.

**Noncurrent Liabilities.** At the end of the current fiscal year, the District had the following noncurrent liabilities outstanding.

#### Independent School District No. 2144's Noncurrent Liabilities

	Governmental Activities		
	2021	2020	Increase (Decrease)
Bonds Payable	\$ 68,366,362	\$ 71,293,499	\$ (2,927,137)
Compensated Absences Payable	1,915,834	1,555,316	360,518
Total	<u>\$ 70,282,196</u>	<u>\$ 72,848,815</u>	<u>\$ (2,566,619)</u>

The District's total noncurrent liabilities decreased \$2,566,619 (3.6 percent).

Additional information on the District's noncurrent liabilities can be found in Note 3D on page 53 of this report.

## **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future.

- The basic general education aid amount per pupil was increased to \$6,728 (a 2.45% increase) for the 2021-22 fiscal year. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs, due to increased costs from inflation and required mandates. The District will strive to maintain its long-standing commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility. The District will continue to use the long-range financial model and annual budget framework to ensure that expenditures are aligned with revenues. Efforts will continue to be made to influence legislators to recommit to their financial support for public education.
- The COVID-19 pandemic has impacted how the District provides instruction. The District started the 2020–2021 school year with hybrid learning and completed the year in person. Increased expenditures for personal protective equipment, sanitation supplies, and technology are expected to continue in the upcoming fiscal years.
- The amount of aid the District receives is dependent on the number of students it serves, meaning attracting and retaining students is critical to the District's financial well-being. The COVID-19 pandemic will impact how many students the District attracts and maintains. Students choosing to enroll in other educational options will mean less revenue for the District.
- The 2019 Legislature modified state statutes relating to operating levy referendums. Prior law authorized school districts to establish Board approved referendum levies of up to \$300 per pupil unit, and a Local Optional Revenue (LOR) levy of up to \$424 per pupil unit. These statutes were revised to shift the Board approved referendum authority into the LOR levy, resulting in a single LOR levy limit of up to \$724 per pupil unit. This shift (which is revenue neutral) is effective for taxes collected in calendar year 2020. The District has a voter approved operating levy of \$225 per pupil unit that expires in 2024. After budget reductions implemented in the FY 21 and FY 22 budgets, the school board will need to give consideration to further budget reductions, and/or requesting that voters approve additional operating levy authority as early as November 2022.
- The District's enrollment had been trending up in recent years until FY20. District enrollment grew in FY 18 (46.22 pupil units), FY 19 (31.83 pupil units) and then declined in FY20 (-7.71 pupil units) and again in FY21 (-108.73). The Districts total ADM (Average Daily Membership) for 2019-20 was 3,420.24 and the total ADM for 2020-21 was 3,314.05. The District's total PUN (Pupil Units) for 2019-20 was 3,746.79, and the total PUN for 2020-21 3,638.06, a decrease of 108.73. At the present time, the District's current year (2021-22) enrollment is declining. November 2021 enrollment is 5 students less than the June 2021 enrollment.

These factors were considered in preparing the District's budget for the 2022 fiscal year and are already being considered when preparing the budget for the 2023 fiscal year.

## **Requests for Information**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, Independent School District No. 2144, 29678 Karmel Ave., Chisago City, Minnesota 55013.

DISTRICT-WIDE FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

# Independent School District No. 2144

Chisago City, Minnesota  
Statement of Net Position  
June 30, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and temporary investments	\$ 17,326,790
Receivables	
Taxes	7,220,807
Accounts	93,945
Interest	1,044
Due from other school districts	451,856
Due from Minnesota Department of Education	3,114,159
Due from Federal government	626,869
Due from other governments	87,000
Inventories	83,463
Prepaid items	363,689
Capital assets	
Land and construction in process	3,350,476
Depreciable assets, net of accumulated depreciation	96,578,843
Total Assets	<u>129,298,941</u>
 <b>Deferred Outflows of Resources</b>	
Deferred pension resources	11,281,392
Deferred other post employment benefit resources	392,454
Total Deferred Outflows of Resources	<u>11,673,846</u>
 <b>Liabilities</b>	
Accrued salaries payable	3,735,575
Accounts and other payables	979,791
Due to other governments	29,250
Accrued interest payable	966,047
Unearned revenue	410,001
Noncurrent liabilities	
Due within one year	
Long-term liabilities	2,992,777
Due in more than one year	
Long-term liabilities	67,289,419
Other postemployment benefits payable	1,483,845
Net pension liability	27,581,391
Total Liabilities	<u>105,468,096</u>
 <b>Deferred Inflows of Resources</b>	
Property taxes levied for subsequent year	10,241,190
Deferred pension resources	19,983,738
Deferred other post employment benefit resources	144,085
Total Deferred Inflows of Resources	<u>30,369,013</u>
 <b>Net Position</b>	
Net investment in capital assets	34,969,544
Restricted for	
Educational purposes	5,183,009
Debt service	77,357
Food service	142,055
Unrestricted	<u>(35,236,287)</u>
 Total Net Position	 <u><u>\$ 5,135,678</u></u>

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

# Independent School District No. 2144

Chisago City, Minnesota

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Administration	\$ 1,909,041	\$ 12,665	\$ 826,173	\$ -	\$ (1,070,203)
District support services	1,214,669	-	340	-	(1,214,329)
Elementary and secondary regular instruction	17,225,666	427,147	1,139,612	-	(15,658,907)
Vocational education instruction	1,475,110	-	94,589	-	(1,380,521)
Special education instruction	9,181,246	-	6,070,496	-	(3,110,750)
Community education and services	1,447,400	630,996	563,715	-	(252,689)
Instructional support services	3,723,814	949	27,258	-	(3,695,607)
Pupil support services	4,988,621	1,384,277	2,530,946	-	(1,073,398)
Sites and buildings	6,633,010	-	464,530	-	(6,168,480)
Interest and fiscal charges on long term debt	2,083,156	-	-	-	(2,083,156)
Total Governmental Activities	<u>\$ 49,881,733</u>	<u>\$ 2,456,034</u>	<u>\$ 11,717,659</u>	<u>\$ -</u>	<u>(35,708,040)</u>
General Revenues					
Taxes					
Property taxes, levied for general purposes					6,081,703
Property taxes, levied for community service					361,068
Property taxes, levied for debt service					4,751,560
State aid-formula grants					25,230,092
Other general revenues					336,906
Unrestricted investment earnings					19,642
Gain on sale of capital assets					1,120,674
Total General Revenues					<u>37,901,645</u>
Change in Net Position					2,193,605
Net Position, July 1					<u>2,942,073</u>
Net Position, June 30					<u>\$ 5,135,678</u>

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

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FUND FINANCIAL STATEMENTS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

# Independent School District No. 2144

Chisago City, Minnesota

Balance Sheet

Governmental Funds

June 30, 2021

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and temporary investments	\$ 10,114,060	\$ 2,719,712	\$ 3,632,592	\$ 860,426	\$ 17,326,790
Receivables					
Taxes	3,634,637	3,347,125	-	239,045	7,220,807
Accounts	38,643	-	-	55,302	93,945
Interest	842	143	-	59	1,044
Due from other school districts	451,856	-	-	-	451,856
Due from Minnesota Department of Education	3,056,512	26,054	-	31,593	3,114,159
Due from the Federal government	366,552	-	-	260,317	626,869
Due from other governments	-	-	87,000	-	87,000
Inventories	14,219	-	-	69,244	83,463
Prepaid items	362,431	-	-	1,258	363,689
<b>Total Assets</b>	<b>\$ 18,039,752</b>	<b>\$ 6,093,034</b>	<b>\$ 3,719,592</b>	<b>\$ 1,517,244</b>	<b>\$ 29,369,622</b>
<b>Liabilities</b>					
Accrued salaries payable	\$ 3,651,213	\$ -	\$ -	\$ 84,362	\$ 3,735,575
Accounts and other payables	616,591	-	313,005	50,195	979,791
Due to other governments	29,250	-	-	-	29,250
Unearned revenue	166,310	-	-	243,691	410,001
<b>Total Liabilities</b>	<b>4,463,364</b>	<b>-</b>	<b>313,005</b>	<b>378,248</b>	<b>5,154,617</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - delinquent property taxes	35,935	29,499	-	2,267	67,701
Property taxes levied for subsequent year	4,831,633	5,049,630	-	359,927	10,241,190
<b>Total Deferred Inflows of Resources</b>	<b>4,867,568</b>	<b>5,079,129</b>	<b>-</b>	<b>362,194</b>	<b>10,308,891</b>
<b>Fund Balances</b>					
Nonspendable	376,650	-	-	70,502	447,152
Restricted	4,545,995	1,013,905	3,406,587	706,300	9,672,787
Assigned	1,797,753	-	-	-	1,797,753
Unassigned	1,988,422	-	-	-	1,988,422
<b>Total Fund Balances</b>	<b>8,708,820</b>	<b>1,013,905</b>	<b>3,406,587</b>	<b>776,802</b>	<b>13,906,114</b>
<b>Tc g</b>					
of Resources and Fund Balances	<b>\$ 18,039,752</b>	<b>\$ 6,093,034</b>	<b>\$ 3,719,592</b>	<b>\$ 1,517,244</b>	<b>\$ 29,369,622</b>

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



# Independent School District No. 2144

## Chisago City, Minnesota Reconciliation of the Balance Sheet to the Statement of Net Position Governmental Funds June 30, 2021

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

Total Fund Balances - Governmental Funds	\$ 13,906,114
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	163,113,413
Less: accumulated depreciation	(63,184,094)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Noncurrent liabilities at year-end consist of	
Compensated absences payable	(1,915,834)
Other postemployment benefits payable	(1,483,845)
Bond payable, net of premium	(68,366,362)
Net pension liability	(27,581,391)
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.	67,701
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	11,281,392
Deferred inflows of pension resources	(19,983,738)
Governmental funds do not report long-term amounts related to other post employment benefits.	
Deferred outflows of other post employment benefits	392,454
Deferred inflows of other post employment benefits	(144,085)
Governmental funds do not report a liability for accrued interest until due and payable.	(966,047)
Total Net Position - Governmental Activities	<u>\$ 5,135,678</u>

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

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2021

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Local property tax levies	\$ 6,085,585	\$ 4,751,560	\$ -	\$ 361,068	\$ 11,198,213
Other local sources	2,141,141	-	-	748,512	2,889,653
Interest earned on investments	13,463	1,908	3,635	636	19,642
Revenue from state sources	32,947,737	260,556	-	301,569	33,509,862
Revenue from federal sources	1,486,441	-	-	1,574,608	3,061,049
Sales and other conversion of assets	4,053	-	-	91,951	96,004
<b>Total Revenues</b>	<b>42,678,420</b>	<b>5,014,024</b>	<b>3,635</b>	<b>3,078,344</b>	<b>50,774,423</b>
<b>Expenditures</b>					
<b>Current</b>					
Administration	1,710,744	-	-	-	1,710,744
District support services	1,222,229	-	-	-	1,222,229
Elementary and secondary regular instruction	15,769,827	-	-	47,461	15,817,288
Vocational education instruction	1,321,241	-	-	-	1,321,241
Special education instruction	8,812,157	-	-	-	8,812,157
Community education and services	-	-	-	1,427,173	1,427,173
Instructional support services	2,796,633	-	-	-	2,796,633
Pupil support services	3,508,137	-	-	1,415,082	4,923,219
Sites and buildings	3,253,752	-	-	-	3,253,752
<b>Capital outlay</b>					
Elementary and secondary regular instruction	51,273	-	-	-	51,273
Vocational education instruction	32,713	-	-	-	32,713
Special education instruction	349	-	-	-	349
Instructional support services	747,240	-	-	-	747,240
Pupil support services	7,152	-	-	20,250	27,402
Sites and buildings	641,574	-	2,039,597	-	2,681,171
<b>Debt service</b>					
Principal	-	2,635,000	-	-	2,635,000
Interest and other charges	-	2,427,064	-	-	2,427,064
<b>Total Expenditures</b>	<b>39,875,021</b>	<b>5,062,064</b>	<b>2,039,597</b>	<b>2,909,966</b>	<b>49,886,648</b>

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

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2021

	General	Debt Service	Capital Projects Building Construction	Other Governmental Funds	Total Governmental Funds
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,803,399	\$ (48,040)	\$ (2,035,962)	\$ 168,378	\$ 887,775
Other Financing Sources (Uses) Proceeds from sale of capital assets	<u>1,126,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,126,365</u>
Net Change in Fund Balances	3,929,764	(48,040)	(2,035,962)	168,378	2,014,140
Fund Balances, July 1	<u>4,779,056</u>	<u>1,061,945</u>	<u>5,442,549</u>	<u>608,424</u>	<u>11,891,974</u>
Fund Balances, June 30	<u><u>\$ 8,708,820</u></u>	<u><u>\$ 1,013,905</u></u>	<u><u>\$ 3,406,587</u></u>	<u><u>\$ 776,802</u></u>	<u><u>\$ 13,906,114</u></u>

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

Independent School District No. 2144  
Chisago City, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
Governmental Funds  
For the Year Ended June 30, 2021

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

Total Net Change in Fund Balances - Governmental Funds	\$ 2,014,140
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	2,479,684
Depreciation expense	(3,244,079)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Cost of disposals	(45,173)
Depreciation on disposals	39,482
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	
Bonds	2,635,000
Amortization of premiums on bonds	292,137
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	51,771
Long-term pension activity is not reported in governmental funds.	
Pension expense	(1,800,986)
Pension revenue	184,123
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.	(3,882)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(360,518)
Other postemployment benefits	(48,094)
Change in Net Position - Governmental Activities	<u>\$ 2,193,605</u>

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

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Local property tax levies	\$ 5,494,503	\$ 5,494,503	\$ 6,085,585	\$ 591,082
Other local sources	1,957,640	1,957,640	2,141,141	183,501
Interest earned on investments	32,800	32,800	13,463	(19,337)
Revenue from state sources	33,000,377	33,000,377	32,947,737	(52,640)
Revenue from federal sources	423,254	423,254	1,486,441	1,063,187
Sales and other conversion of assets	2,000	2,000	4,053	2,053
Total Revenues	<u>40,910,574</u>	<u>40,910,574</u>	<u>42,678,420</u>	<u>1,767,846</u>
<b>Expenditures</b>				
Current				
Administration	1,836,147	1,823,732	1,710,744	112,988
District support services	1,345,067	1,359,667	1,222,229	137,438
Elementary and secondary regular instruction	16,341,551	16,307,457	15,769,827	537,630
Vocational education instruction	1,270,282	1,278,549	1,321,241	(42,692)
Special education instruction	9,343,960	9,341,668	8,812,157	529,511
Instructional support services	2,835,850	2,802,070	2,796,633	5,437
Pupil support services	4,026,086	4,024,686	3,508,137	516,549
Sites and buildings	3,103,555	3,362,492	3,253,752	108,740
Capital outlay				
District support services	25,000	25,000	-	25,000
Elementary and secondary regular instruction	15,000	15,000	51,273	(36,273)
Vocational education instruction	12,800	12,800	32,713	(19,913)
Special education instruction	-	-	349	(349)
Instructional support services	177,798	177,798	747,240	(569,442)
Pupil support services	-	-	7,152	(7,152)
Sites and buildings	618,078	663,012	641,574	21,438
Total Expenditures	<u>40,951,174</u>	<u>41,193,931</u>	<u>39,875,021</u>	<u>1,318,910</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,600)	(283,357)	2,803,399	3,086,756
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,126,365	1,126,365
Net Change in Fund Balances	(40,600)	(283,357)	3,929,764	4,213,121
Fund Balances, July 1	<u>4,779,056</u>	<u>4,779,056</u>	<u>4,779,056</u>	<u>-</u>
Fund Balances, June 30	<u>\$ 4,738,456</u>	<u>\$ 4,495,699</u>	<u>\$ 8,708,820</u>	<u>\$ 4,213,121</u>

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

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2021

	<u>Custodial</u>
Assets	
Cash and temporary investments	<u>\$          17,376</u>
Net Postion	
Restricted for individuals and organizations	<u>\$          17,376</u>

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

Independent School District No. 2144  
Chisago City, Minnesota  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2021

	<u>Custodial Fund</u>
Additions	
Contributions	
Gifts and bequests	\$ 25,500
Deductions	
Scholarships	<u>29,000</u>
Net Increase (Decrease) in Fiduciary Net Position	(3,500)
Fund Balances, July 1	<u>20,876</u>
Net Position, June 30	<u><u>\$ 17,376</u></u>

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

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Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

## **Note 1: Summary of Significant Accounting Policies**

### **A. Reporting Entity**

Independent School District No. 2144 (the District), Chisago City, Minnesota was incorporated under the laws of the State of Minnesota. The District operates under a Board of Education form of government for the purpose of providing educational services to individuals within the area. The District is governed by an elected Board of Education of six members. The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The District has no component units that meet the GASB criteria.

### **B. District-wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary 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. Amounts reported as *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, taxes, state aid formula grants, and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor funds are reported in single columns in the respective fund financial statements.

### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. State revenue is recognized in the year to which it applies according to Minnesota statutes and accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure was made. Other revenue is considered available if collected within one year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, other postemployment benefits, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transaction must also be available before it can be recognized.

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumption that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Description of Funds***

The various District funds have been established by the State of Minnesota Department of Education. Each fund is accounted for as an independent entity. Descriptions of the funds included in this report are as follows:

***Major Governmental Funds***

The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Building Construction capital projects fund* is used to account for all operations of building construction programs that are funded by the sale of bonds.

***Non-major Governmental Funds***

The *Food Service special revenue fund* is used to account for food service revenues and expenditures. Revenues include contributions from state and federal sources as well as charges for services.

The *Community Service special revenue fund* accounts for services provided to and fees collected from residents in the areas of recreation, civic activities, non-public pupils, adult or early childhood programs or other similar services.

***Fiduciary Funds***

The *Private-Purpose Trust Fund* is accounts for the scholarships that are held in trust for the use of awarding scholarships to students.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Independent School District No. 2144  
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June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances**

***Deposits and Investments***

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks, corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with 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.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the District are reported at cost. The Minnesota School District Liquid Asset Fund (MSDLAF) investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under the SEC under rule 2a7. Financial statements of the MSDLAF fund can be obtained by contacting PFM Asset Management, LLC at P.O. Box 11760, Harrisburg, PA 17108-11760.

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**Note 1: Summary of Significant Accounting Policies (Continued)**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's recurring fair value measurements are listed in detail on page 50 and are valued using matrix pricing models (Level 2 inputs).

***Property Taxes***

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

Statutory funding formulas determine the majority of the District revenue in the general and special revenue funds. This revenue is divided between property taxes and state aids by the legislature based on education funding priorities. Changes in this allocation are periodically accompanied by a change in property tax revenue recognition referred to as the "tax shift." The remaining portion of taxes collectible in 2020 is recorded as deferred inflow of resources, property taxes levied for subsequent year.

Current property taxes receivable is the uncollected portion of the taxes levied in 2020 and collectible in 2021. This levy is offset with a deferred inflow of resources, property taxes levied for subsequent year. Delinquent property taxes receivable is the uncollected portion of the taxes levied prior to 2020 and not yet collected. Delinquent property taxes receivable is offset with a deferred inflow of resources, unavailable revenue delinquent property taxes.

***Receivables***

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. No allowance for uncollectible accounts has been recorded. The only receivable not expected to be collected within one year is current property taxes receivable.

***Due from the Department of Education and Federal Government***

Due from the Department of Education and Federal Government includes amounts billed for services provided before year end as well as amounts for expenditures that have been incurred before year end that will be reimbursed with state and federal funding. No substantial losses are anticipated from present receivable balances, therefore no allowance for uncollectible has been recorded.

***Inventories and Prepaid Items***

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

Independent School District No. 2144  
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June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Donated capital assets are recorded at the acquisition value at the date of donation.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	20 - 50
Improvements other than Buildings	15 - 20
Equipment and Machinery	5 - 20

***Deferred Outflows of Resources***

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

***Compensated Absences Payable***

Vacation Pay - Vacations taken or estimated to be taken within 60 days after year end are expensed and included in salaries payable as of June 30. Teachers are not eligible for vacation pay.

Sick Pay - Substantially all District employees are entitled to sick leave at various rates. Employees are not compensated for unused sick leave upon termination of employment. However, unused sick leave does enter into the calculation of an employee's severance pay upon termination.

Severance Pay - The District maintains severance pay plans for eligible employees. The benefit plan formulas are based on years of service (10 years) and minimum age requirements (age 55). The potential benefits payable are computed as follows:

*Option A* - Eligible teachers, upon retirement, shall receive as severance pay an amount representing five days of pay for each full year of full-time service, but not to exceed a total of 100 days of pay.

*Option B* - Eligible teachers, upon retirement, shall receive a severance pay based on the teacher's accrued unused disability leave up to a maximum of 100 days at the teacher's daily rate of pay.

Independent School District No. 2144  
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June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Other Postemployment Benefits (OPEB) Obligation***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at June 30, 2020. The General fund is typically used to liquidate the governmental other postemployment benefit obligations.

***Pensions***

Teachers Retirement Association (TRA)

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Teachers Retirement Association (TRA) and additions to/deductions from TRA's fiduciary net position have been determined on the same basis as they are reported by TRA.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. The General fund is typically used to liquidate the governmental net pension liability. Additional information can be found in Note 4.

Public Employees Retirement Association (PERA)

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 additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. 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. The General fund is typically used to liquidate the governmental net pension liability.

The total pension expense for the GERP, PEDCP and TRA is as follows:

	GERP	PEDCP	TRA	Total Pension Expense
Pension Expense	\$ 145,734	\$ 124	\$ 3,560,127	\$ 3,705,985

***Long-term Obligations***

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as an expense in the period incurred.

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

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June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Deferred Inflows of Resources***

In addition to liabilities, the statement of net position and fund 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. The District has one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: delinquent property taxes and property taxes levied for subsequent year. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Furthermore, the District has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets".

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Independent School District No. 2144  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

***Fund Balance***

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as prepaid items or inventories.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by Minnesota statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Board of Education, which is the District's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Board of Education modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Board of Education itself or by an official to which the Board of Education delegates the authority. The Board of Education has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Director of Business Services and/or Superintendent.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District has formally adopted a fund balance policy for the General fund. The District's policy is to maintain a minimum fund balance of 12 to 15 percent operating expenditures.



Independent School District No. 2144  
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June 30, 2021

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Budgets are prepared for District funds on the same basis and using the same accounting practices that are used in accounting and preparing financial statements for the funds for the General, Special Revenue and the Debt Service funds. The budget was amended during the year in all funds mentioned above.

The chart below outlines budget the budget amendments by fund.

Fund	Revenues Increased/(Decreased)	Expenditures Increased/(Decreased)	Overall Change
Major			
General	\$ -	\$ 242,757	\$ (242,757)
Debt Service	(18,400)	-	(18,400)
Nonmajor			
Food Service	(300,061)	(206,843)	(93,218)
Community Service	(1,012,255)	(684,842)	(327,413)

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

1. Prior to July 1, the budget is prepared by the Superintendent to be adopted by the Board of Education.
2. Budgets for all General, special revenue, and Debt Service funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).
3. Budgeted amounts are as originally adopted, or as amended.
4. Budget appropriations lapse at year end.
5. The legal level of control is the fund level.
6. The District does not use encumbrance accounting.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

**Deposits**

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the District's deposits and investments may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Board of Education, the District maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the Board of Education.

At year end, the District's carrying amount of deposits was \$113,830 and the bank balance was \$111,699. The bank balance was covered by federal depository insurance and by national credit union share insurance.

**Investments**

The District's investment balances were as follows for June 30, 2021:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Balance June 30, 2021
Pooled Investments at Amortized Costs			
Minnesota School District Liquid Assets Funds	N/A	Less than 6 months	\$ 13,195,035
Term Investments Held by MSDLAF	N/A	Less than 6 months	4,000,000
Edward Jones Money Market Mutual Fund	N/A	Less than 6 months	35,301
Total Investments			<u>\$ 17,230,336</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicated not applicable or available.

Independent School District No. 2144  
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**Note 3: Detailed Notes on All Funds (Continued)**

The investments of the District are subject to the following risks:

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the District's investments to the list on page 43 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The Minnesota School District Liquid Asset Fund (MSDLAF) is a trust organized and existing under the laws of the State of Minnesota and the Minnesota Joint Powers Act, as amended. The trust was established for the purpose of allowing Minnesota school districts to pool their investment funds to obtain a competitive investment yield, while maintaining liquidity and preserving capital. The credit rating for the MSDLAF is AAA. The weighted average days to maturity are less than six months. The District's investment in the MSDLAF is equal to the value of pool shares.

The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40. The District does not currently have an investment policy that addresses the risks described above.

A reconciliation of cash and temporary investments as shown on the financial statements for the District follows:

	Amount
As Reported in the Basic Financial Statements	
Statement of net position	\$ 17,326,790
Statement of fiduciary net position	<u>17,376</u>
Total	<u><u>\$ 17,344,166</u></u>
Cash and Temporary Investments	
Deposits	\$ 113,830
Investments	<u>17,230,336</u>
Total	<u><u>\$ 17,344,166</u></u>

Independent School District No. 2144  
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Notes to the Financial Statements  
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**Note 3: Detailed Notes on All Funds (Continued)**

**B. Property Taxes Receivable**

Current property taxes receivable are recorded for uncollected taxes levied in 2020 and payable in 2021. The total levy is deferred for subsequent years' operations.

Delinquent property taxes receivable represents uncollected taxes from the previous six years' property tax levies. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Taxes receivable by fund type is comprised of the following components:

	Major Funds		Other	
	General	Debt Service	Governmental Funds	Total
Current Taxes	\$ 3,551,759	\$ 3,279,090	\$ 233,817	\$ 7,064,666
Delinquent Taxes	82,878	68,035	5,228	156,141
Total Reported Taxes Receivable	<u>\$ 3,634,637</u>	<u>\$ 3,347,125</u>	<u>\$ 239,045</u>	<u>\$ 7,220,807</u>

**C. Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,573,403	\$ -	\$ (5,691)	\$ 2,567,712
Construction in progress	5,547,315	1,940,241	(6,704,792)	782,764
Total Capital Assets not Being Depreciated	<u>8,120,718</u>	<u>1,940,241</u>	<u>(6,710,483)</u>	<u>3,350,476</u>
Capital Assets Being Depreciated				
Land improvements	3,916,771	53,846	-	3,970,617
Buildings	125,513,868	7,018,754	-	132,532,622
Equipment	23,127,545	171,635	(39,482)	23,259,698
Total Capital Assets Being Depreciated	<u>152,558,184</u>	<u>7,244,235</u>	<u>(39,482)</u>	<u>159,762,937</u>
Less Accumulated Depreciation for				
Land improvements	(2,979,959)	(68,238)	-	(3,048,197)
Buildings	(35,564,180)	(2,949,338)	-	(38,513,518)
Equipment	(21,435,358)	(226,503)	39,482	(21,622,379)
Total Accumulated Depreciation	<u>(59,979,497)</u>	<u>(3,244,079)</u>	<u>39,482</u>	<u>(63,184,094)</u>
Total Capital Assets Being Depreciated, Net	<u>92,578,687</u>	<u>4,000,156</u>	<u>-</u>	<u>96,578,843</u>
Governmental Activities Capital Assets, Net	<u>\$ 100,699,405</u>	<u>\$ 5,940,397</u>	<u>\$ (6,710,483)</u>	<u>\$ 99,929,319</u>

Independent School District No. 2144  
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June 30, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

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

Administration	\$ 1,040
District Support Services	340
Elementary and Secondary Regular Instruction	18,842
Vocational Education Instruction	667
Community Education and Services	4,739
Instructional Support Services	23,539
Pupil Support Services	16,534
Sites and Buildings	<u>3,178,378</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 3,244,079</u></u>

**D. Long-term Debt**

General Obligation (G.O.) Bonds

The District issues G.O. bonds to provide funds for the acquisition and construction of major capital facilities. In addition, refunding G.O. bonds have been issued. G.O. bonds are direct obligations and pledge the full faith and credit of the District. G.O. bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End	Due Within One Year
G.O. School Building Refunding Bonds, 2013A	\$ 8,905,000	4.00 %	11/06/13	02/01/23	\$ 2,290,000	\$ 1,120,000
G.O. School Building Bonds, 2017A	61,680,000	3.00 - 5.00	08/03/17	02/01/38	58,685,000	1,435,000
G.O. School Building Bonds, 2018A	3,730,000	3.00 - 3.10	03/29/18	02/01/33	3,285,000	230,000
G.O. School Building Bonds, 2020A	1,200,000	2.00	05/07/20	02/01/30	<u>1,085,000</u>	<u>110,000</u>
Total G.O. Bonds					<u><u>\$ 65,345,000</u></u>	<u><u>\$ 2,895,000</u></u>

Annual debt service requirements to maturity for the G.O. bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 2,895,000	\$ 2,318,514	\$ 5,213,514
2023	3,025,000	2,192,864	5,217,864
2024	3,105,000	2,061,564	5,166,564
2025	3,305,000	1,914,664	5,219,664
2026	3,460,000	1,758,114	5,218,114
2027 - 2031	19,385,000	6,555,769	25,940,769
2032 - 2036	21,095,000	3,325,259	24,420,259
2037 - 2038	<u>9,075,000</u>	<u>427,655</u>	<u>9,502,655</u>
Total	<u><u>\$ 65,345,000</u></u>	<u><u>\$ 20,554,403</u></u>	<u><u>\$ 85,899,403</u></u>

Independent School District No. 2144  
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 Notes to the Financial Statements  
 June 30, 2021

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. bonds	\$ 67,980,000	\$ -	\$ (2,635,000)	\$ 65,345,000	\$ 2,895,000
Unamortized premium	3,313,499	-	(292,137)	3,021,362	-
Net Bonds Payable	<u>71,293,499</u>	<u>-</u>	<u>(2,927,137)</u>	<u>68,366,362</u>	<u>2,895,000</u>
Compensated Absences Payable	<u>1,555,316</u>	<u>416,228</u>	<u>(55,710)</u>	<u>1,915,834</u>	<u>97,777</u>
Governmental Activities Long-term Liabilities	<u>\$ 72,848,815</u>	<u>\$ 416,228</u>	<u>\$ (2,982,847)</u>	<u>\$ 70,282,196</u>	<u>\$ 2,992,777</u>

**E. Operating Leases**

The District leases temporary classroom buildings and space for the family center, Pathways to Change program, and the Community Education program under several lease agreements. The District also pays a lease amount for space used by the TIES and St. Croix River Education District (SCRED) education cooperatives for services rendered in conjunction with District activities. Lease expense was \$214,296 for the year ended June 30, 2021. The lease was extended on December 17, 2020 for the two year period commencing January 1, 2021 through December 31, 2022.

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**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At June 30, 2021, portions of the District's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Building Construction	Other Governmental Funds	Total Governmental Funds	UFARS Balance
<b>Nonspendable for</b>						
Inventories	\$ 14,219	\$ -	\$ -	\$ 69,244	\$ 83,463	\$ 83,463
Prepaid items	362,431	-	-	1,258	363,689	363,689
Total Nonspendable	<u>376,650</u>	<u>-</u>	<u>-</u>	<u>70,502</u>	<u>447,152</u>	<u>447,152</u>
<b>Restricted for</b>						
Student activities	276,731	-	-	-	276,731	276,731
Staff development	36,605	-	-	-	36,605	36,605
Medical assistance	94,897	-	-	-	94,897	94,897
Operating capital	2,456,205	-	-	-	2,456,205	2,456,205
Long-term facilities maintenance	1,412,869	-	3,306,780	-	4,719,649	4,719,649
Learning and development	240,871	-	-	-	240,871	240,871
Gifted and talented	27,817	-	-	-	27,817	27,817
Debt service	-	1,013,905	-	-	1,013,905	1,013,905
Building construction	-	-	99,807	-	99,807	99,807
Community education	-	-	-	156,901	156,901	156,901
Early childhood and family education	-	-	-	247,607	247,607	247,607
School readiness	-	-	-	192,769	192,769	192,769
Community service	-	-	-	36,212	36,212	36,212
Food service	-	-	-	72,811	72,811	72,811
Total Restricted	<u>4,545,995</u>	<u>1,013,905</u>	<u>3,406,587</u>	<u>706,300</u>	<u>9,672,787</u>	<u>9,672,787</u>
<b>Assigned to</b>						
Separation/retirement benefits	<u>1,797,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,797,753</u>	<u>1,797,753</u>
<b>Unassigned</b>	<u>1,988,422</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,988,422</u>	<u>1,988,422</u>
<b>Total Fund Balance</b>	<u>\$ 8,708,820</u>	<u>\$ 1,013,905</u>	<u>\$ 3,406,587</u>	<u>\$ 776,802</u>	<u>\$13,906,114</u>	<u>\$13,906,114</u>

Restricted for student activities - This amount represents resources available for the extracurricular activity funds raised by students.

Restricted for staff development - This amount represents unspent staff development revenues set aside from General Education revenues that were restricted for staff development.

Restricted for medical assistance - This amount represents available resources for medical assistance expenditures. Revenues are derived from State or Federal aids.

Restricted for operating capital - This amount represents resources in the General Fund to be used to purchase equipment and facilities.

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**Note 3: Detailed Notes on All Funds (Continued)**

Restricted for long term facilities maintenance - This amount represents unspent long term facilities maintenance revenues from tax levies and State aids that were restricted for long term facilities maintenance.

Restricted for learning and development - This amount represents available general education revenues for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for gifted and talented - This amount represents resources dedicated to providing challenging educational programs to gifted and talented students.

Restricted for debt service - This amount represents available resources restricted exclusively for debt service payments. Revenues are derived from tax levies and expenditures are for principal, interest, and paying agent fees.

Restricted for building construction - This amount represents restricted bond proceeds to be used for building construction.

Restricted for community education - This amount represents available resources for community education classes. Revenues are derived from tax levies and state aids and expenditures are for salaries, benefits and supplies. Any deficits can be eliminated by future tax levies and state aids.

Restricted for early childhood and family education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits and supplies.

Restricted for school readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program.

Restricted for community service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.

Restricted for food service - This amount represents restricted resources for community service stipulated by constitution, external resource providers, or through enabling legislation.



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**Note 4: Defined Benefit Pension Plans**

Substantially all employees of the District are required by state law to belong to pension plans administered by Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA), all of which are administered on a statewide basis.

Disclosures relating to these plans follow:

**A. Teachers Retirement Association (TRA)**

**1. Plan Description**

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

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

**2. Benefits Provided**

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

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

Tier I:	Step Rate Formula	Percentage
Basic	1st ten years of service	2.2 percent per year
	All years after	2.7 percent per year
Coordinated	1st ten years if service years are prior to July 1, 2006	1.2 percent per year
	1st ten years if service years are July 1, 2006 or after	1.4 percent per year
	All other years of service if service years are prior to July 1, 2006	1.7 percent per year
	All other years of service if service years are July 1, 2006 or after	1.9 percent per year

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**Note 4: Defined Benefit Pension Plans (Continued)**

With these provisions:

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

**or**

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

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

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

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

**3. Contribution Rates**

Per Minnesota statutes, chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year were:

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

The District's contributions for the years ending June 30 2021, 2020 and 2019 were \$1,424,386, \$1,337,058 and \$1,319,331, respectively, equal to the contractually required contributions for each year as set by Minnesota statute.

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**Note 4: Defined Benefit Pension Plans (Continued)**

The following is a reconciliation of employer contributions in TRA's Comprehensive Annual Financial Report "Statement of Changes in Fiduciary Net Position" to the employer contributions used in schedule of employer and non-employer pension allocations.

Employer Contributions Reported in TRA's Comprehensive Annual Financial Report Statement of Changes in Fiduciary Net Position	\$ 425,223,000
Add Employer Contributions not Related to Future Contribution Efforts	(56,000)
Deduct TRA's Contributions not Included in Allocation	<u>(508,000)</u>
 Total Employer Contributions	 424,659,000
Total Non-employer Contributions	<u>35,587,000</u>
 Total Contributions Reported in Schedule of Employer and Non-employer Pension Allocations	 <u><u>\$ 460,246,000</u></u>

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

**4. Actuarial Assumptions**

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information	
Valuation Date	July 1, 2020
Experience Study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% thereafter
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% thereafter
Cost of Living Adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually
Mortality Assumption	
Pre-retirement	RP-2014 white collar employee table, male rates set back six years and female rates set back seven years. Generational projection uses the MP-2015 scale.
Post-retirement	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability	RP-2014 disabled retiree mortality table, without adjustment.

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**Note 4: Defined Benefit Pension Plans (Continued)**

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
International Equity	17.50	5.30
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
Unallocated Cash	2.00	-
Total	<u>100.00 %</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6.00 years. The "Difference Between Expected and Actual Experience", "Changes of Assumptions" and "Changes in Proportion" use the amortization period of 6.00 years in the schedule presented. The amortization period for "Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments" is 5.00 years as required by GASB 68.

Changes in actuarial assumptions since the 2019 valuation:

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

**5. Discount Rate**

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

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**Note 4: Defined Benefit Pension Plans (Continued)**

**6. Net Pension Liability**

At June 30, 2021, the District reported a liability of \$22,053,580 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.2985 percent at the end of the measurement period and 0.3057 percent for the beginning of the year.

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

District's Proportionate Share of Net Pension Liability	\$ 22,053,580
State's Proportionate Share of Net Pension Liability Associated with the District	1,848,067

For the year ended June 30, 2021, the District recognized pension expense of \$3,390,832. It also recognized \$169,295 as an increase to pension expense for the support provided by direct aid.

On June 30, 2020, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 446,698	\$ 340,981
Changes in Actuarial Assumptions	8,115,691	18,830,393
Net Difference Between Projected and Actual Earnings on Plan Investments	326,684	-
Changes in Proportion	344,944	367,144
Contributions to TRA Subsequent to the Measurement Date	1,424,386	-
Total	<u>\$ 10,658,403</u>	<u>\$ 19,538,518</u>

Deferred outflows of resources totaling \$1,424,386 related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

2022	\$ 550,330
2023	(6,662,419)
2024	(4,687,752)
2025	403,571
2026	91,769

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**Note 4: Defined Benefit Pension Plans (Continued)**

**7. Pension Liability Sensitivity**

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

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 33,763,798	\$ 22,053,580	\$ 12,404,953

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

**8. Pension Plan Fiduciary Net Position**

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

**B. Public Employees Retirement Association (PERA)**

**1. Plan Description**

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

General Employees Retirement Plan

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

**2. Benefits Provided**

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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.

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**Note 4: Defined Benefit Pension Plans (Continued)**

Benefit increases are provided to benefit recipients each January. Beginning in 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**3. Contributions**

Minnesota statutes chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ending December 31, 2021, 2020 and 2019 were \$480,489, \$491,088 and \$495,917, respectively. The District's contributions were equal to the required contributions for each year as set by state statute.

**4. Pension Costs**

General Employee Fund Pension Costs

At June 30, 2021, the District reported a liability of \$5,527,811 for its proportionate share of the General Employee Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$170,381. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion was 0.0922 percent which was a decrease of 0.0012 percent from its proportion measured as of June 30, 2020.

District's Proportionate Share of Net Pension Liability	\$ 5,527,811
State's Proportionate Share of Net Pension Liability Associated with the District	170,381

For the year ended June 30, 2021, the District recognized pension revenue of \$130,906 for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional \$14,828 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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**Note 4: Defined Benefit Pension Plans (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, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 51,165	\$ 20,915
Changes in Actuarial Assumptions	-	209,786
Net Difference Between Projected and Actual Earnings on Plan Investments	67,185	-
Changes in Proportion	24,149	214,519
Contributions to PERA Subsequent to the Measurement Date	480,490	-
Total	<u>\$ 622,989</u>	<u>\$ 445,220</u>

The \$480,490 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2022	\$ (412,508)
2023	(110,352)
2024	86,592
2025	133,547

**5. Actuarial Assumptions**

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

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for General Employees Plan.

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



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**Note 4: Defined Benefit Pension Plans (Continued)**

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions

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

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**Note 4: Defined Benefit Pension Plans (Continued)**

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	35.50 %	5.10 %
Alternative Assets (Private Markets)	25.00	5.90
Bonds (Fixed Income)	20.00	0.75
International Stocks	17.50	5.30
Cash	2.00	-
Total	<u>100.00 %</u>	

**6. Discount Rate**

The discount rate used to measure the total pension liability in 2021 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**7. Pension Liability Sensitivity**

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

1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
\$ 8,859,164	\$ 5,527,811	\$ 2,779,713

**8. Pension Plan Fiduciary Net Position**

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

# Independent School District No. 2144

Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

## Note 5: Defined Contribution Plan

The Health Care Savings Plan (HCSP) is a public employer-sponsored program administered by the Minnesota State Retirement System (MSRS) that allows employees to save pre-tax money to pay postemployment medical expenses and/or health insurance premiums. The program has been in effect since July of 2001. The legislature signed into law Chapter 352.98 authorizing MSRS to provide a health care savings reimbursement plan.

Participation by state and other public employees is determined during negotiations between the bargaining units, or group of employees if there are no bargaining units, and the employer with final language approved by MSRS. Beginning with the 2008-09 fiscal year, all twelve (12)-month employees who have at least ten years of service based on the seniority list in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. All full-time teachers who have completed at least ten years of actual teaching service in Independent School District No. 2144 will have a contribution made by the District to their individual account with the MSRS Post-Retirement HCSP. This contribution will be made on or before June 30 each year according to the following schedule:

<u>Years of Service</u>	<u>Contribution for 12-month Employees</u>	<u>Contribution for Teachers</u>
Ten to fifteen	\$500	\$250
Sixteen to twenty	\$750	\$500
Twenty-one to twenty-four	\$1,000	\$750
Twenty-five or more	\$1,000	\$1,000

The District's contributions to the MSRS HCSP for 12-month employees and teachers for the year ended June 30, 2021 were \$4,750 and \$62,500, respectively.

Amounts will not be made available for distribution to participants or beneficiaries earlier than (i) retirement, (ii) when the participant has a severance from employment with the employer, (iii) when the participant is collecting a disability benefit from one of the public pension plans, (iv) when the participant is on medical leave (six months or longer), or (v) when the participant is on a leave of absence (one year or longer).

The District has Board members that are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.0 percent of employer contributions and twenty-five hundredths of 1.0 percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the District during the fiscal year 2021 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rate</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$ 124	\$ 124	5.00%	5.00%	5.00%

The District and board member's contributions to the PEDCP plan for the years ending June 30, 2021, 2020 and 2019 were \$124, \$128 and \$112, respectively.

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 6: Postemployment Benefits Other Than Pensions**

**A. Plan Description**

The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance and dental insurance for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. The full cost of the benefits is covered by the plan. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	16
Active Plan Members, Waiving Coverage	54
Active Plan Members, Electing Coverage	289
	<hr/>
Total Plan Members	359
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**B. Funding Policy**

The District has historically funded these liabilities on a pay-as-you-go basis. Contribution requirements are negotiated between the District and union representatives on a per contract basis. The District's employment agreement for certain administrative officials provides for the District to contribute the following amounts into an MSRS account for premium costs for health and dental coverage. For the year ended June 30, 2021, the District's average contribution rate was \$174,763 percent of covered-employee payroll. For fiscal year 2021 the District contributed \$48,094 to the Plan.

Employee Groups	Contribution	Term
Community Education Director	\$ 9,000/year	Until Medicare eligible
Principals	9,000/year	Until Medicare eligible
Activities Director	9,000/year	Until Medicare eligible

Eligibility is as follows:

Employee Groups	Eligibility
District Superintendent	No Criteria
Director of Business Services	No Criteria
Community Education Director	No Criteria
Principals	Employed more than 5 years and age 55
Activities Director	Employed more than 5 years and age 55
Director Curriculum	No Criteria

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**C. Actuarial Methods and Assumptions**

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date and the Plan's fiscal year end.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.45%
Expected Long-term Investment Return	N/A
Inflation Rate	2.25%
Medical Trend Rate	6.7% for 2021 grading to 3.80% in 2076 and later

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

The discount rate used to measure the total OPEB liability was 2.45 percent. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate.

**D. Sensitivity of the Net OPEB Liability**

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.45 percent) or 1-percentage-point higher (3.45 percent) than the current discount rate:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

1 Percent Decrease (1.45%)	Current (2.45%)	1 Percent Increase (3.45%)
\$ 1,550,563	\$ 1,483,845	\$ 1,416,197

The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (6.70 percent decreasing to 5.70 percent) or 1-percentage-point higher (6.70 percent increasing to 7.70 percent) than the current healthcare cost trend rate:

Sensitivity of the Net OPEB Liability to Changes in Trend Rates

1 Percent Decrease (5.70%)	Current (6.70%)	1 Percent Increase (7.70%)
\$ 1,366,612	\$ 1,483,845	\$ 1,619,961

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 6: Postemployment Benefits Other Than Pensions (Continued)**

**E. Changes in the Net OPEB Liability**

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a)-(b)
Balances at June 30, 2020	\$ 1,280,654	\$ -	\$ 1,280,654
Changes for the Year:			
Employer contributions	-	174,763	(174,763)
Service cost	99,504	-	99,504
Interest	40,464	-	40,464
Changes of assumptions	43,460	-	43,460
Differences between expected and actual experience	194,526	-	194,526
Benefit payments	(174,763)	(174,763)	-
Net Changes	<u>203,191</u>	<u>-</u>	<u>203,191</u>
Balances at June 30, 2021	<u>\$ 1,483,845</u>	<u>\$ -</u>	<u>\$ 1,483,845</u>

**F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the District recognized OPEB expense of (\$48,094). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 55,483	\$ 144,085
Liability Losses (Gains)	<u>336,971</u>	<u>-</u>
Total	<u>\$ 392,454</u>	<u>\$ 144,085</u>

Deferred outflows of resources totaling \$0 related to OPEB resulting from the District's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

2022	\$ 29,892
2023	29,892
2024	29,892
2025	29,892
2026	35,294
Thereafter	93,507

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Financial Statements  
June 30, 2021

**Note 7: Other Information**

**A. Risk Management**

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The District's management is not aware of any incurred but not reported claims.

**B. 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 8: COVID-19**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19") and the risks to the international community as virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, the State of Minnesota has issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the District cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future revenue collection, and therefore any prediction as to the ultimate impact on the District's financial condition, liquidity, and future results of its revenue collections is uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information  
For the Year Ended June 30, 2021

**Schedule of Employer's Share of TRA Net Pension Liability**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/20	0.2985 %	\$22,053,580	\$ 1,848,067	\$ 23,901,647	\$ 16,882,051	130.6 %	75.5 %
6/30/19	0.3057	19,485,382	1,724,638	21,210,020	17,111,946	123.9	78.2
6/30/18	0.3036	19,069,710	1,791,448	20,861,158	16,774,307	113.7	78.1
6/30/17	0.2998	59,845,518	5,785,414	65,630,932	16,195,533	369.5	51.6
6/30/16	0.2952	70,412,243	7,066,891	77,479,134	15,354,253	458.6	44.9
6/30/15	0.2922	18,075,460	2,216,850	20,292,310	14,828,065	121.9	76.8
6/30/14	0.3000	13,823,784	972,471	14,796,255	13,693,886	100.9	81.1

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

**Schedule of Employer's TRA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/21	\$ 1,424,386	\$ 1,424,386	\$ -	\$ 16,839,798	8.5 %
6/30/20	1,337,058	1,337,058	-	16,882,051	7.9
6/30/19	1,319,331	1,319,331	-	17,111,946	7.7
6/30/18	1,258,073	1,258,073	-	16,774,307	7.5
6/30/17	1,214,665	1,214,665	-	16,195,533	7.5
6/30/16	1,151,569	1,151,569	-	15,354,253	7.5
6/30/15	1,112,105	1,112,105	-	14,828,065	7.5

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

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information - TRA**

Changes in Actuarial Assumptions

2020 - Assumed termination rates were changed to more closely reflect actual experience. The pre-retirement mortality assumption was changed to RP-2014 white collar employee table, male rates set back five years and female rates set back seven years. Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

2019 - No changes noted.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The cost of living adjustment was not assumed to increase to 2.5 percent but remain at 2.0 percent for all future years. The investment return assumption was changed from 8.25 percent to 8.00 percent.

2014 - The cost of living adjustment was assumed to increase from 2.0 percent annually to 2.5 percent annually on July 1, 2034.

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information – TRA (Continued)**

Changes in Plan Provisions

2020 - No changes noted.

2019 - No changes noted.

2018 - The 2018 Omnibus Pension Bill contained a number of changes:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, 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 - No changes noted.

2016 - No changes noted.

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

2014 - The increase in the post-retirement benefit adjustment (COLA) will be made once the plan is 90% funded (on a market value basis) in two consecutive years, rather than just one year.

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Schedule of Employer's Share of PERA Net Pension Liability**

Fiscal Year Ending	District's Proportion of the Net Pension Liability	District's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	Total (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/20	0.0922 %	\$ 5,527,811	\$ 170,381	\$ 5,698,192	\$ 6,547,834	84.4 %	79.0 %
6/30/19	0.0934	5,163,877	160,493	5,324,370	6,612,227	78.1	80.2
6/30/18	0.0985	5,464,376	179,187	5,643,563	6,620,227	82.5	79.5
6/30/17	0.0970	6,192,416	77,886	6,270,302	6,251,467	99.1	75.9
6/30/16	0.0978	7,940,875	103,630	8,044,505	6,066,644	130.9	68.9
6/30/15	0.0958	4,964,853	-	4,964,853	5,539,200	89.6	78.2
6/30/14	0.0973	4,570,667	-	4,570,667	4,940,133	92.5	78.7

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

**Schedule of Employer's PERA Contributions**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	District's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
6/30/21	\$ 480,489	\$ 480,489	\$ -	\$ 6,406,520	7.5 %
6/30/20	491,088	491,088	-	6,547,834	7.5
6/30/19	495,917	495,917	-	6,612,227	7.5
6/30/18	496,517	496,517	-	6,620,227	7.5
6/30/17	468,860	468,860	-	6,251,467	7.5
6/30/16	454,998	454,998	-	6,066,644	7.5
6/30/15	415,440	415,440	-	5,539,200	7.5

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

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information - PERA**

Changes in Actuarial Assumptions

2020 - 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.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information – PERA (Continued)**

Changes in Plan Provisions

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

2017 - 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 - No changes noted.

2015 - On January 1, 2015, the Minneapolis Employees Retirement

Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Schedule of Changes in the District's Net OPEB Liability and Related Ratios**

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 99,504	\$ 90,125	\$ 112,390	\$ 115,684
Interest	40,464	47,611	47,135	43,969
Differences between expected and actual experience	194,526	-	247,193	-
Changes of assumptions	43,460	21,624	(184,212)	(44,224)
Change of benefit terms	-	-	25,090	-
Benefit payments	(174,763)	(207,577)	(260,702)	(327,082)
Net change in total OPEB liability	203,191	(48,217)	(13,106)	(211,653)
Total OPEB liability - beginning	1,280,654	1,328,871	1,341,977	1,553,630
Total OPEB Liability - ending (a)	<u>\$ 1,483,845</u>	<u>\$ 1,280,654</u>	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Plan Fiduciary Net Position				
Employer contributions	\$ 174,763	\$ 207,577	\$ 260,702	\$ 327,082
Benefit payments	(174,763)	(207,577)	(260,702)	(327,082)
District's net OPEB liability (asset) - ending (a) - (b)	<u>\$ 1,483,845</u>	<u>\$ 1,280,654</u>	<u>\$ 1,328,871</u>	<u>\$ 1,341,977</u>
Covered - Employee Payroll	\$ 20,813,257	\$ 18,662,197	\$ 18,466,428	\$ 25,195,762
District's net OPEB liability (asset) as a percentage of covered employee payroll	7.1%	6.9%	7.2%	5.3%

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

**Schedule of District's Contributions**

	2021	2020	2019	2018
Contractually Required Employer Contribution	\$ 174,763	\$ 207,577	\$ 260,702	\$ 327,082
Contributions in Relation to the Contractually Required Employer Contribution	<u>174,763</u>	<u>207,577</u>	<u>260,702</u>	<u>327,082</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - Employee Payroll	\$ 20,813,257	\$ 18,662,197	\$ 18,466,428	\$ 25,195,762
Contributions as a Percentage of Covered Employee Payroll	0.84 %	1.11 %	1.41 %	1.30 %

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



Independent School District No. 2144  
Chisago City, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended June 30, 2021

**Notes to the Required Supplementary Information - OPEB**

Changes in Assumptions

2021 - The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings, 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 Retirement Plan and 7/1/2018 Teachers Retirement Association valuations to the rates used in the 7/1/2020 valuations. The inflation assumption was changed from 2.5% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations. 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:

<u>Medical Plan</u>	<u>Fiscal 2021 Valuation</u>	<u>Fiscal 2020 Valuation</u>
\$500 CMM	35%	20%
\$500 CMM Lower Value	0%	N/A
\$1850 CDHP	25%	10%
\$1850 CDHP Lower Value	0%	N/A
\$3500 CDHP	40%	40%
\$3500 CDHP Lower Value	0%	N/A
\$200 CMM	N/A	30%

2020 - The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations. The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% 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 inflation assumption was changed from 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

2019 - The discount rate was changed from 3.56% to 3.62% based on updated 20-year municipal bond rates. Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans. Medical per capita claims costs were updated to reflect recent experience and new plan offerings. Mortality and salary increase rates were updated to the rates used in the 7/1/2018 PERA General Employees Retirement Plan and 7/1/2018 Teachers Retirement Association actuarial valuations. The percent of future retirees eligible for a direct subsidy assumed to elect coverage at retirement changes from 40% to 30% 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 inflation assumption was changed from 2.75% to 2.50% based on updated historical analysis of inflation rates and forward-looking market expectations.

2018 - No changes noted.

Changes in Benefits

2021 - No changes noted.

2020 - No changes noted.

2019 - No changes noted.

2018 - No changes noted.

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COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS, SCHEDULES AND TABLE

INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

# Independent School District No. 2144

Chisago City, Minnesota  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2021

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
<b>Assets</b>			
Cash and temporary investments	\$ 134,705	\$ 725,721	\$ 860,426
Receivables			
Taxes	-	239,045	239,045
Accounts	5,385	49,917	55,302
Interest	4	55	59
Due from Minnesota Department of Education	575	31,018	31,593
Due from the Federal government	101,530	158,787	260,317
Inventories	69,244	-	69,244
Prepaid items	-	1,258	1,258
<b>Total Assets</b>	<b>\$ 311,443</b>	<b>\$ 1,205,801</b>	<b>\$ 1,517,244</b>
<b>Liabilities</b>			
Accrued salaries payable	\$ 35,527	\$ 48,835	\$ 84,362
Accounts and other payables	28,425	21,770	50,195
Unearned revenue	105,436	138,255	243,691
<b>Total Liabilities</b>	<b>169,388</b>	<b>208,860</b>	<b>378,248</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - delinquent property taxes	-	2,267	2,267
Property taxes levied for subsequent year	-	359,927	359,927
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>362,194</b>	<b>362,194</b>
<b>Fund Balances</b>			
Nonspendable	69,244	1,258	70,502
Restricted	72,811	633,489	706,300
<b>Total Fund Balances</b>	<b>142,055</b>	<b>634,747</b>	<b>776,802</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 311,443</b>	<b>\$ 1,205,801</b>	<b>\$ 1,517,244</b>

Independent School District No. 2144  
Chisago City, Minnesota  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended June 30, 2021

	Special Revenue		Total Nonmajor Governmental Funds
	Food Service	Community Service	
Revenues			
Local property tax levies	\$ -	\$ 361,068	\$ 361,068
Other local and county revenue			
Interest earned on investments	51	585	636
Other	1,500	747,012	748,512
Revenue from state sources	2,794	298,775	301,569
Revenue from federal sources	1,395,130	179,478	1,574,608
Sales and other conversion of assets	91,951	-	91,951
Total Revenues	<u>1,491,426</u>	<u>1,586,918</u>	<u>3,078,344</u>
Expenditures			
Current			
Elementary and secondary regular instruction	-	47,461	47,461
Community education and services	-	1,427,173	1,427,173
Pupil support services	1,415,082	-	1,415,082
Capital outlay			
Pupil support services	20,250	-	20,250
Total Expenditures	<u>1,435,332</u>	<u>1,474,634</u>	<u>2,909,966</u>
Net Change in Fund Balances	56,094	112,284	168,378
Fund Balances, July 1	<u>85,961</u>	<u>522,463</u>	<u>608,424</u>
Fund Balances, June 30	<u>\$ 142,055</u>	<u>\$ 634,747</u>	<u>\$ 776,802</u>

# Independent School District No. 2144

Chisago City, Minnesota

General Fund

Comparative Balance Sheets

June 30, 2021 and 2020

	2021	2020
<b>Assets</b>		
Cash and temporary investments	\$ 10,114,060	\$ 6,371,915
Receivables		
Taxes	3,634,637	3,836,335
Accounts	38,643	52,311
Interest	842	39
Due from other school districts	451,856	575,086
Due from Minnesota Department of Education	3,056,512	3,438,835
Due from the Federal government	366,552	259,207
Inventories	14,219	15,833
Prepaid items	362,431	15,503
	<u>18,039,752</u>	<u>14,565,064</u>
<b>Total Assets</b>	<b>\$ 18,039,752</b>	<b>\$ 14,565,064</b>
<b>Liabilities</b>		
Accrued salaries payable	\$ 3,651,213	\$ 3,957,880
Accounts and other payables	616,591	306,533
Due to other governments	29,250	35,802
Unearned revenue	166,310	157,431
<b>Total Liabilities</b>	<b>4,463,364</b>	<b>4,457,646</b>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue - delinquent property taxes	35,935	37,991
Property taxes levied for subsequent year	4,831,633	5,290,371
<b>Total Deferred Inflows of Resources</b>	<b>4,867,568</b>	<b>5,328,362</b>
<b>Fund Balances</b>		
Nonspendable		
Inventories	14,219	15,833
Prepaid items	362,431	15,503
Restricted for		
Student activities	276,731	322,244
Staff development	36,605	32,407
Medical assistance	94,897	-
Operating capital	2,456,205	760,828
Safe school crime - crime levy	-	28,363
Long-term facilities maintenance	1,412,869	810,854
Learning and development	240,871	-
Gifted and talented	27,817	-
Assigned for		
Separation/retirement benefits	1,797,753	1,325,171
Unassigned	1,988,422	1,467,853
<b>Total Fund Balances</b>	<b>8,708,820</b>	<b>4,779,056</b>
	<u>18,039,752</u>	<u>14,565,064</u>
<b>Total Liabilities, Deferred Inflows     of Resources and Fund Balances</b>	<b>\$ 18,039,752</b>	<b>\$ 14,565,064</b>

# Independent School District No. 2144

Chisago City, Minnesota

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual (Continued on the Following Pages)

For the Year Ended June 30, 2021

(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>Revenues</b>					
Local property tax levies	\$ 5,494,503	\$ 5,494,503	\$ 6,085,585	\$ 591,082	\$ 5,612,554
Other local sources	1,957,640	1,957,640	2,141,141	183,501	2,514,137
Interest earned on investments	32,800	32,800	13,463	(19,337)	69,374
Revenue from state sources	33,000,377	33,000,377	32,947,737	(52,640)	33,254,192
Revenue from federal sources	423,254	423,254	1,486,441	1,063,187	363,908
Sales and other conversion of assets	2,000	2,000	4,053	2,053	46,574
<b>Total Revenues</b>	<b>40,910,574</b>	<b>40,910,574</b>	<b>42,678,420</b>	<b>1,767,846</b>	<b>41,860,739</b>
<b>Expenditures</b>					
<b>Current</b>					
<b>Administration</b>					
Salaries	1,262,600	1,262,600	1,229,758	32,842	1,206,938
Fringe benefits	473,385	473,385	419,089	54,296	482,767
Purchased services	37,100	26,370	14,003	12,367	15,714
Supplies and materials	27,120	25,435	16,404	9,031	22,770
Other	35,942	35,942	31,490	4,452	35,741
<b>Total administration</b>	<b>1,836,147</b>	<b>1,823,732</b>	<b>1,710,744</b>	<b>112,988</b>	<b>1,763,930</b>
<b>District support services</b>					
Salaries	561,650	561,650	505,345	56,305	484,471
Fringe benefits	217,485	217,485	175,199	42,286	185,691
Purchased services	552,892	556,744	518,725	38,019	665,953
Supplies and materials	11,880	22,628	21,021	1,607	10,892
Other	1,160	1,160	1,939	(779)	1,283
<b>Total district support services</b>	<b>1,345,067</b>	<b>1,359,667</b>	<b>1,222,229</b>	<b>137,438</b>	<b>1,348,290</b>
<b>Elementary and secondary regular instruction</b>					
Salaries	11,608,205	11,608,205	11,026,596	581,609	11,339,747
Fringe benefits	3,618,558	3,618,558	3,448,341	170,217	3,594,094
Purchased services	628,688	622,383	671,429	(49,046)	715,806
Supplies and materials	478,600	450,811	599,421	(148,610)	696,947
Other	7,500	7,500	24,040	(16,540)	8,070
<b>Total elementary and secondary regular instruction</b>	<b>16,341,551</b>	<b>16,307,457</b>	<b>15,769,827</b>	<b>537,630</b>	<b>16,354,664</b>

Independent School District No. 2144  
Chisago City, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Vocational education instruction					
Salaries	\$ 901,780	\$ 901,780	\$ 949,499	\$ (47,719)	\$ 988,163
Fringe benefits	283,625	283,625	304,191	(20,566)	331,801
Purchased services	28,168	28,168	6,917	21,251	24,196
Supplies and materials	56,709	64,976	60,634	4,342	73,750
Total vocational education instruction	1,270,282	1,278,549	1,321,241	(42,692)	1,417,910
Special education instruction					
Salaries	5,584,425	5,584,425	5,221,477	362,948	5,426,770
Fringe benefits	2,043,695	2,043,695	1,904,634	139,061	2,040,598
Purchased services	1,654,578	1,654,322	1,649,448	4,874	1,626,649
Supplies and materials	61,262	59,226	36,598	22,628	51,901
Total special education instruction	9,343,960	9,341,668	8,812,157	529,511	9,145,918
Instructional support services					
Salaries	1,739,475	1,738,475	1,867,739	(129,264)	1,705,668
Fringe benefits	578,290	577,285	614,637	(37,352)	561,622
Purchased services	246,165	232,965	141,805	91,160	204,238
Supplies and materials	270,720	252,145	169,333	82,812	167,194
Other	1,200	1,200	3,119	(1,919)	490
Total instructional support services	2,835,850	2,802,070	2,796,633	5,437	2,639,212
Pupil support services					
Salaries	760,075	760,075	788,094	(28,019)	658,914
Fringe benefits	277,240	277,240	264,007	13,233	227,857
Purchased services	2,851,870	2,851,870	2,393,167	458,703	2,467,639
Supplies and materials	136,901	135,501	62,869	72,632	69,807
Total pupil support services	4,026,086	4,024,686	3,508,137	516,549	3,424,217
Sites and buildings					
Salaries	1,160,609	1,171,779	1,218,181	(46,402)	1,143,022
Fringe benefits	365,156	370,694	414,750	(44,056)	423,012
Purchased services	1,364,139	1,390,698	1,150,670	240,028	1,263,605
Supplies and materials	201,573	417,243	457,728	(40,485)	265,706
Other	12,078	12,078	12,423	(345)	12,553
Total sites and buildings	3,103,555	3,362,492	3,253,752	108,740	3,107,898
Total current	40,102,498	40,300,321	38,394,720	1,905,601	39,202,039



Independent School District No. 2144  
Chisago City, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Capital outlay					
District support services	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ -
Elementary and secondary					
regular instruction	15,000	15,000	51,273	(36,273)	29,572
Vocational education instruction	12,800	12,800	32,713	(19,913)	17,825
Special education instruction	-	-	349	(349)	358
Instructional support services	177,798	177,798	747,240	(569,442)	181,370
Pupil support services	-	-	7,152	(7,152)	-
Sites and buildings	618,078	663,012	641,574	21,438	767,329
Total capital outlay	<u>848,676</u>	<u>893,610</u>	<u>1,480,301</u>	<u>(586,691)</u>	<u>996,454</u>
Debt service					
Interest and other charges	-	-	-	-	2,132
Total Expenditures	<u>40,951,174</u>	<u>41,193,931</u>	<u>39,875,021</u>	<u>1,318,910</u>	<u>40,200,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,600)	(283,357)	2,803,399	3,086,756	1,660,114
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	1,126,365	1,126,365	-
Net Change in Fund Balances	(40,600)	(283,357)	3,929,764	4,213,121	1,660,114
Fund Balances, July 1	<u>4,779,056</u>	<u>4,779,056</u>	<u>4,779,056</u>	<u>-</u>	<u>3,118,942</u>
Fund Balances, June 30	<u>\$ 4,738,456</u>	<u>\$ 4,495,699</u>	<u>\$ 8,708,820</u>	<u>\$ 4,213,121</u>	<u>\$ 4,779,056</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Food Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Other local sources	\$ -	\$ 8,550	\$ 1,500	\$ (7,050)	\$ 8,061
Interest earned on investments	-	80	51	(29)	2,787
Revenue from state sources	92,250	525	2,794	2,269	68,308
Revenue from federal sources	452,500	1,317,284	1,395,130	77,846	630,592
Sales and other conversion of assets	1,177,750	96,000	91,951	(4,049)	812,110
Total Revenues	<u>1,722,500</u>	<u>1,422,439</u>	<u>1,491,426</u>	<u>68,987</u>	<u>1,521,858</u>
Expenditures					
Current					
Pupil support services					
Salaries	645,800	552,844	600,701	(47,857)	576,642
Employee benefits	235,625	184,780	192,307	(7,527)	186,292
Purchased services	93,200	73,900	49,812	24,088	66,795
Supplies and materials	789,000	740,339	570,022	170,317	713,477
Other	2,500	2,500	2,240	260	1,876
Capital outlay					
Pupil support services	19,500	24,419	20,250	4,169	13,384
Total Expenditures	<u>1,785,625</u>	<u>1,578,782</u>	<u>1,435,332</u>	<u>143,450</u>	<u>1,558,466</u>
Net Change in Fund Balances	(63,125)	(156,343)	56,094	212,437	(36,608)
Fund Balances, July 1	<u>85,961</u>	<u>85,961</u>	<u>85,961</u>	<u>-</u>	<u>122,569</u>
Fund Balances, June 30	<u>\$ 22,836</u>	<u>\$ (70,382)</u>	<u>\$ 142,055</u>	<u>\$ 212,437</u>	<u>\$ 85,961</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Community Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Local property tax levies	\$ 362,034	\$ 362,725	\$ 361,068	\$ (1,657)	\$ 342,810
Other local sources	1,678,500	674,135	747,012	72,877	1,502,637
Interest earned on investments	20,000	600	585	(15)	16,482
Revenue from state sources	248,800	238,993	298,775	59,782	258,837
Revenue from federal sources	-	20,626	179,478	158,852	-
Total Revenues	<u>2,309,334</u>	<u>1,297,079</u>	<u>1,586,918</u>	<u>289,839</u>	<u>2,120,766</u>
Expenditures					
Current					
Elementary and secondary regular instruction					
Salaries	40,150	40,452	34,140	6,312	35,235
Employee benefits	11,211	11,211	8,108	3,103	7,507
Purchased services	1,980	1,780	3,682	(1,902)	2,846
Supplies and materials	3,300	2,600	1,531	1,069	3,041
Community education and services					
Salaries	1,553,657	1,126,027	1,025,631	100,396	1,570,010
Employee benefits	412,782	341,003	252,859	88,144	360,744
Purchased services	260,112	105,362	124,273	(18,911)	145,811
Supplies and materials	87,650	58,745	23,490	35,255	133,181
Other	2,200	1,020	920	100	980
Total current	<u>2,373,042</u>	<u>1,688,200</u>	<u>1,474,634</u>	<u>213,566</u>	<u>2,259,355</u>
Capital outlay					
Community education and services	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>46,035</u>
Total Expenditures	<u>2,379,042</u>	<u>1,694,200</u>	<u>1,474,634</u>	<u>219,566</u>	<u>2,305,390</u>
Net Change in Fund Balances	(69,708)	(397,121)	112,284	509,405	(184,624)
Fund Balances, July 1	<u>522,463</u>	<u>522,463</u>	<u>522,463</u>	<u>-</u>	<u>707,087</u>
Fund Balances, June 30	<u>\$ 452,755</u>	<u>\$ 125,342</u>	<u>\$ 634,747</u>	<u>\$ 509,405</u>	<u>\$ 522,463</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Debt Service Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended June 30, 2021  
(With Comparative Actual Amounts for the Year Ended June 30, 2020)

	2021				2020
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Local property tax levies	\$ 4,952,360	\$ 4,952,360	\$ 4,751,560	\$ (200,800)	\$ 4,593,086
Interest earned on investments	20,000	1,600	1,908	308	35,266
Revenue from state sources	173,235	173,235	260,556	87,321	251,588
Total Revenues	<u>5,145,595</u>	<u>5,127,195</u>	<u>5,014,024</u>	<u>(113,171)</u>	<u>4,879,940</u>
Expenditures					
Debt service					
Principal	2,635,000	2,635,000	2,635,000	-	2,180,000
Interest and other charges	<u>2,429,739</u>	<u>2,429,739</u>	<u>2,427,064</u>	<u>2,675</u>	<u>2,506,389</u>
Total Expenditures	<u>5,064,739</u>	<u>5,064,739</u>	<u>5,062,064</u>	<u>2,675</u>	<u>4,686,389</u>
Net Change in Fund Balances	80,856	62,456	(48,040)	(110,496)	193,551
Fund Balances, July 1	<u>1,061,945</u>	<u>1,061,945</u>	<u>1,061,945</u>	<u>-</u>	<u>920,835</u>
Fund Balances, June 30	<u>\$ 1,142,801</u>	<u>\$ 1,124,401</u>	<u>\$ 1,013,905</u>	<u>\$ (110,496)</u>	<u>\$ 1,114,386</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of the Components of the General Fund  
Balance Sheet  
June 30, 2021

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
<b>Assets</b>				
Cash and temporary investments	\$ 5,704,482	\$ 553,857	\$ 3,855,721	\$ 10,114,060
Receivables				
Taxes	3,634,637	-	-	3,634,637
Accounts	31,741	6,902	-	38,643
Interest	559	-	283	842
Due from other school districts	451,856	-	-	451,856
Due from Minnesota Department of Education	3,015,946	1,209	39,357	3,056,512
Due from the Federal government	364,808	1,744	-	366,552
Inventories	14,219	-	-	14,219
Prepaid items	333,197	-	29,234	362,431
<b>Total Assets</b>	<b>\$ 13,551,445</b>	<b>\$ 563,712</b>	<b>\$ 3,924,595</b>	<b>\$ 18,039,752</b>
<b>Liabilities</b>				
Accrued salaries payable	\$ 3,651,213	\$ -	\$ -	\$ 3,651,213
Accounts and other payables	559,764	32,316	24,511	616,591
Due to other governments	29,250	-	-	29,250
Unearned revenue	164,534	-	1,776	166,310
<b>Total Liabilities</b>	<b>4,404,761</b>	<b>32,316</b>	<b>26,287</b>	<b>4,463,364</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent property taxes	35,935	-	-	35,935
Property taxes levied for subsequent year	4,831,633	-	-	4,831,633
<b>Total Deferred Inflows of Resources</b>	<b>4,867,568</b>	<b>-</b>	<b>-</b>	<b>4,867,568</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories	14,219	-	-	14,219
Prepaid items	333,197	-	29,234	362,431
<b>Restricted for</b>				
Student activities	276,731	-	-	276,731
Staff development	36,605	-	-	36,605
Medical assistance	94,897	-	-	94,897
Operating capital	-	-	2,456,205	2,456,205
Long term facilities maintenance	-	-	1,412,869	1,412,869
Learning and development	240,871	-	-	240,871
Gifted and talented	27,817	-	-	27,817
<b>Assigned for</b>				
Separation/retirement benefits	1,797,753	-	-	1,797,753
<b>Unassigned</b>	<b>1,457,026</b>	<b>531,396</b>	<b>-</b>	<b>1,988,422</b>
<b>Total Fund Balances</b>	<b>4,279,116</b>	<b>531,396</b>	<b>3,898,308</b>	<b>8,708,820</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 13,551,445</b>	<b>\$ 563,712</b>	<b>\$ 3,924,595</b>	<b>\$ 18,039,752</b>

Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of the Components of the General Fund  
Revenues, Expenditures and Changes in Fund Balances (Continued on the Following Page)  
For the Year Ended June 30, 2021

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Revenues				
Local property tax levies	\$ 4,970,055	\$ -	\$ 1,115,530	\$ 6,085,585
Other local sources	2,042,743	64,245	34,153	2,141,141
Interest earned on investments	10,999	209	2,255	13,463
Revenue from state sources	29,673,200	2,396,422	878,115	32,947,737
Revenue from federal sources	1,484,697	1,744	-	1,486,441
Sales and other conversion of assets	3,232	-	821	4,053
Total Revenues	<u>38,184,926</u>	<u>2,462,620</u>	<u>2,030,874</u>	<u>42,678,420</u>
Expenditures				
Current				
Administration				
Salaries and wages	1,229,758	-	-	1,229,758
Employee benefits	419,089	-	-	419,089
Purchased services	14,003	-	-	14,003
Supplies and materials	16,404	-	-	16,404
Other	31,490	-	-	31,490
Total administration	<u>1,710,744</u>	<u>-</u>	<u>-</u>	<u>1,710,744</u>
District support services				
Salaries and wages	505,345	-	-	505,345
Employee benefits	175,199	-	-	175,199
Purchased services	518,725	-	-	518,725
Supplies and materials	21,021	-	-	21,021
Other	1,939	-	-	1,939
Total district support services	<u>1,222,229</u>	<u>-</u>	<u>-</u>	<u>1,222,229</u>
Elementary and secondary regular instruction				
Salaries and wages	11,026,596	-	-	11,026,596
Employee benefits	3,448,341	-	-	3,448,341
Purchased services	671,429	-	-	671,429
Supplies and materials	544,594	-	54,827	599,421
Other	24,040	-	-	24,040
Total elementary and secondary regular instruction	<u>15,715,000</u>	<u>-</u>	<u>54,827</u>	<u>15,769,827</u>
Vocational education instruction				
Salaries and wages	949,499	-	-	949,499
Employee benefits	304,191	-	-	304,191
Purchased services	6,917	-	-	6,917
Supplies and materials	60,634	-	-	60,634
Total vocational education instruction	<u>1,321,241</u>	<u>-</u>	<u>-</u>	<u>1,321,241</u>

Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of the Components of the General Fund  
Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended June 30, 2021

	Components of the General Fund			Total General Fund
	General	Pupil Transportation	Capital Expenditures	
Expenditures (Continued)				
Current (continued)				
Special education instruction				
Salaries and wages	\$ 5,221,477	\$ -	\$ -	\$ 5,221,477
Employee benefits	1,904,634	-	-	1,904,634
Purchased services	1,649,448	-	-	1,649,448
Supplies and materials	36,598	-	-	36,598
Total special education instruction	<u>8,812,157</u>	<u>-</u>	<u>-</u>	<u>8,812,157</u>
Instructional support services				
Salaries and wages	1,867,739	-	-	1,867,739
Employee benefits	614,637	-	-	614,637
Purchased services	141,805	-	-	141,805
Supplies and materials	98,107	-	71,226	169,333
Other	3,119	-	-	3,119
Total instructional support services	<u>2,725,407</u>	<u>-</u>	<u>71,226</u>	<u>2,796,633</u>
Pupil support services				
Salaries and wages	788,094	-	-	788,094
Employee benefits	263,972	35	-	264,007
Purchased services	190,519	2,202,648	-	2,393,167
Supplies and materials	22,175	40,694	-	62,869
Total pupil support services	<u>1,264,760</u>	<u>2,243,377</u>	<u>-</u>	<u>3,508,137</u>
Sites and buildings				
Salaries and wages	1,207,012	-	11,169	1,218,181
Employee benefits	410,866	-	3,884	414,750
Purchased services	956,254	-	194,416	1,150,670
Supplies and materials	432,535	-	25,193	457,728
Other	12,423	-	-	12,423
Total sites and buildings	<u>3,019,090</u>	<u>-</u>	<u>234,662</u>	<u>3,253,752</u>
Total current	<u>35,790,628</u>	<u>2,243,377</u>	<u>360,715</u>	<u>38,394,720</u>
Capital outlay				
Elementary and secondary				
regular instruction	14,150	-	37,123	51,273
Vocational education instruction	32,713	-	-	32,713
Special education instruction	349	-	-	349
Instructional support services	623,363	-	123,877	747,240
Pupil support services	7,152	-	-	7,152
Sites and buildings	332,677	-	308,897	641,574
Total capital outlay	<u>1,010,404</u>	<u>-</u>	<u>469,897</u>	<u>1,480,301</u>
Total Expenditures	<u>36,801,032</u>	<u>2,243,377</u>	<u>830,612</u>	<u>39,875,021</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,383,894	219,243	1,200,262	2,803,399
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,126,365	1,126,365
Net Change in Fund Balances	1,383,894	219,243	2,326,627	3,929,764
Fund Balances, July 1	<u>2,895,222</u>	<u>312,153</u>	<u>1,571,681</u>	<u>4,779,056</u>
Fund Balances, June 30	<u>\$ 4,279,116</u>	<u>\$ 531,396</u>	<u>\$ 3,898,308</u>	<u>\$ 8,708,820</u>



## Fiscal Compliance

## Fiscal Compliance Report - 6/30/2021

### District: CHISAGO LAKES (2144-1)

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$42,676,513	<u>\$42,676,551</u>	(\$38)	Total Revenue	\$3,635	<u>\$3,634</u>	\$1
Total Expenditures	\$39,875,021	<u>\$39,874,999</u>	\$22	Total Expenditures	\$2,039,598	<u>\$2,039,597</u>	\$1
<i>Non Spendable:</i>				<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$376,650	<u>\$376,650</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
<i>Restricted / Reserved:</i>				<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$276,731	<u>\$276,732</u>	(\$1)	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$36,605	<u>\$36,605</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$3,406,587	<u>\$3,406,586</u>	\$1
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$2,456,205	<u>\$2,456,206</u>	(\$1)	Total Revenue	\$5,014,024	<u>\$5,014,024</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$5,062,064	<u>\$5,062,064</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	<i>Non Spendable:</i>			
4.28 Learning & Development	\$240,871	<u>\$240,872</u>	(\$1)	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.35 Contracted Alt. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved Alt. Program	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$27,817	<u>\$27,821</u>	(\$4)	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.41 Basic Skills Programs	\$0	<u>\$0</u>	\$0	<i>Restricted:</i>			
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$1,013,905	<u>\$1,013,905</u>	\$0
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	\$0	<i>Unassigned:</i>			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	<b>08 TRUST</b>			
4.59 Basic Skills Extended Time	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$1,412,869	<u>\$1,412,870</u>	(\$1)	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$94,897	<u>\$94,897</u>	\$0	<i>Restricted / Reserved:</i>			
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
<i>Restricted:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	<b>18 CUSTODIAL</b>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$25,500	<u>\$25,500</u>	\$0
<i>Committed:</i>				Total Expenditures	\$29,000	<u>\$29,000</u>	\$0
4.18 Committed for Separation	\$0	<u>\$0</u>	\$0	<i>Restricted / Reserved:</i>			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
<i>Assigned:</i>				4.02 Scholarships	\$17,376	<u>\$17,376</u>	\$0
4.62 Assigned Fund Balance	\$1,797,753	<u>\$1,797,753</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
<i>Unassigned:</i>				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$1,988,422	<u>\$1,988,417</u>	\$5				
<b>02 FOOD SERVICES</b>				<b>20 INTERNAL SERVICE</b>			
Total Revenue	\$1,485,901	<u>\$1,485,898</u>	\$3	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$1,435,332	<u>\$1,435,331</u>	\$1	Total Expenditures	\$0	<u>\$0</u>	\$0
<i>Non Spendable:</i>				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$69,244	<u>\$69,244</u>	\$0				
<i>Restricted / Reserved:</i>				<b>25 OPEB REVOCABLE TRUST</b>			
4.52 OPEB Liab Not In Trust				Total Revenue	\$0	<u>\$0</u>	\$0
				Total Expenditures			



## Minnesota Department of Education

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$72,811	<u>\$72,809</u>	<u>\$2</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

**04 COMMUNITY SERVICE**

Total Revenue	\$1,586,918	<u>\$1,586,912</u>	<u>\$6</u>
Total Expenditures	\$1,474,637	<u>\$1,474,631</u>	<u>\$6</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$1,258	<u>\$1,258</u>	<u>\$0</u>
<i>Restricted / Reserved:</i>			
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	\$156,901	<u>\$156,897</u>	<u>\$4</u>
4.32 E.C.F.E	\$247,607	<u>\$247,606</u>	<u>\$1</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$192,769	<u>\$192,769</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$36,212	<u>\$36,217</u>	<u>(\$5)</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

**45 OPEB IRREVOCABLE TRUST**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

**47 OPEB DEBT SERVICE**

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Restricted:</i>			
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

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OTHER REPORTS

INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Independent School District No. 2144 (the District), Chisago City, Minnesota as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements and miscellaneous provisions 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.

This report is intended solely for the information and use of those charged with governance and management of the District and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.



**Abdo**  
Minneapolis, Minnesota  
December 15, 2021

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

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, 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 the Independent School District No. 2144 (the District), Chisago City, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**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*.

### **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.



**Abdo**  
Minneapolis, Minnesota  
December 15, 2021



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FEDERAL FINANCIAL AWARD PROGRAMS  
INDEPENDENT SCHOOL DISTRICT NO. 2144  
CHISAGO CITY, MINNESOTA

FOR THE YEAR ENDED  
JUNE 30, 2021

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

Members of the Board of Education  
Independent School District No. 2144  
Chisago City, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited the Independent School District No. 2144 (the District), Chisago City, Minnesota 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 auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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.

## 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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



**Abdo**  
Minneapolis, Minnesota  
December 15, 2021



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Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

Administering Department	Grant Name	Federal Domestic Assistance Number	Federal Program Clusters	Federal Expenditures
U.S. Department of Education				
MN Department of Education	Title I Grants to Local Educational Agencies	84.010		\$ 234,987
MN Department of Education	Career and Technical Education Basic Grants	84.048		28,260
MN Department of Education	Improving Teacher Quality State Grants	84.367		63,616
MN Department of Education	COVID-19 - Governor's Emergency Education Relief (GEER) Fund and Expanded Summer Learning	84.425C		212,577
MN Department of Education	COVID-19 - Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act	84.425D		40,041
MN Department of Education	Special Education IDEA, Part B	84.027	67,407	
	Total Special Education Cluster			<u>67,407</u>
Total U.S. Department of Education				<u>646,888</u>
U.S. Department of Agriculture				
MN Department of Education	COVID-19 - Summer Food Service Program	10.559	1,378,671	
	Total Child Nutrition Cluster			<u>1,378,671</u>
Total U.S. Department of Agriculture				<u>1,378,671</u>
U.S. Department of the Treasury				
MN Department of Education	COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027		10,204
MN Department of Education	COVID-19 - Coronavirus Relief Fund	21.019		<u>827,228</u>
Total U.S. Department of Treasury				<u>837,432</u>
Total				<u><u>\$ 2,862,991</u></u>

Independent School District No. 2144  
Chisago City, Minnesota  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**Note 1: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 2: Summary of Significant Accounting Policies for Expenditures**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds, which is described in Note 1C to the District's financial statements. This activity is reported in the General fund and nonmajor governmental funds.

**Note 3: Pass-through Entity Identifying Numbers**

Pass-through entity identifying numbers are presented where available.

**Note 4: Subrecipients**

No federal expenditures presented in this schedule were provided to subrecipients.

**Note 5: Indirect Cost Rate**

During the year ended June 30, 2021, the District did not elect to use the 10 percent de minimis indirect cost rate.

Independent School District No. 2144  
Chisago City, Minnesota  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2021

**Section I - Summary of Auditor's Results**

***Financial Statements***

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

***Federal Awards***

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 5169(a) of Uniform Guidance?	No

***Identification of Major Programs/Projects***

	<u><b>CFDA No.</b></u>
U.S. Department of the Treasury Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**Section II - Financial Statement Findings**

There were no findings related to the audit of the financial statements reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

**Section III - Major Federal Award Findings and Questioned Costs**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Uniform Guidance.