

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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THIEF RIVER FALLS, MINNESOTA  
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THIEF RIVER FALLS, MINNESOTA  
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**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2020**

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Wayne Nomeland	Chairman
Misty Hempel	Vice-Chairman
Craig Mattson	Clerk
Chris Melbye	Treasurer
Mike Spears	Director
Michelle Westerman	Director
Ryan Walseth	Director
Tanya Monson-Ek	District Business Manager
Bradley Bergstrom	Superintendent (through June 30, 2020)
Donita Stepan	Superintendent (beginning July 1, 2020)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Independent School District No. 564  
Thief River Falls, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 564, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented component unit; those statements were audited by other auditors.

### ***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 did not audit the financial statements of the Thief River Falls Economic Development Association, LLC (TRF EDA), which represents 100% of the assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for TRF EDA, is based solely on the report of the other auditors. 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. The financial statements of the TRF EDA were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Independent School District No. 564, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As discussed in Note 2 to the financial statements, the District has retroactively restated the previously reported Net Position and Fund Balances in accordance with this statement.

Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, notes to required supplementary information, and schedules as listed in the table of contents as required supplementary information 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 combining statements, schedules, and compliance table as listed in the table of contents as supplementary information are presented for 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 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 statements, schedules, compliance table, and 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 statements, schedules, compliance table, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

November 19, 2020

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**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

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This section of Independent School District No. 564's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

For the year ending June 30, 2020, the District's unassigned fund balance increased from \$3,313,558 to \$3,478,461 or an increase of \$164,903.

### **Overview of the Financial Statements**

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's general fund budget for the year, and supplementary information that is presented for additional analysis.

### District-wide Statements

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

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

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

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

- *Governmental activities*: All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

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The Thief River Falls Economic Development, LLC, a discretely presented component unit of Independent School District No. 564, was dissolved on October 15, 2019. The Thief River Falls Economic Development Association did issue separate audited financial statements. Copies of the financial statements may be obtained from the Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.

The government-wide financial statements are noted in the table of contents.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

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

The District has two kinds of funds:

**Governmental funds:** The District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided following the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to help explain the relationship (or differences) between the governmental funds and governmental activities.

The District maintains six 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 fund and debt service fund, all of which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds:** The District is the trustee, or fiduciary, for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only by those to whom the assets belong. The District's fiduciary activities (consisting of an OPEB Trust Fund) are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

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**Financial Analysis of the District as a Whole**

Net Position

The District's combined net position was \$(2,233,200) on June 30, 2020 (see details in Table A-1). This was an increase of 85.9 percent from the prior year. This significant increase is due to forgiveness of approximately \$12 million in accrued rent from the dissolution of the EDA component unit as shown on the statement of activities.

**Table A-1  
Statement of Net Position**

	<u>2020</u>	<u>2019</u>	<u>Total Percentage Change</u>
Current and Other Assets	\$ 33,601,663	\$ 44,247,364	(24.1) %
Capital Assets	<u>60,958,165</u>	<u>39,664,856</u>	53.7
Total Assets	<u>94,559,828</u>	<u>83,912,220</u>	12.7
Deferred Outflows of Resources	<u>11,014,825</u>	<u>16,359,932</u>	(32.7)
Long-term Liabilities	79,094,185	71,504,566	10.6
Other Liabilities	<u>4,390,138</u>	<u>4,010,186</u>	9.5
Total Liabilities	<u>83,484,323</u>	<u>75,514,752</u>	10.6
Deferred Inflows of Resources	<u>24,323,530</u>	<u>40,556,735</u>	(40.0)
Net Position			
Net Investment in Capital Assets	17,200,891	13,925,824	23.5
Restricted	2,022,158	1,938,220	4.3
Unrestricted	<u>(21,456,249)</u>	<u>(31,663,379)</u>	32.2
Total Net Position	<u>\$ (2,233,200)</u>	<u>\$ (15,799,335)</u>	85.9 %

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

Change in Net Position

Table A-2 presents the change in net position of the District.

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

	<u>2020</u>	<u>2019</u>	Total Percentage Change
Revenues			
Program Revenues			
Charges for Services	\$ 1,026,170	\$ 1,346,647	(23.8) %
Operating Grants and Contributions	5,629,515	4,726,948	19.1
Capital Grants and Contributions	2,544,836	786,463	223.6
General Revenues			
Property Taxes	6,157,345	5,951,269	3.5
Unrestricted State Aid	15,086,362	14,785,591	2.0
Other Sources	1,243,419	1,387,103	(10.4)
Total Revenues	<u>31,687,647</u>	<u>28,984,021</u>	9.3
Expenses			
Administration	1,628,713	1,544,109	5.5
District Support Services	576,722	579,404	(0.5)
Elementary & Secondary Regular Instruction	11,156,000	3,624,874	207.8
Vocational Education Instruction	560,798	550,200	1.9
Special Education Instruction	3,996,553	3,633,816	10.0
Community Education and Services	760,318	814,877	(6.7)
Instructional Support Services	1,311,506	2,686,958	(51.2)
Pupil Support Services	2,936,561	2,783,052	5.5
Sites and Buildings	4,384,171	5,933,395	(26.1)
Fixed Costs	143,275	120,353	19.0
Interest on Long-Term Debt	2,445,426	1,899,451	28.7
Depreciation - Unallocated	454,499	457,476	(0.7)
Total Expenses	<u>30,354,542</u>	<u>24,627,965</u>	23.3
Change in Net Position Before Special Items	1,333,105	4,356,056	69.4
Special Items - Forgiveness of Accrued Rent	<u>12,074,378</u>		100.0
Change in Net Position	13,407,483	4,356,056	
Net Position - Beginning	(15,799,335)	(20,155,391)	(21.6)
GASB 84 Adjustment - See Note 2	158,652		100.0
Net Position - Beginning, Restated	<u>(15,640,683)</u>	<u>(20,155,391)</u>	(22.4)
Net Position - Ending	<u>\$ (2,233,200)</u>	<u>\$ (15,799,335)</u>	85.9 %

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

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The District's total revenues were \$31,687,647 for the year ended June 30, 2020. Property taxes and state aid payments accounted for 88 percent of total revenue for the year.

The total cost of all programs and services was \$30,354,542. The District's expenses are predominantly related to educating and caring for students.

Total revenues surpassed expenses, increasing net position \$1,333,105 before special items over last year. For the year ended June 30, 2020, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA decreased net position by \$1,255,792. For the year ended June 30, 2019, the net effect of the District's deferred inflows and outflows of resources and net pension liability related to TRA and PERA increased net position by \$5,081,085.

**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.

**Table A-3  
Major Funds**

	Fund Balance		Increase (Decrease)	Percentage Increase (Decrease)
	2020	2019		
Governmental Funds				
General	\$ 5,867,456	\$ 6,286,917	\$ (419,461)	(6.7) %
Debt Service Fund	20,153,527	10,237,763	9,915,764	96.9

The General Fund did project a fund balance deficit for June 30, 2020, although the actual results were not as large as the budget projections. The General Fund expenditures are exceeding revenues due to District costs outpacing the revenue increases from the state. The District will continue to monitor the fund balance levels and make budget reductions as necessary.

The Debt Service Fund Balance increased due to the issuance of advance crossover refunding bonds.

General Fund

The general fund includes the primary operations of the District in providing educational services to students from kindergarten through grade 12, including pupil transportation activities and capital outlay projects.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

Table A-4 presents a summary of general fund revenue.

**Table A-4  
General Fund Revenue**

	<u>2020</u>	<u>2019</u>	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 2,751,371	\$ 2,723,870	\$ 27,501	1.0 %
Interest Earnings	98,646	139,548	(40,902)	(29.3)
Other	931,597	1,067,569	(135,972)	(12.7)
State Sources	19,135,150	18,754,624	380,526	2.0
Federal Sources	902,766	892,961	9,805	1.1
Other	4,872	3,176	1,696	53.4
Total General Fund Revenue	<u>\$ 23,824,402</u>	<u>\$ 23,581,748</u>	<u>\$ 242,654</u>	1.0 %

Total general fund revenue increased by \$242,654 or 1.0 percent from the previous year. Basic general education revenue is determined by a state per student funding formula. Other state-authorized revenue, including excess levy referendum and the property tax shift, involve an equalized mix of property tax and state aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenue.

Table A-5 presents a summary of general fund expenditures.

**Table A-5  
General Fund Expenditures**

	<u>2020</u>	<u>2019</u>	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries	\$ 14,666,498	\$ 14,312,321	\$ 354,177	2.5 %
Employee Benefits	3,569,414	3,481,502	87,912	2.5
Purchased Services	1,698,325	1,980,326	(282,001)	(14.2)
Supplies and Materials	1,659,677	1,003,727	655,950	65.4
Capital Expenditures	2,559,148	2,446,893	112,255	4.6
Debt Service	396,942	399,803	(2,861)	(0.7)
Other Expenditures	50,069	284,510	(234,441)	(82.4)
Total General Fund Expenditures	<u>\$ 24,600,073</u>	<u>\$ 23,909,082</u>	<u>\$ 690,991</u>	2.9 %

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2020**

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General Fund Budgetary Highlights

During the year the District revised its budget twice.

The District's final budget for the general fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$1,269,796. The actual results for the year show a deficit of \$605,351.

- Actual revenue amounts were higher than budgeted in several areas, specifically in state revenues.
- The District is monitoring and controlling expenses.

**Capital Assets and Debt Administration**

Capital Assets

Note 5 to the financial statements presents an analysis of capital assets transactions occurring during the year ended June 30, 2020. Additions totaling \$24,086,597 consisted mainly of assets reverting back to the District from the EDA component unit. Disposals totaling \$130,956 consisted of two buses.

Long-Term Debt

At year-end, the District had \$66,009,434 of long-term debt. This consisted of bonded indebtedness net of premiums and discounts of \$63,467,110, energy service payable of \$288,277, capital lease payable of \$436,401, accrued interest payable of \$1,783,858, and severance payable of \$33,788. Note 9 to the financial statements present details and payment provisions of these items.

**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:

- Results of future labor contract negotiations will affect expenditure levels. Salaries and benefits account for 80% of general fund expenditures.
- The District receives 81% of its revenue from state sources. The District is significantly impacted by the results of the financial health of the State of Minnesota. School Districts have been fortunate the past several years to receive additional increases in the general education funding formula from the State. These increases, however, have not increased at the same rate as inflation. In addition, the State of Minnesota is currently projecting significant budget deficits.
- On March 13, 2020, a national emergency was declared for the COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the District may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. Estimates of the effect cannot be determined at the time of this report.

**Contacting the District's Financial Management**

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. If you have questions about this report or need additional financial information, contact the Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 8,117,491
Investment with Fiscal Agent	19,339,514
Property Taxes Receivable, Net of Allowance	3,116,434
Accounts Receivable	50,237
Due From MN School Districts	17,790
Due From Department of Education	2,188,196
Due From Federal Govt. - DOE	525,746
Prepaid Items	155,676
Inventory	90,579
Capital Assets	
Land, Construction in Process	873,089
Other Capital Assets, Net of Depreciation	60,085,076
<b>TOTAL ASSETS</b>	<b>94,559,828</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Cost Sharing Defined Benefit Pension Plan	10,891,762
Other Postemployment Benefit Plan	123,063
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>11,014,825</b>
<b>LIABILITIES</b>	
Accounts Payable	149,694
Contract Payable	12,149
Due To Other MN School Districts	23,170
Payroll Deductions	194,158
Interest Payable	727,436
Vacation Payable	116,133
Long-Term Liabilities Due Within One Year	3,167,398
Long-Term Liabilities	
Bonds, Net Unamortized Premiums (Discounts)	63,467,110
Capital Lease Payable	436,401
Energy Service Payable	288,277
Interest Payable	1,783,858
Severance Payable	33,788
Net Pension Liability	14,714,224
Net Other Postemployment Benefit Liability	1,537,925
Less Amounts Due Within One Year	(3,167,398)
Total Long-Term Liabilities	79,094,185
<b>TOTAL LIABILITIES</b>	<b>83,484,323</b>

See Notes to the Financial Statements



**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF NET POSITION - CONTINUED**  
**June 30, 2020**

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DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied - Subs. Years	6,409,380
Cost Sharing Defined Benefit Pension Plan	17,333,314
Other Postemployment Benefit Plan	580,836
	<hr/>
TOTAL DEFERRED INFLOWS OF RESOURCES	24,323,530
NET POSITION	
Net Investment in Capital Assets	17,200,891
Restricted for:	
Student Activities	212,407
Scholarships	24,140
Achievement & Integration	17,576
Operating Capital	789,024
Long Term Facility Maintenance	156,684
Medical Assistance	44,479
Food Service	419,012
School Readiness	87,911
Community Education	145,777
ECFE	38,582
Community Service	12,764
OPEB Debt Service	41,335
Permanent Fund - Non Expendable	25,000
Permanent Fund - Expendable	7,467
Unrestricted	(21,456,249)
	<hr/>
TOTAL NET POSITION	\$ (2,233,200)
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See Notes to the Financial Statements

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**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit * TRF EDA
<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</b>						
Administration	\$ 1,628,713	\$	\$	\$ 34,194	\$ (1,594,519)	\$
District Support Services	576,722			69,524	(507,198)	
Elementary & Secondary						
Regular Instruction	11,156,000	147,062	1,732,487		(9,276,451)	
Vocational Education Instruction	560,798	3,812	15,811	72,688	(468,487)	
Special Education Instruction	3,996,553	344	2,415,090	161,171	(1,419,948)	
Community Education and Services	760,318	405,868	192,627	117,067	(44,756)	
Instructional Support Services	1,311,506	42,153	350,572		(918,781)	
Pupil Support Services	2,936,561	407,770	919,491		(1,609,300)	
Sites and Buildings	4,384,171	19,161	3,437	2,090,192	(2,271,381)	
Fixed Costs	143,275				(143,275)	
Interest on Long-Term Debt	2,445,426				(2,445,426)	
Depreciation - Unallocated	454,499				(454,499)	
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 30,354,542</b>	<b>\$ 1,026,170</b>	<b>\$ 5,629,515</b>	<b>\$ 2,544,836</b>	<b>(21,154,021)</b>	
<b>COMPONENT UNIT:</b>						
TRF EDA	\$ 500,397	\$ 428,326	\$	\$		(72,071)
<b>GENERAL REVENUES</b>						
Taxes						
Property Taxes, Levied for General Purposes					2,752,994	
Property Taxes, Levied for Community Education and Services					164,086	
Property Taxes, Levied for Debt Services					3,019,743	
Property Taxes, Levied for OPEB Debt Services					220,522	
Unrestricted State Aid					15,086,362	
Unrestricted Investment Earnings					533,893	48
Gain on Sale of Capital Asset					3,781	
Other General Revenue					705,745	
Loss on transfer of fixed assets						(6,315,603)
<b>SPECIAL ITEMS</b>						
Forgiveness of Accrued Rent					12,074,378	
<b>TOTAL GENERAL REVENUES AND SPECIAL ITEMS</b>					<b>34,561,504</b>	<b>(6,315,555)</b>
Change in Net Position					13,407,483	(6,387,626)
Equity Distributions						(5,091)
Net Position - Beginning					(15,799,335)	6,392,717
GASB 84 Adjustment - See Note 2					158,652	
Net Position - Beginning as Restated					(15,640,683)	6,392,717
Net Position - Ending					\$ (2,233,200)	\$

\* The TRF EDA component unit is presented as of the dissolution date of October 15, 2019

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2020**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 4,722,711	\$ 2,587,255	\$ 807,525	\$ 8,117,491
Investment with Fiscal Agent		19,339,514		19,339,514
Current Property Taxes Receivable	1,122,320	1,820,664	167,819	3,110,803
Delinquent Property Taxes Receivable	5,987	86,085	15,559	107,631
Accounts Receivable	36,737		13,500	50,237
Due From MN School Districts	17,790			17,790
Due From Department of Education	2,122,173	45,151	20,872	2,188,196
Due From Federal Govt. - DOE	410,665		115,081	525,746
Prepaid Items	155,676			155,676
Inventory			90,579	90,579
<b>TOTAL ASSETS</b>	<b>\$ 8,594,059</b>	<b>\$ 23,878,669</b>	<b>\$ 1,230,935</b>	<b>\$ 33,703,663</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 138,585		\$ 11,109	\$ 149,694
Contract Payable	12,149			12,149
Due To Other MN School Districts	23,170			23,170
Payroll Deductions	168,987		25,171	194,158
<b>TOTAL LIABILITIES</b>	<b>342,891</b>		<b>36,280</b>	<b>379,171</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Delinquent Taxes	5,987	86,085	15,559	107,631
Property Taxes Levied - Subs. Years	2,377,725	3,639,057	392,598	6,409,380
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,383,712</b>	<b>3,725,142</b>	<b>408,157</b>	<b>6,517,011</b>
<b>FUND BALANCES</b>				
Fund Balance:				
Nonspendable: Prepaid	155,676			155,676
Nonspendable: Inventory			90,579	90,579
Nonspendable: Scholarships			25,000	25,000
Restricted for Student Activities	212,407			212,407
Restricted for Achievement & Integration	17,576			17,576
Restricted for Operating Capital	789,024			789,024
Restricted for Long Term Facility Maintenance	156,684			156,684
Restricted for Food Service			328,433	328,433
Restricted for School Readiness			87,911	87,911
Restricted for Community Education			145,777	145,777
Restricted for ECFE			38,582	38,582
Restricted for Community Service			12,764	12,764
Restricted for Bond Refunding		19,339,514		19,339,514
Restricted for OPEB Debt Service			49,985	49,985
Restricted for Debt Service		814,013		814,013
Restricted for Scholarships	24,140		7,467	31,607
Restricted for Medical Assistance	44,479			44,479
Committed for Severance	33,789			33,789
Assigned for Technology	906,976			906,976
Assigned for Building Trades	48,244			48,244
Unassigned	3,478,461			3,478,461
<b>TOTAL FUND BALANCES</b>	<b>5,867,456</b>	<b>20,153,527</b>	<b>786,498</b>	<b>26,807,481</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 8,594,059</b>	<b>\$ 23,878,669</b>	<b>\$ 1,230,935</b>	<b>\$ 33,703,663</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT**  
**OF NET POSITION**  
**June 30, 2020**

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Total fund balances - governmental funds	\$ 26,807,481
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in the governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	91,170,102
Less accumulated depreciation	(30,211,937)
Deferred outflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,014,825
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
Bonds	(63,314,458)
Capital lease payable	(436,401)
Energy service payable	(288,277)
Unamortized premiums (discounts)	(152,652)
Severance payable	(33,788)
Net Pension Liability	(14,714,224)
Net other postemployment benefit liability	(1,537,925)
Deferred inflows of resources relating to the cost sharing defined benefit plans and other postemployment benefits in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	(17,914,150)
Vacation payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(116,133)
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.	107,631
An allowance has been set up for taxes receivable in the government-wide financial statements.	(102,000)
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	<u>(2,511,294)</u>
Net position - governmental activities	<u>\$ (2,233,200)</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2020**

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Local Property Tax Levies	\$ 2,751,371	\$ 3,007,455	\$ 383,414	\$ 6,142,240
Other Local & County Revenues	1,030,243	425,258	427,755	1,883,256
Revenue From State Sources	19,135,150	451,509	248,894	19,835,553
Revenue From Federal Sources	902,766		724,868	1,627,634
Sale/Other Conversion of Asset	4,872		395,270	400,142
<b>TOTAL REVENUES</b>	<b>23,824,402</b>	<b>3,884,222</b>	<b>2,180,201</b>	<b>29,888,825</b>
<b>EXPENDITURES</b>				
Current				
Administration	1,609,013			1,609,013
District Support Services	571,879			571,879
Elementary & Secondary				
Regular Instruction	9,860,296			9,860,296
Vocational Education Instruction	555,432			555,432
Special Education Instruction	3,993,056			3,993,056
Community Education and Services			759,381	759,381
Instructional Support Services	1,192,818			1,192,818
Pupil Support Services	1,462,664		1,166,932	2,629,596
Sites and Buildings	2,256,350			2,256,350
Fixed Costs	142,475		800	143,275
Debt Service				
Principal	366,532	14,605,000	205,000	15,176,532
Interest and Other Fees	30,410	1,915,878	23,523	1,969,811
Capital Outlay	2,559,148		4,796	2,563,944
<b>TOTAL EXPENDITURES</b>	<b>24,600,073</b>	<b>16,520,878</b>	<b>2,160,432</b>	<b>43,281,383</b>
Revenues Over (Under) Expenditures	(775,671)	(12,636,656)	19,769	(13,392,558)
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issued	198,320	22,340,000		22,538,320
Premium Relating to Debt Issue		212,420		212,420
Transfers In			28,000	28,000
Transfers Out	(28,000)			(28,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>170,320</b>	<b>22,552,420</b>	<b>28,000</b>	<b>22,750,740</b>
Net Change in Fund Balances	(605,351)	9,915,764	47,769	9,358,182
Fund Balances - Beginning	6,286,917	10,237,763	765,967	17,290,647
GASB 84 Adjustment - See Note 2	185,890		(27,238)	158,652
Net Position - Beginning as Restated	6,472,807	10,237,763	738,729	17,449,299
Fund Balances - Ending	<b>\$ 5,867,456</b>	<b>\$ 20,153,527</b>	<b>\$ 786,498</b>	<b>\$ 26,807,481</b>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2020**

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Total net change in fund balances - governmental funds \$ 9,358,182

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets are allocated over the estimated useful lives as depreciation expense.

Capital outlays	2,301,202
Depreciation expense	(2,797,102)

The net effect of various capital asset transactions increases net position. 1,778,815

Upon termination of the EDA, building and equipment acquired by the EDA were transferred to the school district and the \$20,010,394 note receivable related to those assets was written off.

Payment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 15,176,532

The issuance of long-term debt provides current financial resources to the governmental funds, but the issuance increases long-term liabilities in the statement of net position. (22,538,320)

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. Also, governmental funds report the effect of premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. (688,034)

Upon termination of the EDA, the District's accrued rent was forgiven. 12,074,378

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 15,105

Change in net pension liability. 113,108

Change in deferred outflows and inflows of resources related to net pension liability. (1,368,900)

Changes in deferred outflows and inflows of resources related to other postemployment benefit liability. 213,802

Recognition of additional pension expense and grant revenue for the District's proportionate share of the State of Minnesota's contribution to the PERA and TRA.

In the statement of activities, certain expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)

Vacation payable	(16,137)
Other postemployment benefits	(221,215)
Severance payable	6,067

Change in net position - governmental activities \$ 13,407,483

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2020**

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	OPEB Trust Fund
ASSETS	
Investments	\$ <u>1,141,099</u>
TOTAL ASSETS	<u>1,141,099</u>
NET POSITION	
Held in Trust for OPEB	\$ <u>1,141,099</u>

See Notes to the Financial Statements



**INDEPENDENT SCHOOL DISTRICT NO. 564  
 THIEF RIVER FALLS, MINNESOTA  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 For the Year Ended June 30, 2020**

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	<u>OPEB Trust Fund</u>
ADDITIONS	
Investment Earnings:	
Interest	\$ <u>21,762</u>
TOTAL ADDITIONS	<u>21,762</u>
DEDUCTIONS	
Benefits	<u>76,325</u>
TOTAL DEDUCTIONS	<u>76,325</u>
Change in Net Position	(54,563)
Net Position Held in Trust for OPEB - Beginning	<u>1,195,662</u>
Net Position Held in Trust for OPEB - Ending	<u>\$ 1,141,099</u>

See Notes to the Financial Statements

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The financial statements of Independent School District No. 564 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

The District's policy is to include in the financial statements all funds, departments, agencies, boards, commissions, and other component units for which the District is considered to be financially accountable.

Component units are legally separated entities for which the District (primary government) is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's governing body, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally dependent upon by the potential component unit.

**C. Component Units**

The Thief River Falls Economic Development Association, LLC was created on May 10, 2012, as a joint effort to provide expansion, renovation, remodeling and reconstruction of two of the District's educational facilities. It was presented as a component unit in the basic financial statements. On October 15, 2019, the District started the process of approving dissolution of the Thief River Falls Economic Development, LLC because the entity's purpose had been fulfilled. All legal agreements were terminated as a result, and assets reverted back to the District. The Thief River Falls Economic Development, LLC is no longer listed as a component unit as of June 30, 2020 due to the dissolution of the entity.

The Thief River Falls Economic Development Association did issue separate audited financial statements. Copies of the component unit's financial statements may be obtained from the Administration Offices, Independent School District No. 564, 230 LaBree Avenue South, Thief River Falls, MN 56701.

**D. Basic Financial Statement Presentation**

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

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

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020**

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The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function.

Separate fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing or related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied, except for advance amounts recognized in accordance with a statutory "tax shift". Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

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

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

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

**Description of Funds**

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

**Major Governmental Funds**

General Fund – Accounts for all financial resources and transactions except those required to be accounted for in other funds including pupil transportation and capital outlay activities, which were previously (prior to July 1, 1996) accounted for in separate special revenue funds.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2020**

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Debt Service Fund – Accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

**Nonmajor Governmental Funds**

Special Revenue Funds:

Food Service Fund – Accounts for all activities associated with the preparation and serving of regular and incidental meals, lunches, or snacks in connection with school activities.

Community Service Fund – Accounts for all resources designated for programs other than those for elementary and secondary students.

Debt Service Funds:

OPEB Debt Service – Accounts for the accumulation of resources for, and the payment of, OPEB bond principal, interest and related costs.

Permanent Fund – Accounts for all resources designated for specified purposes, which supports the District's programs.

**Fiduciary Fund**

OPEB Trust Fund – Accounts used for reporting resources set aside and held in an irrevocable trust arrangement for postemployment benefits.

**F. Specific Account Information**

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

Investments are carried at fair value. The District considers certificates of deposit to be cash.

When fair value measurements are required, various data is used in determining those values. Assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

Level 1: Quoted market prices in active markets for identical assets or liabilities

Level 2: Observed market based inputs or unobservable inputs that are corroborated by market data

Level 3: Unobservable market inputs that are not corroborated by market data

Taxes Receivable – Taxes receivable represents taxes levied in 2019 which are not payable until 2020, net of the amount received prior to June 30.

Property Taxes – Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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the following January 1. The county generally remits taxes to the District at periodic intervals as the taxes are collected.

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

Generally, tax revenue is recognized in the fiscal year ending June 30, following the calendar year in which the tax levy is collectible, while the current calendar year tax levy is recorded as unavailable revenue (property taxes levied for subsequent years).

The majority of the revenue in the general fund is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated 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."

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund based financial statements because it is not known to be available to finance the operations of the District in the current year. The allowance for uncollectible taxes is \$102,000.

Accounts Receivable – Accounts receivable is carried at invoice amount less an estimate made for uncollectible accounts. The allowance for uncollectible accounts receivable was zero based on historical performance. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Inventory – Inventory is recorded using the consumption method of accounting and consists of purchased food, supplies, and surplus commodities received from the federal government. Food and supply purchases are recorded at invoice cost, computed on a first-in, first-out method. Surplus commodities are stated at standardized costs, as determined by the Department of Agriculture.

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

Capital Assets – Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing capital assets. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Routine expenditures for repairs and maintenance are charged to expense as incurred.

Capital assets are recorded in the district-wide financial statements, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any. The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

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Vacation Payable – It is the District’s policy to permit employees to accumulate earned but unused vacation. All vacation pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued in the future, bond premiums and discounts will be deferred and amortized over the life of the bonds using the effective interest method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs will be expensed in the period incurred.

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

Other Postemployment Benefits (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District Retiree Benefits Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of the purchase of one year or less, which are reported at cost. Postemployment healthcare expenditures have been funded through contributions to an irrevocable trust and on a pay as you go basis in the future.

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

PERA has a special funding situation created by direct aid contributions of \$16 million made by the State of Minnesota to the fund in 2019.

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.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The District has two items that qualify for reporting in this category named *Cost Sharing Defined Benefit Pension Plan* and *Other Postemployment Benefits* which represents actuarial differences within PERA and TRA pension plans as well as amounts paid to the plans after the measurement date. In addition, the TRF EDA also has one item that will be recognized as a deferred outflow of resource, which arises from rental revenue that is recognized using the straight line basis.

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has five types of items, one of which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – delinquent taxes*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item, *property taxes levied – subs. years*, is reported as a deferred inflow of resources for both the Balance Sheet – Governmental Funds and the Statement of Net Position as these amounts represent property tax revenue levied for a subsequent period. The third item, *deferred rent payable*, is reported as a deferred inflow of resources on the Statement of Net Position as these amounts will be recognized on a straight line basis and represents the difference between actual rent paid and the amount recognized on straight-line basis. The fourth item, *Cost Sharing Defined Benefit Pension Plan*, represents actuarial differences within PERA and TRA pension plans. The last item, *Other Postemployment Benefits* represents changes in OPEB.

Net Position – Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption – Sometimes the government will fund outlays for particular purpose for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance – The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable – Consists of amounts that are not in spendable form (such as inventory) or are required to be maintained intact.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions and administered by the Minnesota Department of Education.

Committed – Consists of amounts constrained to specific purposes by a government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned – Consists of amounts a government intends to use for a specific purpose. These constraints are established by the Board of Education and/or management. The Board of Education delegates the power to assign fund balances to the Business Manager.

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Unassigned – Consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

When both restricted and unrestricted resources are available for use, it is the District’s policy to first use restricted resources, and then use unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the District’s policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The District’s goal is to maintain an unrestricted general fund balance, defined as the total of the committed and unassigned fund balance categories, of not less than 10 percent and not more than 25 percent with the optimal fund balance of 15 percent of the general fund’s current annual operating expenditure budget.

**G. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

**NOTE 2 CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION AND FUND BALANCE**

The District implemented GASB Statement No. 84, *Fiduciary Activities* in the fiscal year ended June 30, 2020. As a result, beginning net position and beginning general fund balance have been restated to reflect the student activity cash balance of \$158,652, resulting in an increase in net position and general fund balance. In addition, the gift and fundraising fund was eliminated by a transfer of \$27,238 to the general fund.

**NOTE 3 RECLASSIFICATIONS**

Certain reclassifications have been made to the 2019 financial statements in order to conform with the 2020 presentation.

**NOTE 4 DEPOSITS AND INVESTMENTS**

The District maintains a cash account at its depository bank. Investments are carried at fair value. The District considers certificates of deposit to be cash.

The District’s interest income for the year ended June 30, 2020, was \$555,655.

The pooled cash and investment account is comprised of the following:

	Governmental Activities	Fiduciary Fund	Total
Cash	\$ 1,935,088	\$	\$ 1,935,088
Investments	25,521,917	1,141,099	26,663,016
Total	<u>\$ 27,457,005</u>	<u>\$ 1,141,099</u>	<u>\$ 28,598,104</u>



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As of June 30, 2020, the District had the following investments:

Investments	Maturities	Fair Value (Level 1)
US Treasury State & Local	7/31/2020	\$ 44,066
US Treasury State & Local	12/28/2020	46,380
US Treasury State & Local	7/14/2021	45,439
US Treasury State & Local	12/10/2021	9,651,740
US Treasury State & Local	1/31/2022	9,508,938
Total Investments (By Fair Value)		19,296,563
Minnesota School District Liquid Asset Fund	N/A	80,820
MnTrust	N/A	7,242,682
US Bank	N/A	42,951
Total Investments		\$ 26,663,016

The Minnesota School District Liquid Asset Fund and the MnTrust are common law trusts organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital by investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of School District monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective.

The Minnesota School District Liquid Asset Fund and the MnTrust are an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under 2a7. The fair value of the position is the same as the value of the pool shares.

Interest Rate Risk - The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The District may invest idle funds as authorized in Minnesota Statutes, as follows:

- (a) Direct obligations or obligations guaranteed or insured issues by the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- (b) General obligations and revenue obligations of any state or local government with taxing powers rated "A" and "AA", respectively, and general obligations of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and rated "A" or better.
- (c) Commercial paper issued by United States corporations or their Canadian subsidiaries, rated in the highest quality by at least two rating agencies, and maturing in 270 days or less.
- (d) Time deposits that are fully insured by the FDIC or bankers acceptances of U.S. banks.
- (e) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (f) Repurchase or reverse repurchase agreements with banks that are qualified as a "depository" of public funds of the government entity, any other financial institution which is a member 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.
- (g) Guaranteed investment contracts (GIC's) issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories, or in the top three rating categories for long-term GIC's issued by Minnesota banks.

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(h) Securities lending agreements with financial institutions having its principal executive office in Minnesota and meeting the qualifications described in (f) above.

The Minnesota School District Liquid Asset Fund is rated AAAM by Standard & Poor's, while the MnTrust is rated Aaa by Moody's Investors Services.

Concentration of Credit Risk - The District places no limit on the amount the District may invest in any one issuer.

Custodial Credit Risk - Deposits – The District does not have a formal custodial credit risk policy. In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the District's board, 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 market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. As of June 30, 2020, the District was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the Minnesota School District Liquid Asset Fund and the MnTrust are not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

**NOTE 5 CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 780,844	\$	\$	\$ 780,844
Construction in Progress	113,212	92,245	113,212	92,245
Total Capital Assets, Not Being Depreciated	894,056	92,245	113,212	873,089
Capital Assets, Being Depreciated:				
Land Improvements	1,304,114	354,864		1,658,978
Buildings	60,015,162	22,160,256		82,175,418
Equipment	5,001,096	1,592,477	130,956	6,462,617
Total Capital Assets, Being Depreciated	66,320,372	24,107,597	130,956	90,297,013
Less Accumulated Depreciation For:				
Land Improvements	866,505	42,867		909,372
Buildings	23,254,725	2,335,340	3,781	25,586,284
Equipment	3,428,342	418,895	130,956	3,716,281
Total Accumulated Depreciation	27,549,572	2,797,102	134,737	30,211,937
Total Capital Assets, Being Depreciated, Net	38,770,800	21,310,495	(3,781)	60,085,076
Governmental Activities Capital Assets, Net	\$ 39,664,856	\$ 21,402,740	\$ 109,431	\$ 60,958,165

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In the statement of activities, depreciation expense was charged to the following governmental functions:

Elementary & Secondary Regular Instruction	\$ 38,364
Vocational Education Instruction	4,649
Special Education Instruction	3,497
Pupil Support Services	252,552
Sites and Buildings	<u>2,043,541</u>
	2,342,603
Unallocated	454,499
Total Depreciation Expense	<u>\$ 2,797,102</u>

**NOTE 6 DEFINED BENEFIT PENSION PLANS- STATEWIDE**

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. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

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

*General Employees Retirement Plan*

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.

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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 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 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 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.

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

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Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 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 ended June 30, 2020, were \$350,599. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs – At June 30, 2020, the District reported a liability of \$3,566,061 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. 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 \$110,829. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0645% at the end of the measurement period and 0.0688% for the beginning of the period.

District's proportionate share of net pension liability	\$ 3,566,061
State of Minnesota's proportionate share of the net pension liability associated with the District	110,829
Total	<u>\$ 3,676,890</u>

For the year ended June 30, 2020, the District recognized pension expense of \$374,201 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$8,300 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020, 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	\$ 103,224	\$
Difference between projected and actual investment earnings		395,128
Changes in actuarial assumptions		298,732
Changes in proportion	19,816	255,430
Contributions paid to PERA subsequent to the measurement date	352,342	
Total	<u>\$ 475,382</u>	<u>\$ 949,290</u>

\$352,342 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ending June 30	Pension Expense Amount
2021	\$ (283,457)
2022	(405,277)
2023	(143,265)
2024	5,749

Actuarial Assumptions – The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% 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 after retirement for retirees are assumed to be 1.25% per year.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

-The employer supplemental contribution was changed prospectively, 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.

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%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
International Equity	17.50%	5.90%
Cash	2.00%	0.00%

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Discount Rate – The discount rate used to measure the total pension liability in 2019 was 7.50%. 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.

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

District Proportionate Share of NPL		
1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
\$ 5,862,411	\$ 3,566,061	\$ 1,669,966

Pension Plan Fiduciary Net Position – Detailed information about each defined benefit 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).

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

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on PERA’s discount rate as well as the value of the Plan’s investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2020.

**B. TEACHERS RETIREMENT ASSOCIATION**

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

Educators employed in Minnesota’s public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those 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 Defined Contribution Plan (DCR) administered by the State of Minnesota.

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

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

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Tier I Benefits:

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

With these provisions:

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

or

Tier II Benefits:

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

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

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

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

Contribution Rate – Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal years ended June 30, 2018, June 30, 2019, and June 30, 2020, were:

	<u>June 30, 2018</u>		<u>June 30, 2019</u>		<u>June 30, 2020</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

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The following is a reconciliation of employer contributions in TRA's CAFR "Statement of Changes in Fiduciary Net Position" to the employer contributions used in Schedule of Employer and Non-Employer Pension Allocations:

Employer contributions reported in TRA's CAFR	<i>in thousands</i>
Statement of Changes in Fiduciary Net Position	\$ 403,300
Add employer contributions not related to future contribution efforts	(688)
Deduct TRA's contributions not included in allocation	(486)
Total employer contributions	<u>402,126</u>
Total non-employer contributions	<u>35,588</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u>\$ 437,714</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.

Actuarial Assumptions – The total pension liability in the June 30, 2019, 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, 2019
Experience Study	June 5, 2015
	November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal

**Actuarial Assumptions:**

Investment Rate of Return	7.5%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85 to 8.85% before July 1, 2018 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually

**Mortality Assumption**

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

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



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to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Geometric Mean)</u>
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%	0.00%

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is 6 years. The “Difference Between Expected and Actual Experience” and “Changes of Assumptions” and “Changes in Proportion” use the amortization period of 6 years in the schedule presented. The amortization period for “Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments” is over a period of 5 years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

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 2019 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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Net Pension Liability - On June 30, 2020, the District reported a liability of \$11,148,163 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis, and Minneapolis School District. District proportionate share was 0.1749% at the end of the measurement period and 0.1753% 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	\$	11,148,163
State's proportionate share of the net pension liability associated with the District	\$	986,692

For the year ended June 30, 2020, the District recognized pension expense of \$1,998,263. It also recognized \$75,000 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 experience	\$ 1,640	\$ 273,022
Net difference between projected and actual earnings on plan inv.		925,843
Changes in actuarial assumptions	9,613,623	14,861,901
Changes in proportion		323,258
Contributions paid to TRA subsequent to the measurement date	801,117	
Total	<u>\$ 10,416,380</u>	<u>\$ 16,384,024</u>

\$801,117 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year Ending June 30	Pension Expense Amount
2021	\$ 654,271
2022	(60,892)
2023	(4,307,000)
2024	(3,028,188)
2025	(26,952)

Pension Liability Sensitivity - The following presents the net pension liability 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 higher (8.50 percent) than the current rate.

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District Proportionate Share of NPL		
1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
\$ <u>17,772,897</u>	\$ <u>11,148,163</u>	\$ <u>5,686,167</u>

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.

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.

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

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA’s discount rate as well as the value of the Plan’s investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2020.

The District recognized total pension expense of \$2,372,464 for all of the pension plans in which it participates.

**NOTE 7 OTHER POSTEMPLOYMENT BENEFITS**

Plan Description - The District’s Plan is a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The authority and requirement to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2b. The benefit levels, employee contributions and employer contributions are governed by the District and can be amended by the District through the District’s collective bargaining agreements with employee groups.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

Funding Policy - Retirees and their spouses contribute to the healthcare plan at the same rate as District employees. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. The District provides postemployment healthcare benefits to qualifying retirees.

The District may contribute the actuarially determined contribution (ADC), an amount actuarially determined in accordance with parameters of GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The pay as you go cost for OPEB benefits is \$160,377. The annual employer contributions were \$54,664 and \$105,713 was the implicit subsidy. These costs are recognized as an expense when claims or premiums are paid. The General Fund paid for \$84,052 of 19-20 cost and transferred \$76,325 from the OPEB trust fund.

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Employees Covered by Benefit Term – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	19
Active plan members	296
	<u>315</u>

Net OPEB Liability – The District’s net OPEB liability of \$1,537,925 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 July 1, 2018.

Actuarial Assumptions – The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate	2.4 percent, net of OPEB plan investment expenses
Healthcare cost trend rates	6.5 percent in 2019 grading to 5 percent over 5 years

Mortality rates were based on the RP-2014 White Collar Mortality Table with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period of July 1, 2019 to June 30, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	5%	1.00%
Fixed Income	95%	2.50%
Total	100%	2.40%

Discount Rate – The discount rate used to measure the total OPEB liability was 2.4 percent. The projection of cash flows was used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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Changes in the Net OPEB Liability:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 6/30/2019	\$ 2,512,373	\$ 1,195,663	\$ 1,316,710
Changes for the year:			
Service Cost	157,177		157,177
Interest Cost	80,289		80,289
Assumption Changes	89,562		89,562
Employer Contributions		84,052	(84,052)
Projected Investment Return		28,696	(28,696)
Differences between Expected and Actual Experience		(6,685)	6,685
Benefit Payments	(160,377)	(160,377)	-
Administrative Expenses		(250)	250
Net changes	<u>166,651</u>	<u>(54,564)</u>	<u>221,215</u>
Balances at 6/30/2019	<u>\$ 2,679,024</u>	<u>\$ 1,141,099</u>	<u>\$ 1,537,925</u>

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

	District Total OPEB Liability		
	1% Decrease (1.4%)	Current (2.4%)	1% Increase (3.4%)
\$	1,691,854	1,537,925	1,385,887

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (5.25 percent decreasing to 4.0 percent over 5 years) or one percentage point higher (7.25 percent decreasing to 6.0 percent over 5 years) than the current healthcare cost trend rates:

	District Healthcare Cost Trend Rates		
	(5.25% decreasing to 4.0% over 5 years)	(6.25% decreasing to 5.0% over 5 years)	(7.25% decreasing to 6.0% over 5 years)
\$	1,267,752	1,537,925	1,854,799

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – For the year ended June 30, 2020, the District recognized OPEB expense of \$225,284. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 28,238	\$ 547,031
Changes in Assumptions	94,825	33,805
Total	<u>\$ 123,063</u>	<u>\$ 580,836</u>

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

<u>Year Ending June 30</u>	<u>OPEB Expense Amount</u>
2021	\$ (117,557)
2022	(118,864)
2023	(120,833)
2024	(115,445)
2025	14,926

**NOTE 8 CAPITAL LEASE PAYABLE**

The District has entered into lease agreements as lessee for financing 13 buses valued at \$1,280,666. The estimated life for a bus is 8 years. This year, \$147,687 was included in depreciation expense. These lease agreements qualify as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2021	\$ 187,899
2022	127,748
2023	106,901
2024	42,177
Total Minimum Lease Payments	<u>464,725</u>
Less: Amount Representing Interest	<u>(28,324)</u>
Present Value of Minimum Lease Payments	<u>\$ 436,401</u>

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**NOTE 9 LONG-TERM LIABILITIES**

The long-term debt obligations outstanding at year-end and changes in long-term debt are summarized as follows:

**Summary of Long-Term Debt**

	Beginning Balance	Additions	Retired	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
GO Cap Appr Bonds 2013A	\$ 6,089,458	\$	\$	\$ 6,089,458	\$
GO Building Bond	38,430,000		14,605,000	23,825,000	110,000
GO Refunding Bonds	11,265,000	22,340,000	205,000	33,400,000	2,695,000
Unamortized Discount	(263,851)		(104,387)	(159,464)	(27,055)
Unamortized Premium	113,984	212,420	14,288	312,116	43,979
Total Bonds	<u>55,634,591</u>	<u>22,552,420</u>	<u>14,719,901</u>	<u>63,467,110</u>	<u>2,821,924</u>
Energy Service Payable	443,994		155,717	288,277	162,352
Capital Lease Payable	448,896	198,320	210,815	436,401	174,037
Accrued Interest Payable	1,496,651	287,207		1,783,858	
Severance Payable	39,855	1,657	7,724	33,788	9,085
Total Long-Term Liabilities	<u>\$ 58,063,987</u>	<u>\$ 23,039,604</u>	<u>\$ 15,094,157</u>	<u>\$ 66,009,434</u>	<u>\$ 3,167,398</u>

The District's interest expense for the year ended June 30, 2020, was \$2,139,210.

Accrued interest payable is generally liquidated by the debt service fund and severance payable is generally liquidated by the general fund.

**A. General Obligation Bonds**

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2020
Capital Appreciation Bond	2013	3.5-4.1%	2026/31	\$ 6,089,458	\$	\$ 6,089,458
Building Bond Series A	2012	3.3-4.0%	2027/33	18,615,000		18,615,000
Building Bond Series B	2012	2.05-3.0%	2021/25	21,500,000	14,500,000	
Building Bond Series C	2012	3.0%	2021/26	7,775,000	105,000	5,210,000
GO Crossover Refunding	2016	2.0-2.5%	2023/33	9,965,000		9,965,000
GO Crossover Refunding	2020	2.08-3.00%	2021/30	9,665,000		9,665,000
GO Refunding	2020	1.4-2.00%	2021/25	12,675,000		12,675,000
GO OPEB Refunding	2016	1.35-2.15%	2021/25	1,300,000	205,000	1,095,000
						<u>\$ 63,314,458</u>

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Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 2,805,000	\$ 1,401,810
2022	12,245,000	1,506,690
2023	3,400,000	1,075,720
2024	3,580,000	1,021,000
2025	3,785,000	959,480
2026-2030	27,736,457	6,828,222
2031-2033	9,763,001	1,551,304
	<u>\$ 63,314,458</u>	<u>\$ 14,344,226</u>

**B. Energy Service Payable**

Description	Date of Issue	Net Interest Rate	Maturity Dates	Original Amount	Current Year Retired	Balance 6/30/2020
Energy Service Loan	2006	4.20%	2021/22	\$ 2,036,359	\$ 155,717	\$ 288,277

Annual debt service requirements to maturity are as follows:

Year Ending June 30	Principal	Interest
2021	\$ 162,352	\$ 8,978
2022	125,925	2,571
	<u>\$ 288,277</u>	<u>\$ 11,549</u>

**C. Crossover Refunding**

During 2017, the District issued \$9,965,000 in general obligation refunding bonds with interest rates ranging between 3.3 to 4.0%. The District issued the bonds to refund the following outstanding general obligations:

General Obligation	Refunding Date	Interest Rate	Amount
GO School Building Bonds, Series 2012A	2/1/2022	3.3-4.0%	\$ 9,270,000

The District will realize a savings of \$733,955, with a present value of \$576,094.

During 2020, the District issued \$9,665,000 in general obligation refunding bonds with interest rates ranging between 2.08 to 3.0%. The District issued the bonds to refund the following outstanding general obligations:

General Obligation	Refunding Date	Interest Rate	Amount
GO School Building Bonds, Series 2012A	6/1/2020	2.05-3.0%	\$ 9,345,000

The District will realize a savings of \$475,551, with a present value of \$385,576.



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**D. Current Refunding**

The District issued \$12,675,000 of general obligation bonds for a current refunding of \$12,425,000 general obligation building bonds. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in a net present value benefit of \$272,161 and a net present value cash flow savings of \$260,024.

**NOTE 10 INTERFUND TRANSFERS**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental	General	\$28,000

The purpose of the transfer is to cover current year operating costs in the community service fund.

**NOTE 11 OPERATING LEASES**

The District has an agreement with the City of Thief River Falls whereby the District agrees to lease the City's facilities. Payments under this lease agreement made by the District during the year ended June 30, 2020, totaled \$129,629. The lease is renewed annually.

**NOTE 12 SEVERANCE PAY**

The District has several severance pay plans for various groups of employees. The plans call for employees to be paid for unused portions of their sick leave upon termination of employment. At June 30, 2020, the estimated liability under these plans was \$33,788.

**NOTE 13 CONTINGENCIES**

The District receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants and aids. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2020.

**NOTE 14 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District purchases commercial insurance coverage for such risks.

The District has joined together with other school districts in Minnesota in the Northwest Service Cooperative's Minimum Premium Funding Plan (Plan). The Plan is a public entity risk pool established as a health insurance purchasing pool for its members. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000. The pool and its members purchase reinsurance, currently with a \$300,000 specific stop loss attachment point and 110% aggregate stop loss attachment point. If the assets of the Plan were to be exhausted, members would not be responsible for the Plan's liabilities. The Northwest Service Cooperative retains the risk of the Plan's liabilities.

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

**NOTE 15 COMMITTED CONTRACTS**

As of June 30, 2020, the District had commitments in the General Fund of \$49,670 for construction.

**NOTE 16 NEW PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

GASB Statement No. 91, *Conduit Debt Obligations*, provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improves required note disclosures. This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*, provides additional guidance to improve consistency of authoritative literature by addressing practice issues identified during the application of certain GASB statements. This statement provides accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activity of public entity risk pools, fair value measurements and derivative instruments. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Arrangements* provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as

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specified in the contract for a period of time in an exchange or exchange-like transaction. Under this Statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

Management has not yet determined the effect these Statements will have on the District's financial statements.

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**BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND**  
**For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
<b>REVENUES</b>				
Local Property Tax Levies	\$ 2,724,495	\$ 2,746,139	\$ 2,751,371	\$ 5,232
Other Local & County Revenues	651,138	966,154	1,030,243	64,089
Revenue From State Sources	18,586,082	18,990,072	19,135,150	145,078
Revenue From Federal Sources	915,552	936,786	902,766	(34,020)
Sale/Other Conversion of Asset	3,200	3,000	4,872	1,872
<b>TOTAL REVENUES</b>	<b>22,880,467</b>	<b>23,642,151</b>	<b>23,824,402</b>	<b>182,251</b>
<b>EXPENDITURES</b>				
Current				
Administration	1,618,034	1,634,583	1,609,013	(25,570)
District Support Services	596,860	608,021	571,879	(36,142)
Elementary & Secondary				
Regular Instruction	9,837,256	10,048,324	9,860,296	(188,028)
Vocational Education Instruction	560,115	570,512	555,432	(15,080)
Special Education Instruction	3,752,940	3,998,108	3,993,056	(5,052)
Instructional Support Services	1,099,004	1,071,769	1,192,818	121,049
Pupil Support Services	1,712,701	1,644,276	1,462,664	(181,612)
Sites and Buildings	2,677,928	2,332,890	2,256,350	(76,540)
Fixed Costs	214,000	223,000	142,475	(80,525)
Debt Service				
Principal	366,649	366,532	366,532	
Interest	30,261	30,410	30,410	
Capital Outlay	2,377,922	2,355,522	2,559,148	203,626
<b>TOTAL EXPENDITURES</b>	<b>24,843,670</b>	<b>24,883,947</b>	<b>24,600,073</b>	<b>(283,874)</b>
Revenues Over (Under) Expenditures	(1,963,203)	(1,241,796)	(775,671)	466,125
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issued			198,320	198,320
Transfer Out	(28,000)	(28,000)	(28,000)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(28,000)</b>	<b>(28,000)</b>	<b>170,320</b>	<b>198,320</b>
Net Change in Fund Balances	(1,991,203)	(1,269,796)	(605,351)	664,445
Fund Balances - Beginning	6,286,917	6,286,917	6,286,917	
GASB 84 Adjustment - See Note 2	185,890	185,890	185,890	
Net Position - Beginning as Restated	6,472,807	6,472,807	6,472,807	
Fund Balances - Ending	\$ 4,481,604	\$ 5,203,011	\$ 5,867,456	\$ 664,445

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF CHANGES IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 YEARS**

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Total OPEB Liability</b>				
Service Cost	\$ 197,265	\$ 190,780	\$ 136,417	\$ 157,177
Interest	94,723	93,635	104,547	80,289
Assumption Changes		(67,610)	30,284	89,562
Plan Changes			34,354	
Differences Between Expected and Actual Experience			(820,545)	
Benefit Payments	<u>(374,435)</u>	<u>(273,548)</u>	<u>(205,108)</u>	<u>(160,377)</u>
<b>Net Change in Total OPEB Liability</b>	<u>(82,447)</u>	<u>(56,743)</u>	<u>(720,051)</u>	<u>166,651</u>
<b>Total OPEB Liability - Beginning</b>	<u>3,371,614</u>	<u>3,289,167</u>	<u>3,232,424</u>	<u>2,512,373</u>
<b>Total OPEB Liability Ending (a)</b>	<u>\$ 3,289,167</u>	<u>\$ 3,232,424</u>	<u>\$ 2,512,373</u>	<u>\$ 2,679,024</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 205,581	\$ 160,062	\$ 133,943	\$ 84,052
Projected Investment Return	13,218	17,739	37,762	28,696
Differences Between Expected and Actual Experience		(9,841)	(29,409)	(6,685)
Benefit Payments	(374,435)	(273,548)	(205,108)	(160,377)
Administrative Expenses	<u>(250)</u>	<u>(250)</u>	<u>(250)</u>	<u>(250)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(155,886)</u>	<u>(105,838)</u>	<u>(63,062)</u>	<u>(54,564)</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>1,520,449</u>	<u>1,364,563</u>	<u>1,258,725</u>	<u>1,195,663</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 1,364,563</u>	<u>\$ 1,258,725</u>	<u>\$ 1,195,663</u>	<u>\$ 1,141,099</u>
<b>District's Net OPEB Liability - Ending (a) - (b)</b>	<u>\$ 1,924,604</u>	<u>\$ 1,973,699</u>	<u>\$ 1,316,710</u>	<u>\$ 1,537,925</u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	41.49%	38.94%	47.59%	42.59%
<b>Covered Payroll</b>	\$ 13,281,098	\$ 13,679,531	\$ 13,720,751	\$ 14,132,373
<b>District's Net OPEB Liability as a Percentage of Covered Payroll</b>	14.49%	14.43%	9.60%	10.88%

The District implemented GASB No. 75 for the fiscal year ended June 30, 2017. Information from prior years is not available.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
LAST 10 YEARS**

<u>Fiscal Year Ended June 30</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
<b>PERA</b>					
2015	\$ 299,328	\$ 299,328	\$	\$ 4,038,246	7.41 %
2016	322,973	322,973		4,301,849	7.50
2017	341,032	341,032		4,539,716	7.50
2018	346,292	346,292		4,616,820	7.50
2019	341,749	341,749		4,556,651	7.50
2020	350,599	350,599		4,674,646	7.50
<b>TRA</b>					
2015	\$ 686,991	\$ 686,991	\$	\$ 9,159,858	7.50 %
2016	699,319	699,319		9,324,269	7.50
2017	717,255	717,255		9,563,356	7.50
2018	726,547	726,547		9,685,923	7.50
2019	763,227	763,227		9,898,648	7.71
2020	801,117	801,117		10,115,011	7.92

The amounts presented for each fiscal year were determined as of the District's year end which is June 30th.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years are not available.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF DISTRICT'S SHARE OF NET PENSION LIABILITY  
LAST 10 YEARS**

<u>Fiscal Year Ended June 30</u>	<u>District's Proportion of the Net Pension Liability</u>	<u>District's Proportionate Share of the Net Pension Liability</u>	<u>State's Proportionate Share of the Net Pension Liability Associated with the District (if Applicable)</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
<b>PERA</b>							
2014	0.0705 %	\$ 3,311,737	\$	\$ 3,311,737	\$ 3,738,454	88.58 %	78.70 %
2015	0.0687	3,560,391		3,560,391	4,038,246	88.17	78.19
2016	0.0692	5,618,697	73,378	5,692,075	4,301,849	132.32	68.90
2017	0.0705	4,500,673	56,557	4,557,230	4,539,716	99.14	75.90
2018	0.0688	3,816,742	125,272	3,942,014	4,616,820	82.67	79.53
2019	0.0645	3,566,061	110,829	3,676,890	4,556,651	78.26	80.23
<b>TRA</b>							
2014	0.1959 %	\$ 9,026,931	\$ 635,089	\$ 9,662,020	\$ 8,942,505	100.94 %	81.50 %
2015	0.1810	11,196,640	1,373,365	12,570,005	9,159,858	121.40	76.80
2016	0.1792	42,743,476	4,290,612	47,034,088	9,324,269	458.41	44.80
2017	0.1776	35,452,182	3,427,611	38,879,793	9,563,356	370.71	51.57
2018	0.1753	11,010,590	1,034,630	12,045,220	9,685,923	113.68	78.07
2019	0.1749	11,148,163	986,692	12,134,855	9,898,648	112.62	78.21

The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability which is June 30 of the previous fiscal year.

The District implemented GASB Statement No. 68 for its fiscal year ended June 30, 2015. Information for the prior years is not available.

See Notes to the Required Supplementary Information

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2020**

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**NOTE 1 BUDGETARY DATA**

Budgets are prepared for District funds on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. All appropriations lapse at year end. Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting is not utilized in the governmental funds of the District.

The budget is adopted through the passage of a resolution. Administration can authorize the transfer of budgeted amounts within any fund. Any revisions that alter the total expenditures of any fund must be approved by the governing board. The legal level of budgetary control is the fund level. The annual appropriated budget is not legally binding on the District unless the District has a deficit fund balance which exceeds 2.5% of expenditures.

**NOTE 2 DEFINED BENEFIT PLANS**

**PERA**

*2019 Changes*

Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2017 to MP-2018.

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

*2018 Changes*

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

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

*2017 Changes*

Changes in Actuarial Assumptions: The Combined Service Annuity (CSA) loads were changed from 0.8 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.



**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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

*2016 Changes*

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

*2015 Changes*

Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions: The assumed post-retirement benefit increase was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

**TRA**

Changes in Actuarial Assumptions Since the 2016 Valuation:

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

Changes in actuarial assumptions since the 2017 valuation:

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

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2020**

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- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

Changes in actuarial assumptions since the 2018 valuation:

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**NOTE 3 OTHER POSTEMPLOYMENT BENEFITS**

*For the fiscal year ending June 30, 2018*

Assumption Changes:

- The discount rate was changed from 2.80% to 3.20%

*For the fiscal year ending June 30, 2019*

Benefit Changes:

- A post-employment subsidized medical benefit was added for the Payroll and Benefits Director and the Personnel Director. The benefit is a lump sum equal to years of service times the daily rate of pay paid as a lump sum to VEBA.

Assumption Changes:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The expected long-term investment return was changed from 1.30% to 3.00%.
- The discount rate was changed from 3.20% to 3.10%.

*For the fiscal year ending June 30, 2020*

Assumption Changes:

- The expected long-term investment return was changed from 3.00% to 2.40%.
- The discount rate was changed from 3.10% to 2.40%.

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2020**

	Special Revenue Funds		Debt Service		Total Nonmajor Governmental Funds
	Food Service Fund	Community Service Fund	OPEB Debt Service	Permanent Fund	
<b>ASSETS</b>					
Cash and Investments	\$ 232,098	\$ 360,399	\$ 182,561	\$ 32,467	\$ 807,525
Current Property Taxes Receivable		68,328	99,491		167,819
Delinquent Property Taxes Receivable		7,327	8,232		15,559
Accounts Receivable	1,362	12,138			13,500
Due From Department of Education		20,234	638		20,872
Due From Federal Govt. - DOE	115,081				115,081
Inventory	90,579				90,579
<b>TOTAL ASSETS</b>	<b>\$ 439,120</b>	<b>\$ 468,426</b>	<b>\$ 290,922</b>	<b>\$ 32,467</b>	<b>\$ 1,230,935</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 9,785	\$ 1,324	\$	\$	\$ 11,109
Payroll Deductions	10,323	14,848			25,171
<b>TOTAL LIABILITIES</b>	<b>20,108</b>	<b>16,172</b>			<b>36,280</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Delinquent Taxes		7,327	8,232		15,559
Property Taxes Levied - Subs. Years		159,893	232,705		392,598
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>		<b>167,220</b>	<b>240,937</b>		<b>408,157</b>
<b>FUND BALANCES</b>					
Fund Balance:					
Nonspendable: Inventory	90,579				90,579
Nonspendable: Scholarships				25,000	25,000
Restricted for Food Service	328,433				328,433
Restricted for School Readiness		87,911			87,911
Restricted for Community Education		145,777			145,777
Restricted for ECFE		38,582			38,582
Restricted for Community Service		12,764			12,764
Restricted for OPEB Debt Service			49,985		49,985
Restricted for Scholarships				7,467	7,467
<b>TOTAL FUND BALANCES</b>	<b>419,012</b>	<b>285,034</b>	<b>49,985</b>	<b>32,467</b>	<b>786,498</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 439,120</b>	<b>\$ 468,426</b>	<b>\$ 290,922</b>	<b>\$ 32,467</b>	<b>\$ 1,230,935</b>

**INDEPENDENT SCHOOL DISTRICT NO. 564**

**THIEF RIVER FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2020**

	<u>Special Revenue Funds</u>		<u>Debt Service</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Community Service Fund</u>	<u>OPEB Debt Service</u>	<u>Permanent Fund</u>	
<b>REVENUES</b>					
Local Property Tax Levies	\$	\$ 163,420	\$ 219,994	\$	\$ 383,414
Other Local & County Revenues	8,130	419,162		463	427,755
Revenue From State Sources	53,641	188,857	6,396		248,894
Revenue From Federal Sources	724,868				724,868
Sale/Other Conversion of Asset	395,270				395,270
<b>TOTAL REVENUES</b>	<u>1,181,909</u>	<u>771,439</u>	<u>226,390</u>	<u>463</u>	<u>2,180,201</u>
<b>EXPENDITURES</b>					
Current					
Elementary & Secondary					
Regular Instruction					
Community Education and Services		759,381			759,381
Pupil Support Services	1,166,932				1,166,932
Fixed Costs				800	800
Debt Service					
Principal			205,000		205,000
Interest and Other Fees			23,523		23,523
Capital Outlay	3,860	936			4,796
<b>TOTAL EXPENDITURES</b>	<u>1,170,792</u>	<u>760,317</u>	<u>228,523</u>	<u>800</u>	<u>2,160,432</u>
Revenues Over (Under) Expenditures	11,117	11,122	(2,133)	(337)	19,769
<b>OTHER FINANCING SOURCES</b>					
Transfer In		28,000			28,000
<b>TOTAL OTHER FINANCING SOURCES</b>		<u>28,000</u>			<u>28,000</u>
Net Change in Fund Balances	11,117	39,122	(2,133)	(337)	47,769
Fund Balances - Beginning	407,895	245,912	52,118	32,804	738,729
Fund Balances - Ending	<u>\$ 419,012</u>	<u>\$ 285,034</u>	<u>\$ 49,985</u>	<u>\$ 32,467</u>	<u>\$ 786,498</u>

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**SCHEDULE OF CHANGES IN FUND BALANCES AND NET POSITION**  
**For the Year Ended June 30, 2020**

	UFARS Balance Beginning of Year, As Restated	Revenues	Expenditures	Transfers	Debt Issued, Net	UFARS Balance End of Year
<b>Governmental Funds</b>						
<b>General Fund</b>						
Nonspendable	\$ 188,973	\$	\$	\$ (33,297)	\$	\$ 155,676
Restricted for:						
Student Activity	158,652	353,935	300,180			212,407
Scholarships	27,238	6,902	10,000			24,140
Achievement & Integration		141,297	123,721			17,576
Long Term Facility Maintenance	326,484	815,779	985,579			156,684
Operating Capital	806,771	620,147	836,214		198,320	789,024
Medical Assistance	48,801		4,322			44,479
Committed: Severance	39,855			(6,066)		33,789
Assigned for Technology	1,517,728			(610,752)		906,976
Assigned for Building Trades	44,747			3,497		48,244
Unassigned	3,313,558	21,886,342	22,340,057	618,618		3,478,461
<b>Food Service Fund</b>						
Nonspendable	60,861			29,718		90,579
Restricted: Food Service	347,034	1,181,909	1,170,792	(29,718)		328,433
<b>Community Service Fund</b>						
Restricted for:						
Community Education	127,508	368,862	373,593	23,000		145,777
ECFE	42,051	130,835	134,304			38,582
School Readiness	58,386	252,114	227,589	5,000		87,911
Community Service	17,967	19,628	24,831			12,764
<b>Debt Service Fund</b>						
Restricted for:						
Bond Refunding	9,486,992			9,852,522		19,339,514
Debt Service	750,771	3,884,222	16,520,878	(9,852,522)	22,552,420	814,013
<b>OPEB Debt Service Fund</b>						
Restricted for:						
OPEB Debt Service	52,118	226,390	228,523			49,985
<b>Permanent Fund</b>						
Nonspendable	25,000					25,000
Restricted: Scholarships	7,804	463	800			7,467
<b>Fiduciary Fund</b>						
<b>OPEB Trust Fund</b>						
Held in Trust for OPEB	1,195,662	21,762	76,325			1,141,099

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To the Board of Education  
Independent School District No. 564  
Thief River Falls, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 564 as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 19, 2020. Our report includes a reference to other auditors who audited the financial statements for the Thief River Falls Economic Development Association, LLC, as described in our report on Independent School District No. 564's financial statements. The financial statements of the Thief River Falls Economic Development Association, LLC were not audited in accordance with the *Minnesota Legal Compliance Audit Guide for School Districts*.

### **Legal Compliance**

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

### **Purpose of the Report**

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



**BRADY, MARTZ & ASSOCIATES, P.C.**  
Thief River Falls, Minnesota

November 19, 2020

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

To the Board of Education  
Independent School District No. 564  
Thief River Falls, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 564, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2020. Our report includes a reference to other auditors who audited the financial statements for the Thief River Falls Economic Development Association, LLC, as described in our report on Independent School District No. 564's financial statements. The financial statements of the Thief River Falls Economic Development Association, LLC were not audited in accordance with *Government Auditing Standards*.

## **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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

November 19, 2020

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

To the Board of Education  
Independent School District No. 564  
Thief River Falls, Minnesota

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

We have audited Independent School District No. 564's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. 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, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 its major federal program for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

Management of Independent School District No. 564 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

### Purpose of the Report

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.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**Thief River Falls, Minnesota**

November 19, 2020

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Amount
<u>U.S. Department of Education</u>		
Direct Programs:		
P.L.100-297 Indian Education	84.060	\$ 23,894
Passed-Through Minnesota Department of Education:		
Title II, Part A	84.367	58,858
Title I	84.010	283,948
Title IV	84.424	22,260
Special Education - Infants and Toddlers	84.181	12,528
<i>Special Education Cluster:</i>		
IDEA Part B 611	84.027	482,709
Preschool Incentives	84.173	14,369
<i>Total Special Education Cluster</i>		<u>497,078</u>
Passed-Through Pine to Prairie Cooperative:		
Carl Perkins	84.048A	<u>4,200</u>
Total Indirect		<u>878,872</u>
Total U.S. Department of Education		<u>902,766</u>
<u>U.S. Department of Agriculture</u>		
Passed-Through Minnesota Department of Education:		
<i>Child Nutrition Cluster:</i>		
School Breakfast Program	10.553	74,334
National School Lunch Program	10.555	256,783
After School Snacks	10.555	3,235
Commodity Distribution (Nonmonetary Assistance)	10.555	108,708
Summer Food Program	10.559	45,922
COVID-19 Summer Food Program	10.559	235,886
<i>Total Child Nutrition Cluster</i>		<u>724,868</u>
Total U.S. Department of Agriculture		<u>724,868</u>
<b>TOTAL FEDERAL AWARDS</b>		<b>\$ <u>1,627,634</u></b>

See Notes to the Schedule of Expenditures of Federal Awards

**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2020**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 INDIRECT COST RATE**

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Independent School District No. 564 under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Independent School District No. 564, it is not intended to be and does not present the financial position or changes in net position of Independent School District No. 564.

**NOTE 4 COMMODITY DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

**NOTE 5 PASS-THROUGH ENTITIES**

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

**NOTE 6 SUBRECIPIENTS**

During 2020, the District did not pass any federal money to subrecipients.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2020**

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

Financial Statements

Type of auditor's report issued: Unmodified  
 Internal control over financial reporting:  
     Material weakness(es) identified?      \_\_\_ yes      x   no  
     Significant deficiency(s) identified?   \_\_\_ yes      x   none reported

Noncompliance material to financial statements noted?      \_\_\_ yes      x   no

Federal Awards

Internal Control over major programs:  
     Material weakness(es) identified?      \_\_\_ yes      x   no  
     Significant deficiency(s) identified?   \_\_\_ yes      x   none reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<i>Child Nutrition Cluster:</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.555	After School Snacks
10.555	Commodity Distribution (Nonmonetary Assistance)
10.559	Summer Food Service Program for Children
10.559	COVID-19 Summer Food Service Program for Children

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

Auditee qualified as low-risk auditee?        x   yes    \_\_\_ no

**Section II-Financial Statement Findings**

There are no findings which are required to be reported under this section.

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

There are no findings which are required to be reported under this section.

**Section IV- Minnesota Legal Compliance Findings**

There are no findings which are required to be reported under this section.

**INDEPENDENT SCHOOL DISTRICT NO. 564  
THIEF RIVER FALLS, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2020**

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**2019-001 FINDING**

Child Nutrition Cluster (School Breakfast Program, CFDA No. 10.553; National School Lunch Program, CFDA No. 10.555; After School Snacks, CFDA No. 10.555; Commodity Distribution, CFDA No. 10.555; Summer Food Service Program for Children, CFDA no. 10.559)

Criteria

According to CFR Statue 210.7(c): to receive reimbursement payment for meals served, the District must submit the number of meals served and all claims must be supported by accurate meal counts by category and type.

Condition

One instance was identified where a student received free meals, but the income on the application showed that the student qualified for only reduced meals.

Questioned Costs

Undeterminable

Context

A sample of 40 applications were selected for audit from a population of 791 free and reduced applications. There was an error on one application. The household income on this application was not properly calculated. As a result, the student was incorrectly determined to be eligible for free but should have been reduced.

Cause

The District does not have sufficient procedures in place to ensure all information is entered correctly from the application in to the software.

Effect

The District reported free meals for reimbursement instead of reduced meals.

Recommendation

The District should review their policies and procedures for calculating eligibility.

Corrective Action Taken

The School District has developed written detailed procedures for processing free and reduced lunch applications. This process includes a second reviewer, who verifies all information, including recalculating household income. The Business Manager will also randomly select ten free and reduced applications each school year, verifying it for completeness and accuracy.



**INDEPENDENT SCHOOL DISTRICT NO. 564**  
**THIEF RIVER FALLS, MINNESOTA**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE**  
**June 30, 2020**

District Name: INDEPENDENT SCHOOL DISTRICT NO. 564

District Number: 564

	Audit	UFARS	Variance		Audit	UFARS	Variance
<b><u>01 GENERAL FUND</u></b>				<b><u>06 BUILDING CONSTRUCTION</u></b>			
Total Revenue	23,824,402	23,824,404	(2)	Total Revenue			
Total Expenditures	24,600,073	24,600,073		Total Expenditures			
<i>Non Spendable</i>				<i>Non Spendable</i>			
460 Non Spendable Fund Balance	155,676	155,676		460 Non Spendable Fund Balance			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
401 Student Activities	212,407	212,407		407 Capital Projects Levy			
402 Scholarships	24,140	24,140		409 Alternative Facility Program			
403 Staff Development				413 Projects Funded By COP			
407 Capital Projects Levy				<i>Restricted</i>			
408 Cooperative Revenue				464 Restricted Fund Balance			
413 Building Projects Funded by COP				<i>Unassigned:</i>			
414 Operating Debt				463 Unassigned Fund Balance			
416 Levy Reduction				Reconciliation of Building Construction			
417 Taconite Building Maintenance							
424 Operating Capital	789,024	789,024		<b><u>07 DEBT SERVICE</u></b>			
426 \$25 Taconite				Total Revenue	3,884,222	3,884,223	(1)
427 Disabled Accessibility				Total Expenditures	16,520,878	16,520,878	
428 Learning & Development				<i>Non Spendable</i>			
434 Area Learning Center				460 Non Spendable Fund Balance			
435 Contracted Alt Programs				<i>Restricted/Reserved:</i>			
436 State Approved Alt Program				425 Bond Refundings	19,339,514	19,339,514	
438 Gifted & Talented				451 QZAB Payments			
440 Teacher Development and Eval.				<i>Restricted</i>			
441 Basic Skills Programs				464 Restricted Fund Balance	814,013	814,013	
448 Achievement & Integration	17,576	17,575	1	<i>Unassigned:</i>			
449 Safe Schools Levy				463 Unassigned Fund Balance			
451 QZAB Payments				Reconciliation of Debt Service	40,558,627	40,558,628	(1)
452 OPEB Liab Not In Trust							
453 Unfunded Sev & Retirement Levy				<b><u>08 TRUST</u></b>			
467 Long Term Facilities Maintenance	156,684	156,684		Total Revenue	463	463	
472 Medical Assistance	44,479	44,479		Total Expenditures	800	800	
<i>Restricted</i>				<i>Unassigned:</i>			
464 Restricted Fund Balance				402 Scholarships	32,467	32,467	
<i>Committed</i>				422 Unassigned Fund Balance			
418 Committed for Separation	33,789	33,789		Reconciliation of Trust	33,730	33,730	
461 Committed							
<i>Assigned</i>				<b><u>20 INTERNAL SERVICE</u></b>			
462 Assigned Fund Balance	955,220	955,220		Total Revenue			
<i>Unassigned:</i>				Total Expenditures			
422 Unassigned Fund Balance	3,478,461	3,478,467	(6)	<i>Unassigned:</i>			
Reconciliation of General	54,291,931	54,291,938	(7)	422 Unassigned Fund Balance			
				Reconciliation of Internal Service			
<b><u>02 FOOD SERVICE</u></b>							
Total Revenue	1,181,909	1,181,909		<b><u>25 OPEB REVOCABLE TRUST FUND</u></b>			
Total Expenditures	1,170,792	1,170,792		Total Revenue			
<i>Non Spendable</i>				Total Expenditures			
460 Non Spendable Fund Balance	90,579	90,579		<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				422 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Revocable Trust			
<i>Restricted</i>							
464 Restricted Fund Balance	328,433	328,433		<b><u>45 OPEB IRREVOCABLE TRUST FUND</u></b>			
<i>Unassigned</i>				Total Revenue	21,762	21,762	
463 Unassigned Fund Balance				Total Expenditures	76,325	76,325	
Reconciliation of Food Service	2,771,713	2,771,713		<i>Unassigned:</i>			
				422 Unassigned Fund Balance	1,141,099	1,141,099	
<b><u>04 COMMUNITY SERVICE</u></b>				Reconciliation of OPEB Irrevocable Trust	1,239,186	1,239,186	
Total Revenue	771,439	771,439					
Total Expenditures	760,317	760,318	(1)	<b><u>47 OPEB DEBT SERVICE FUND</u></b>			
<i>Non Spendable</i>				Total Revenue	226,390	226,390	
460 Non Spendable Fund Balance				Total Expenditures	228,523	228,523	
<i>Restricted/Reserved:</i>				<i>Non Spendable</i>			
426 \$25 Taconite				460 Non Spendable Fund Balance			
431 Community Education	145,777	145,778	(1)	<i>Restricted</i>			
432 E.C.F.E.	38,582	38,582		425 Bond Refunding			
440 Teacher Development and Eval.				464 Restricted Fund Balance	49,985	49,985	
444 School Readiness	87,911	87,912	(1)	<i>Unassigned</i>			
447 Adult Basic Education				463 Unassigned Fund Balance			
452 OPEB Liab Not In Trust				Reconciliation of OPEB Debt Service	504,898	504,898	
<i>Restricted</i>							
464 Restricted Fund Balance	12,764	12,763	1				
<i>Unassigned</i>							
463 Unassigned Fund Balance							
Reconciliation of Community Service	1,816,790	1,816,792	(2)				