

JOINT POWERS DISTRICT #938  
MEEKER AND WRIGHT  
SPECIAL EDUCATION COOPERATIVE

AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2021

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

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JOINT POWERS DISTRICT #938

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JOINT POWERS DISTRICT #938

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JOINT POWERS DISTRICT #938

SCHEDULE OF APPOINTED OFFICIALS AND ADMINISTRATION  
JUNE 30, 2021

<u>Appointed Officials</u>	<u>Title</u>	<u>Term Expires</u>
Amy Johnson Delano	Chair	December 31, 2024
Jessica Johnson Rockford	Vice Chair	December 31, 2024
Julie Pennertz Litchfield	Clerk	December 31, 2021
Katie Koch Howard Lake-Waverly-Winsted	Treasurer	December 31, 2022
Cindy Miller Dassel-Cokato	Director	December 31, 2024
Joe Paumen Maple Lake	Director	December 31, 2024
Gena Jacobson Annandale	Director	December 31, 2022
<u>Administration</u>		
Janell Bullard	Executive Director	
Scott LeSage	Business Manager	

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
Joint Powers District #938  
Howard Lake, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Joint Powers District #938, Howard Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Joint Powers District #938, Howard Lake, Minnesota, as of June 30, 2021, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Partial Comparative Information**

We have previously audited the District's financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated November 24, 2020. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Proportionate Share of the Net Pension Liability, the Schedule of Employer Contributions, the Schedule of Changes in the District's Total OPEB Liability and related notes as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and 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 Schedule of Appointed Officials and Administration page and the schedules 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 individual fund financial schedule, UFARS Compliance Table, and the Schedule of Expenditures of Federal Awards (supplementary information) 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Appointed Officials and Administration page has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the information presented.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 23, 2021

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REQUIRED SUPPLEMENTARY INFORMATION

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JOINT POWERS DISTRICT #938

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

This section of the Joint Powers District Meeker and Wright Special Education Cooperative (MAWSECO) #938's annual financial report presents the District's management's discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments issued in June 1999.

**FINANCIAL HIGHLIGHTS**

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

- Net position decreased 4.49% or \$287,295 from the prior year.
- Overall actual revenues in the Statement of Activities were \$9,315,125 while overall expenses totaled \$9,602,420.
- The governmental fund general fund balance increased \$172,682 from the prior year due to changes in revenues and expenditures that varied from the projected budget. Restricted fund balance for basic skills and teacher development and evaluation remained the same at \$4,473, and \$8,715. Unassigned fund balance increased \$88,243 due to MDE tuition billing. Reserved third party revenue increased \$78,764. Assigned fund balances for the employee wellness and district remained the same. Assigned collaborative fund balance increased \$5,674.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

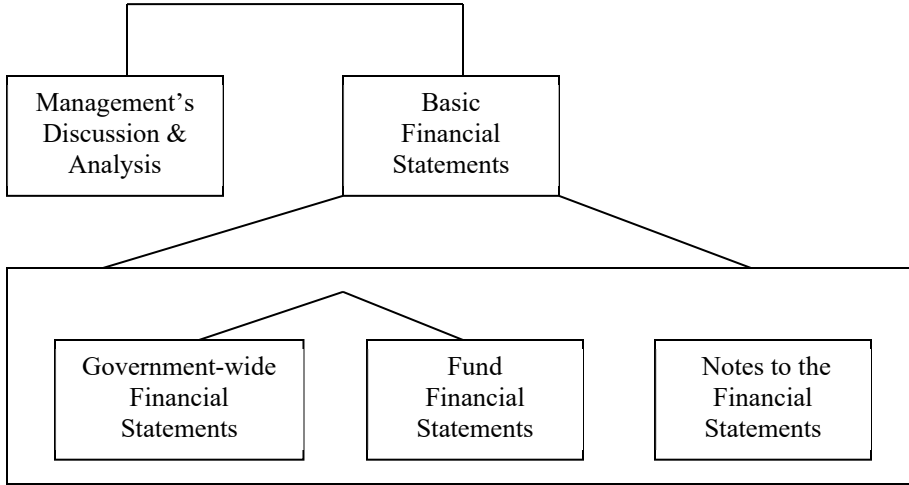
The financial section of the annual report consists of four parts - Independent Auditor's Report; required supplementary information, which includes management's discussion and analysis (this section); the basic financial statements; and supplementary information. The basic financial statements include two types of statements that present different views of the District:

- The first two statements are *government-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 government-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 *proprietary fund* statements offer *short-term* and *long-term* financial information about the activity the District operates *like a business* – N/A.
- The *fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong – N/A.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)**

**Figure A-1 Organization of MAWSECO  
Annual Financial Report**



Summary < ----- > Detail

JOINT POWERS DISTRICT #938

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: Internal service fund	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet</li> <li>▪ Statement of Revenues, Expenditures and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position</li> <li>▪ Statement of Revenues, Expenses and Changes in Net Position</li> <li>▪ Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Fiduciary Net Position</li> <li>▪ Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset and deferred outflows of resources/ liability and deferred inflows of resources information	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	All assets and deferred outflows of resources and liabilities and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

JOINT POWERS DISTRICT #938

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

**OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)**

**Government-wide Statements**

The government-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 and deferred outflows of resources and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

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

- *Governmental activities* – The District's basic services are included here, such as special and regular education, administration and student support services. Program tuition billings, purchase service billings, federal funds and administrative fees finance most of these activities.

**Fund Financial Statements**

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

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes.

The District has one type of fund:

- *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 to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information in a separate statement.

JOINT POWERS DISTRICT #938

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Position**

The District's combined net position was (\$6,681,465) on June 30, 2021. (See Table A-1.) This was a decrease of 4.49% from the prior year.

Table A-1  
Condensed Statement of Net Position  
Governmental Activities

	2021	2020	Percentage Change
Current Assets	\$ 3,392,715	\$ 3,064,705	10.70%
Net Capital Assets	112,177	133,686	-16.09%
Total Assets	<u>3,504,892</u>	<u>3,198,391</u>	9.58%
Deferred Outflows of Resources	<u>3,237,391</u>	<u>4,879,589</u>	-33.65%
Total Assets and Deferred Outflows of Resources	<u>\$ 6,742,283</u>	<u>\$ 8,077,980</u>	-16.54%
Current Liabilities	\$ 1,615,729	\$ 1,460,401	10.64%
Long-Term Liabilities	6,670,619	5,575,892	19.63%
Total Liabilities	<u>8,286,348</u>	<u>7,036,293</u>	17.77%
Deferred Inflows of Resources	5,137,400	7,435,857	-30.91%
Net Investment in Capital Assets	112,177	133,686	-16.09%
Restricted for State-Mandated Restrictions	194,618	115,854	67.99%
Unrestricted	<u>(6,988,260)</u>	<u>(6,643,710)</u>	5.19%
Total Net Position	<u>(6,681,465)</u>	<u>(6,394,170)</u>	4.49%
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,742,283</u>	<u>\$ 8,077,980</u>	-16.54%

JOINT POWERS DISTRICT #938

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)

Table A-2  
Change in Net Position  
Governmental Activities

	2021	2020	Percentage Change
Revenues			
Program Revenues			
Charges for Services	\$ 6,599,819	\$ 6,441,272	2.46%
Operating Grants and Contributions	2,560,771	2,798,134	-8.48%
General Revenues			
State Aid not Restricted to Specific Purposes	141,612	29,583	378.69%
Other	10,947	7,026	55.81%
Investment Earnings	1,976	17,691	-88.83%
Total Revenues	<u>9,315,125</u>	<u>9,293,706</u>	0.23%
Expenses			
Administration	59,621	7,574	687.18%
District Support Services	91,033	110,050	-17.28%
Regular Education Instruction	1,136,980	1,252,166	-9.20%
Vocational Education Instruction	387,691	430,662	-9.98%
Special Education Instruction	7,356,282	7,423,851	-0.91%
Sites and Buildings	558,605	539,808	3.48%
Fiscal and Other Fixed Cost Programs	12,208	11,510	6.06%
Total Expenses	<u>9,602,420</u>	<u>9,775,621</u>	-1.77%
Increase (Decrease) in Net Position	(287,295)	(481,915)	-40.38%
Beginning of Year Net Position	<u>(6,394,170)</u>	<u>(5,912,255)</u>	8.15%
Ending of Year Net Position	<u>\$ (6,681,465)</u>	<u>\$ (6,394,170)</u>	4.49%

JOINT POWERS DISTRICT #938

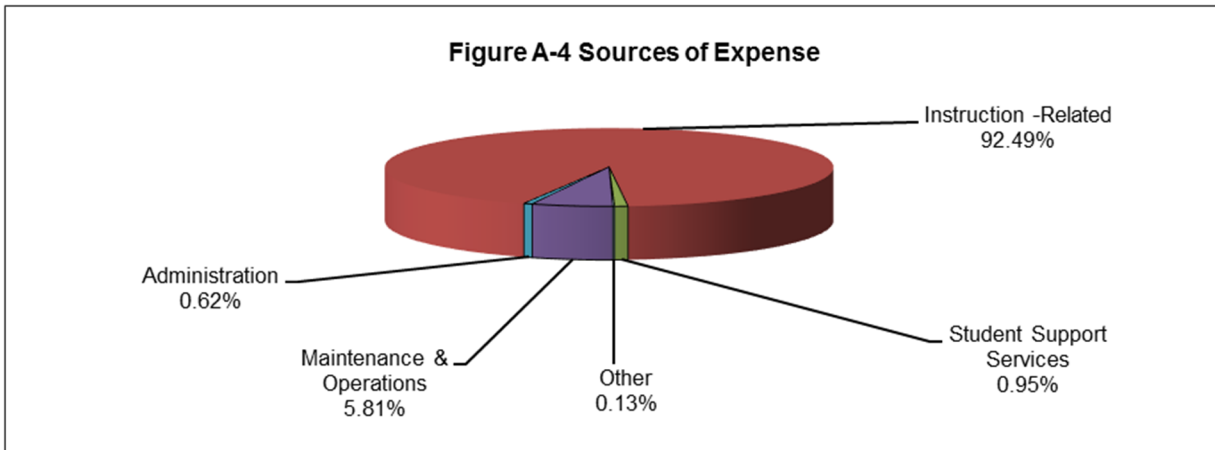
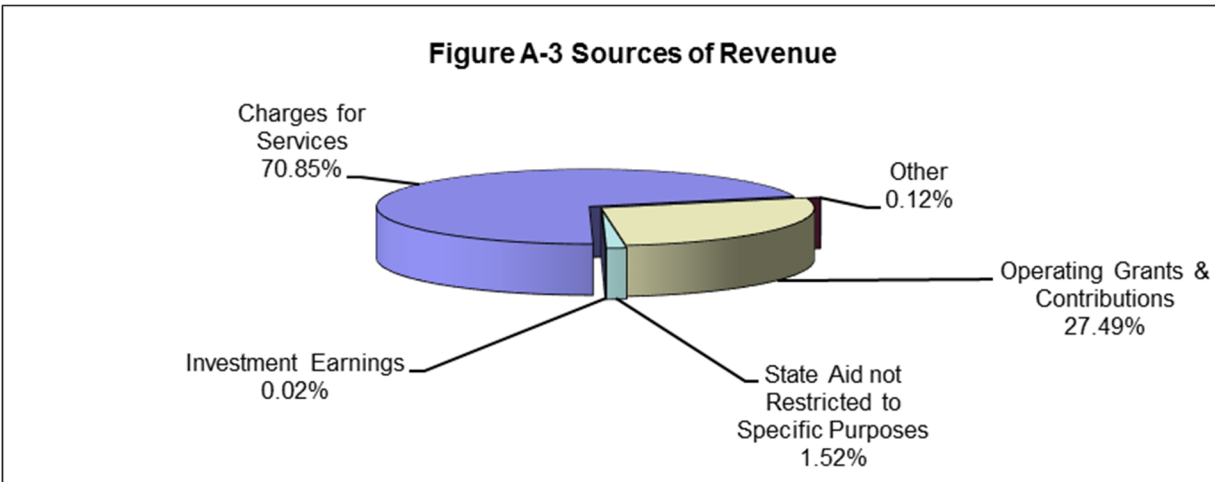
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)**

**Changes in net position.** The District's total revenues were \$9,315,125 for the year ended June 30, 2021. Federal aid, compensatory/basic skills aid and collaborative aid accounted for 27.49% of total revenue for the year. (See Figure A-3.) 70.85% came from formula share, tuition billing revenue, purchase service billing or MDE tuition billing state aid. The remaining 1.66% came from investments, state aid not restricted for specific purpose and other revenues.

The increase in revenue for 2021 versus 2020 in charges for services is due to revenue for tuition billing being higher as a result of less expenses being covered by the federal and state funds. The decrease in operating grants is due to a decrease in federal and state funds which is directly related to expenses that are covered by the revenue being down as well. The increase in unrestricted state aid is due to an increase to special funding revenue for pensions as well as federal funds resulting from the COVID-19 pandemic. The decrease in interest earnings is due to lower interest rates and slightly lower monthly cash balances rates due to MDE aid payment schedules and district billings.

The total cost of all programs and services was \$9,602,420. The District's expenses are predominately related to educating and caring for students and accounts for 92.49% of total costs. (See Figure A-4.) Administrative costs, maintenance and operations and other account for 7.51% of remaining total costs.



JOINT POWERS DISTRICT #938

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

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Cont'd)**

- The cost of all *governmental* activities this year was \$9,602,420.
- Users of the District's programs paid \$6,599,819 and the revenue is reported as charges for services in the Statement of Activities. Tuition or purchased service District billing and bi-annual payments, which cover the facility remodel project, was \$2,401,463. Medical assistance and third party billing was \$85,738. MDE tuition billing state aid was \$4,112,618.
- Total subsidized program revenues were \$2,560,771 and are reported as operating grants and contributions in the Statement of Activities. The federal government provided grants and contributions of \$2,175,591 and Title I grant of \$43,725. Local grants and other funds were as follows: compensatory/basic skills aid \$333,967 and collaborative \$7,488.
- Unrestricted state aid, investment earnings and other general revenues were \$154,535.

The net cost of governmental activities is their total costs less program revenues applicable to each category. (See Table A-3.)

Table A-3  
Net Cost of Governmental Activities

	Total Cost of Service			Net Cost of Service		
	2021	2020	Percentage Change	2021	2020	Percentage Change
Administration	\$ 59,621	\$ 7,574	687.18%	\$ (51,727)	\$ (20)	258535.00%
District Support Services	91,033	110,050	-17.28%	2,553	(2,824)	-190.40%
Regular Education Instruction	1,136,980	1,252,166	-9.20%	(426,378)	(459,430)	-7.19%
Vocational Education Instruction	387,691	430,662	-9.98%	(197,395)	(298,983)	-33.98%
Special Education Instruction	7,356,282	7,423,851	-0.91%	472,050	449,578	5.00%
Sites and Buildings	558,605	539,808	3.48%	(239,367)	(227,148)	5.38%
Fiscal and Other Fixed Cost Programs	12,208	11,510	6.06%	(1,566)	2,612	-159.95%
	<u>\$ 9,602,420</u>	<u>\$ 9,775,621</u>	-1.77%	<u>\$ (441,830)</u>	<u>\$ (536,215)</u>	-17.60%

JOINT POWERS DISTRICT #938

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

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**Fund Balance**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a *combined* fund balance of \$1,776,986, an increase of \$172,682 or 10.76% more than last year's ending fund balance. The overall increase is primarily due to the additional special education revenue generated by the compensatory expenditures to special education programs.

**Revenues and Expenditures**

Revenues for the District's governmental funds totaled \$9,315,125 while total expenditures were \$9,142,443. A summary of the revenues and expenditures reported on the governmental fund financial statements appears in Table A-4.

Table A-4  
Revenue/Expenditure/Fund Balance

	Revenue	Expenditure	Fund Balance Increase (Decrease)
General Fund - 2021	\$ 9,315,125	\$ 9,142,443	\$ 172,682
General Fund - 2020	\$ 9,293,706	\$ 9,308,310	\$ (14,604)

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

**General Fund Budgetary Highlights**

During the year ended June 30, 2021 the District revised its operating budget in May. These revisions were made to reflect federal grant amounts known at that time, District federal sub-award expenditures, staff FTE, and related expenditures.

Actual revenues were \$322,239 less than budget and actual expenditures were \$494,921 less than budget. Local and County Revenues were less than budget by \$268,363. Revenue from State Sources was more than budgeted by \$364,383. The deviations from the budget in both of these revenue areas is due to fluctuations based on whether students are Special Education students or non-Special Education students as this determines the revenue source. On the expenditure side, the main driver was that salary and benefits were less than budgeted due to several position vacancies and unfilled positions due to the pandemic.

JOINT POWERS DISTRICT #938

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2021, the District had invested \$451,129 in a broad range of equipment for the individual programs and the central office. (See Table A-5.) Detailed information on Capital Assets can be found in Note 5 to the financial statements. Total depreciation expense for the year was \$51,687.

Table A-5  
Capital Assets

	2021	2020	Percentage Change
Equipment	\$ 451,129	\$ 444,798	1.42%
Less Accumulated Depreciation	(338,952)	(311,112)	8.95%
Total	<u>\$ 112,177</u>	<u>\$ 133,686</u>	-16.09%

**Long-Term Liabilities**

The District had \$38,368 in compensated absences payable at June 30, 2021. (See Table A-6).

Table A-6  
Outstanding Long Term Debt

	2021	2020	Percentage Change
Compensated Absences	<u>\$ 38,368</u>	<u>\$ 43,285</u>	-11.36%

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

The District is dependent on federal funds, formula/enrollment share Member District billing, program tuition billing and purchased service billing by District and MDE tuition billing state aid to cover the cost of the special education and regular education services provided.

The District continues to analyze the best way to leverage federal, state and local funds to continue to provide education service and support to our Member Districts in an economically feasible manner.

The District also tracks and analyzes data to assure our Member Districts are being billed for the services that benefit their students and not expenses relative to serving students from non-member participating Districts.

The District is always analyzing the best way to become more efficient and yet still provide academic excellence and educational opportunity for students with a framework of financial fiduciary responsibility.

This District has always maintained sound fiscal policies and strives to continue this tradition in these challenging economic times.

JOINT POWERS DISTRICT #938

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our 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 any questions about this report or need additional financial information, contact the Business Office, Meeker and Wright Special Education Cooperative #938, P.O. Box 1010, Howard Lake, MN 55349.

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## BASIC FINANCIAL STATEMENTS

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## JOINT POWERS DISTRICT #938

## STATEMENT OF NET POSITION

JUNE 30, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	Governmental Activities	
	2021	2020
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
Cash and Investments	\$ 980,757	\$ 1,275,691
Accounts Receivable	5,181	1,994
Due from Other Governments	2,406,777	1,787,020
Capital Assets, Net of Depreciation	112,177	133,686
Total Assets	<u>3,504,892</u>	<u>3,198,391</u>
Deferred Outflows of Resources	<u>3,237,391</u>	<u>4,879,589</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 6,742,283</u>	<u>\$ 8,077,980</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 87,546	\$ 34,496
Salaries and Benefits Payable	901,686	875,831
Due to Other Governments	626,497	550,074
Long-Term Liabilities		
Net Pension Liability	6,394,036	5,332,437
Total OPEB Liability	238,215	200,170
Other Long-Term Liabilities Due in More Than One Year	38,368	43,285
Total Liabilities	<u>8,286,348</u>	<u>7,036,293</u>
Deferred Inflows of Resources	5,137,400	7,435,857
<b>Net Position</b>		
Investment in Capital Assets	112,177	133,686
Restricted for State-Mandated Restrictions	194,618	115,854
Unrestricted	(6,988,260)	(6,643,710)
Total Net Position	<u>(6,681,465)</u>	<u>(6,394,170)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 6,742,283</u>	<u>\$ 8,077,980</u>

See Accompanying Notes to the Financial Statements

## JOINT POWERS DISTRICT #938

## STATEMENT OF ACTIVITIES

JUNE 30, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	2021				2020
	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>GOVERNMENTAL ACTIVITIES</b>					
Administration	\$ 59,621	\$ 7,894	\$	\$ (51,727)	\$ (20)
District Support Services	91,033	93,586		2,553	(2,824)
Elementary and Secondary Regular Instruction	1,136,980	419,535	291,067	(426,378)	(459,430)
Vocational Education Instruction	387,691	176,479	13,817	(197,395)	(298,983)
Special Education Instruction	7,356,282	5,572,445	2,255,887	472,050	449,578
Sites and Buildings	558,605	319,238		(239,367)	(227,148)
Fiscal and Other Fixed Costs Programs	12,208	10,642		(1,566)	2,612
<b>Total Governmental Activities</b>	<b>\$ 9,602,420</b>	<b>\$ 6,599,819</b>	<b>\$ 2,560,771</b>	<b>\$ 0</b>	<b>(441,830)</b>
<b>GENERAL REVENUES</b>					
State Aid not Restricted to Specific Purposes				141,612	29,583
Other General Revenues				10,947	7,026
Investment Earnings				1,976	17,691
Total General Revenues				154,535	54,300
Change in Net Position				(287,295)	(481,915)
<b>NET POSITION, BEGINNING OF YEAR</b>				<b>(6,394,170)</b>	<b>(5,912,255)</b>
<b>NET POSITION, END OF YEAR</b>				<b>\$ (6,681,465)</b>	<b>\$ (6,394,170)</b>

See Accompanying Notes to the Financial Statements

JOINT POWERS DISTRICT #938

BALANCE SHEET  
GOVERNMENTAL FUND  
JUNE 30, 2021

WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	General	Total Governmental Fund	
		2021	2020
<b>ASSETS</b>			
Cash and Investments	\$ 980,757	\$ 980,757	\$ 1,275,691
Accounts Receivable	5,181	5,181	1,994
Due from Other Governments			
Other Minnesota School Districts	564,848	564,848	616,650
State Department of Education	819,111	819,111	462,159
Federal Department of Education	1,022,818	1,022,818	708,211
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	\$ 3,392,715	\$ 3,392,715	\$ 3,064,705
	<u>          </u>	<u>          </u>	<u>          </u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 87,546	\$ 87,546	\$ 34,496
Salaries and Benefits Payable	901,686	901,686	875,831
Due to Other Governments	626,497	626,497	550,074
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	1,615,729	1,615,729	1,460,401
<b>Fund Balance</b>			
Restricted	194,618	194,618	115,854
Committed	100,000	100,000	100,000
Assigned	44,912	44,912	39,237
Unassigned	1,437,456	1,437,456	1,349,213
	<u>          </u>	<u>          </u>	<u>          </u>
Total Fund Balance	1,776,986	1,776,986	1,604,304
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities and Fund Balance	\$ 3,392,715	\$ 3,392,715	\$ 3,064,705
	<u>          </u>	<u>          </u>	<u>          </u>

See Accompanying Notes to the Financial Statements

JOINT POWERS DISTRICT #938

RECONCILIATION OF THE GOVERNMENTAL FUND  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2021  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Total Fund Balances - Governmental Fund	\$ 1,776,986	\$ 1,604,304
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental Capital Assets	451,129	444,798
Less: Accumulated Depreciation	(338,952)	(311,112)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to Pensions	3,215,716	4,870,860
Deferred Inflows of Resources Related to Pensions	(4,858,816)	(7,104,711)
Deferred outflows and inflows of resources related to other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
Deferred Outflows of Resources Related to OPEB	21,675	8,729
Deferred Inflows of Resources Related to OPEB	(278,584)	(331,146)
Long-term liabilities, including pensions, compensated absences and other postemployment benefits, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are:		
Net Pension Liability	(6,394,036)	(5,332,437)
Total OPEB Liability	(238,215)	(200,170)
Compensated Absences	(38,368)	(43,285)
	<u>                    </u>	<u>                    </u>
Total Net Position - Governmental Activities	<u>\$ (6,681,465)</u>	<u>\$ (6,394,170)</u>

JOINT POWERS DISTRICT #938

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUND  
 YEAR ENDED JUNE 30, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	General	Total Governmental Fund	
		2021	2020
<b>REVENUES</b>			
Other Local and County Revenues	\$ 2,507,613	\$ 2,507,613	\$ 2,535,145
Revenue from State Sources	4,487,455	4,487,455	4,258,461
Revenue from Federal Sources	2,320,057	2,320,057	2,500,100
Total Revenues	<u>9,315,125</u>	<u>9,315,125</u>	<u>9,293,706</u>
<b>EXPENDITURES</b>			
Current			
Administration	61,520	61,520	7,554
District Support Services	91,356	91,356	107,319
Elementary and Secondary Regular Instruction	1,066,110	1,066,110	1,152,861
Vocational Education Instruction	370,119	370,119	409,575
Special Education Instruction	6,936,327	6,936,327	6,998,682
Sites and Buildings	572,224	572,224	539,453
Fiscal and Other Fixed Costs Programs	12,208	12,208	11,510
Capital Outlay	32,579	32,579	81,356
Total Expenditures	<u>9,142,443</u>	<u>9,142,443</u>	<u>9,308,310</u>
Net Change in Fund Balances	172,682	172,682	(14,604)
FUND BALANCE, BEGINNING OF YEAR	<u>1,604,304</u>	<u>1,604,304</u>	<u>1,618,908</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 1,776,986</u></u>	<u><u>\$ 1,776,986</u></u>	<u><u>\$ 1,604,304</u></u>

JOINT POWERS DISTRICT #938

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2021  
WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Total Net Change in Fund Balances - Governmental Fund	\$ 172,682	\$ (14,604)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>Capital outlay is reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>		
Capital Outlay	31,222	54,499
Depreciation Expense	(51,687)	(50,650)
Cost of Capital Assets Disposed	(24,891)	(28,627)
Accumulated Depreciation Related to Disposed Capital Assets	23,847	27,139
<p>In the Statement of Activities, certain operating expenses - pensions, other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).</p>		
Pensions	(470,848)	(456,477)
Other Postemployment Benefits	27,463	(10,627)
Compensated Absences	4,917	(2,568)
Change in Net Position - Governmental Activities	<u>\$ (287,295)</u>	<u>\$ (481,915)</u>

JOINT POWERS DISTRICT #938

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

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Other Local and County Revenues	\$ 3,107,778	\$ 2,775,976	\$ 2,507,613	\$ (268,363)
Revenue from State Sources	4,394,897	4,123,072	4,487,455	364,383
Revenue from Federal Sources	2,541,262	2,738,316	2,320,057	(418,259)
Total Revenues	<u>10,043,937</u>	<u>9,637,364</u>	<u>9,315,125</u>	<u>(322,239)</u>
<b>EXPENDITURES</b>				
Current				
Administration	8,195	76,013	61,520	(14,493)
District Support Services	84,132	94,433	91,356	(3,077)
Elementary and Secondary Regular Instruction	1,298,039	1,229,826	1,066,110	(163,716)
Vocational Education Instruction	444,879	317,925	370,119	52,194
Special Education Instruction	7,535,679	7,241,884	6,936,327	(305,557)
Sites and Buildings	541,643	595,953	572,224	(23,729)
Fiscal and Other Fixed Costs Programs	13,080	18,080	12,208	(5,872)
Capital Outlay				
Elementary and Secondary Regular Instruction	46,125	27,825	3,691	(24,134)
Vocational Education Instruction	1,500	250		(250)
Special Education Instruction	70,665	25,675	19,101	(6,574)
Sites and Buildings		9,500	9,787	287
Total Expenditures	<u>10,043,937</u>	<u>9,637,364</u>	<u>9,142,443</u>	<u>(494,921)</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	172,682	<u>\$ 172,682</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,604,304</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,776,986</u>	

See Accompanying Notes to the Financial Statements

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JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Joint Powers District #938 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. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America. The more significant of the District's accounting policies are described below.

A. REPORTING ENTITY

The Joint Powers District #938 ("District") was established to provide participating school districts with special education and other services for students with disabilities. The District is governed by a joint powers board composed of appointed members from each participating district. Member districts are as follows: Litchfield #465, Dassel-Cokato #466, Annandale #876, Delano #879, Maple Lake #881, Rockford #883, and Howard Lake-Waverly-Winsted #2687.

The financial statements present the District and its component units. The District includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the District is financially accountable, or for which the exclusion of the component unit would render the financial statements of the District misleading.

The criteria used to determine if the District is financially accountable for a component unit includes whether or not 1) the District appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the District.

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District.

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.

Separate financial statements are provided for the governmental fund. The District reports all activities in one fund.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting, in which revenues are recognized when they become measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Other revenue (except interest earnings) is recorded as revenue when received because they are generally not measurable until then. Interest earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. The District does not use encumbrances for either budgeting or financial reporting purposes.

It is generally the District's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Description of Funds:**

The existence of the District fund has been established by the State of Minnesota, Department of Education. A description of the fund included in this report is as follows:

*Major Governmental Fund:*

The General Fund includes the general operations of the District, as well as the capital related activities such as equipment purchases. It is used to account for all financial resources except those required to be accounted for in another fund.

D. BUDGETS AND BUDGETARY ACCOUNTING

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. Each June, the Board of Directors adopts an annual budget for the following fiscal year for the General Fund. Reported budget amounts represent the amended budget as adopted by the Board of Directors. Legal budgetary control is at the fund level.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING (Cont'd)

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

Total fund expenditures in excess of the budget require approval of the Board. Spending control is established by the amount of expenditures budgeted for the fund, but departmental line items are controlled by the Executive Director.

Unencumbered expenditure appropriations lapse at year-end. Encumbrances are not recorded.

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCE AND NET POSITION

**Cash and Investments:**

The District's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The District may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

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

Cash and investments are comprised of deposits and an external investment pool.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCE AND NET POSITION (Cont'd)

**Cash and Investments:** (Cont'd)

The District invests in an external investment pool, the Minnesota School District Liquid Asset Fund, which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The Minnesota School District Liquid Asset Fund is not registered with the Securities Exchange Commission (SEC), but satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

The District has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

*Custodial Credit Risk - Deposits:* Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to it. Minnesota Statutes require 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.

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

*Custodial Credit Risk - Investments.* For an investment, this is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investment policy on custodial credit risk states securities shall be held in third party safekeeping by an institution designated as custodial agent. The institution or dealer shall issue a safekeeping receipt to the District listing the specific instrument, the name of the issuer, the name in which the security is held, the rate, the maturity, serial numbers and other distinguishing marks, and other pertinent information related to the securities held.

*Interest Rate Risk.* This is the risk that the market value of securities will fall due to the changes in market interest rates. The District's policy states investment maturities shall be scheduled to coincide with projected District cash flow needs, taking into account large routine or scheduled expenditures, as well as anticipated receipt dates of anticipated revenues. Maturities for short-term and long-term investments shall be timed according to anticipated need. Within these parameters, portfolio maturities shall be staggered to avoid undue concentration of assets and a specific maturity sector. The maturities selected shall provide for stability of income and reasonable liquidity.

*Credit Risk.* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law limits certain investments to the top two ratings issued by the rating organizations. The District's investment policy states it will comply with Minnesota Statutes Chapter 118A.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCE AND NET POSITION (Cont'd)

*Concentration Risk.* This is the risk of loss attributed to the magnitude of an investment in a single issuer. The District's investment policy states the District shall diversify its investments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions or maturities.

**Accounts Receivable:**

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

**Prepaid Items:**

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

**Capital Assets:**

Tangible and intangible capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at their estimated fair acquisition value at the date of donation. The District maintains a threshold level of \$2,000 for capitalizing tangible and intangible capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Tangible and intangible capital assets are recorded in the government-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 program purposes by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 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. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

The District does not possess any material amounts of intangible capital assets.

**Deferred Outflows of Resources:**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The District has items that qualify for reporting in this category on the government-wide Statement of Net Position which are related to pensions and OPEB.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCE AND NET POSITION (Cont'd)

**Compensated Absences:**

The District compensates employees for unused accrued vacation upon voluntary termination of employment. The liability has been calculated using the vesting method, in which vacation amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Unpaid vacation pay totaling \$38,368 is recorded in the government-wide financial statements. Employees are entitled to sick leave pay at various rates for each month of full-time service. Employees are not compensated for unused sick leave upon termination of employment. Sick leave is recorded as an expenditure when payment is made.

**Other Postemployment Benefits:**

Under the provisions of various employee contracts, the District provides a contribution to a health care savings plan if certain age and minimum years of service requirements are met. The amount to be incurred is limited as specified by contract. All contributions are funded on a pay-as-you-go basis.

**Pensions:**

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

The District participates in various pension plans; total pension expense for the fiscal year ended was \$941,330. The components of pension expense are noted in the plan summaries.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This 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 in 2015.

**Deferred Inflows of Resources:**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The District has one item that qualifies for reporting in this category on the government-wide Statement of Net Position related to pensions and OPEB.

**Fund Balance:**

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

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, FUND BALANCE AND NET POSITION (Cont'd)

**Fund Balance:** (Cont'd)

*Nonspendable* - consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, prepaid items.

*Restricted* - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the Board of Directors.

*Assigned* - consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the Board policy, the Executive Director and Business Manager are authorized to establish assignments of fund balance.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in remaining governmental funds.

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

The District's goal is to maintain an unrestricted General Fund balance, including committed, assigned and unassigned categories, of not less than 10% and not more than 15% of the General Fund operating budget.

**Net Position:**

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. REVENUES AND EXPENDITURES

**Revenues:**

Federal and other state revenues are reported under the legal and contractual requirements of the individual programs. There are essentially two types of these revenues. In one, monies must be expended for the specific purpose before any amounts will be paid to the District; therefore, revenues are recognized based on expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure, and the resources are recorded as revenue at the time of receipt or earlier if they are available.

Other revenues, such as tuition and other local and county revenues (except investment earnings), are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available.

**Expenditures:**

Expenditure recognition for governmental fund types is limited to amounts represented by current liabilities. Long-term liabilities are not recognized as governmental fund expenditures or fund liabilities.

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, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

H. PRIOR YEAR INFORMATION

The basic financial statements include certain prior-year partial comparative information in total but not at the level of detail required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2020, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

The District has no deficit fund balances.

B. EXCESS OF EXPENDITURES OVER BUDGET

General Fund expenditures did not exceed the budget.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

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

Custodial Credit Risk - Deposits: The District's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

Governmental Activities

Checking Accounts	<u>\$ 86,522</u>
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B. INVESTMENTS

The District had the following investments:

	<u>Concentration Risk</u>	<u>Interest Rate Risk</u>	<u>Credit Risk</u>	
	Over 5 Percent of Portfolio	Weighted Average Maturity Years	Credit Rating	<u>Total</u>
<u>Governmental Activities</u>				
Investments at amortized cost:				
External Investment Pool				
MSDLAF				
Liquid Class	N/A	N/A	AAA	\$ 3,512
MAX Class	N/A	N/A	AAA	<u>890,723</u>
				<u>\$ 894,235</u>

The following is a summary of total deposit and investments:

Deposits (Note 3.A.)	\$ 86,522
Investments (Note 3.B.)	<u>894,235</u>
Total Deposits and Investments	<u>\$ 980,757</u>

Deposits and Investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	<u>\$ 980,757</u>

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 4. RECEIVABLES

Receivables are as follows:

	<u>Total Due from Other Governments</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
<u>Governmental Activities</u>		
Receivables		
Accounts Receivable	\$ 5,181	\$
Due from Other Governments		
Other Minnesota School Districts	564,848	
State Department of Education	819,111	
Federal Department of Education	<u>1,022,818</u>	
Total Due from Other Governments	<u>2,406,777</u>	<u>0</u>
Total Governmental Activities	<u>\$ 2,411,958</u>	<u>\$ 0</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Being Depreciated				
Equipment	\$ 444,798	\$ 31,222	\$ (24,891)	\$ 451,129
Less Accumulated Depreciation for Equipment	<u>311,112</u>	<u>51,687</u>	<u>(23,847)</u>	<u>338,952</u>
Governmental Activities Net Capital Assets	<u>\$ 133,686</u>	<u>\$ (20,465)</u>	<u>\$ (1,044)</u>	<u>\$ 112,177</u>

Depreciation expense was charged to functions/programs as follows:

<u>Governmental Activities</u>	
Administration	\$ 20
Elementary and Secondary Regular Instruction	7,902
Vocational Education Instruction	522
Special Education Instruction	43,093
Sites and Buildings	<u>150</u>
Total Governmental Activities	<u>\$ 51,687</u>

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 6. LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
Compensated Absences	\$ 43,285	\$ 30,951	\$ (35,868)	\$ 38,368	\$ 0

NOTE 7. FUND BALANCE

The following is a summary of fund balance components:

	<u>General</u>
Restricted for:	
Teacher Development and Evaluation	\$ 8,715
Basic Skills Programs	4,473
Medical Assistance	181,430
Total Restricted	<u>194,618</u>
Committed to:	
Legal	100,000
Assigned to:	
Cornerstones Program - District	36,800
Cornerstone Programs - Collaborative	7,036
Employee Wellness	1,076
Total Assigned	<u>44,912</u>
Unassigned	<u>1,437,456</u>
	<u>\$ 1,776,986</u>

**Fund Equity:**

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

A. RESTRICTED FOR TEACHER DEVELOPMENT AND EVALUATION

The fund balance restriction represents unspent resources available for teacher development and evaluation.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 7. FUND BALANCE (Cont'd)

**Fund Equity:** (Cont'd)

B. RESTRICTED FOR BASIC SKILLS

The fund balance restriction represents accumulated resources available to provide basic skills programming in accordance with funding made available for that purpose.

C. RESTRICTED FOR MEDICAL ASSISTANCE

The fund balance restriction represents unspent resources available for medical assistance expenditures.

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

**General Employees Retirement Plan (GERP; General Employees Plan; accounted for in the General Employees Fund):**

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.

**Teachers Retirement Association (TRA):**

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

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

B. BENEFITS PROVIDED

**GERP Benefits:**

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.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

**GERP Benefits:** (Cont'd)

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

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

**TRA Benefits:**

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

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

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

**TRA Benefits:** (Cont'd)

Tier I Benefits:

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

With these provisions:

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

-or-

Tier II Benefits:

For years of service prior to July 1, 2006, a level formula of 1.7 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 per year 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 benefit calculation with a normal retirement age that is their retirement age for full Social Security retirement benefits, but not to exceed age 66.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

**TRA Benefits:** (Cont'd)  
Tier II Benefits: (Cont'd)

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.

C. CONTRIBUTIONS

**GERP Contributions:**

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were \$81,676. The District's contributions were equal to the required contributions as set by state statute.

**TRA Contributions:**

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

	<u>June 30, 2019</u>	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Basic:			
Employee	11.00%	11.00%	11.00%
Employer	11.71%	11.92%	12.13%
Coordinated:			
Employee	7.50%	7.50%	7.50%
Employer	7.71%	7.92%	8.13%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2021 were \$347,934. The District's contributions were equal to the required contributions for each year as set by state statute.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

**TRA Contributions:** (Cont'd)

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

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

D. PENSION COSTS

**GERP:**

At June 30, 2021 the District reported a liability of \$1,067,191 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$32,821. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportion share was 0.0178% at the end of the measurement period and 0.0169% for the beginning of the period.

Districts proportionate share of the net pension liability	\$	1,067,191
State of Minnesota's proportionate share of the net pension liability associated with the District		<u>32,821</u>
Total		<u><u>\$ 1,100,012</u></u>

There were no provision changes during the measurement period.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

**GERP:** (Cont'd)

For the year ended June 30, 2021, the District recognized pension expense of \$94,770 for its proportionate share of GERP's pension expense. In addition, the District recognized \$2,856 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution

At June 30, 2021 the District reported its proportionate share of GERP'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	\$ 9,254	\$ 4,038
Changes in Actuarial Assumptions		38,893
Differences Between Projected and Actual Investment Earnings	20,827	
Changes in Proportion	46,895	19,415
Contributions Paid to PERA Subsequent to Measurement Date	81,676	
Totals	<u>\$ 158,652</u>	<u>\$ 62,346</u>

The \$81,676 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2022	\$ (45,725)
2023	1,920
2024	32,649
2025	25,786

**TRA:**

On June 30, 2021, the District reported a liability of \$5,326,845 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0721% at the end of the measurement period and 0.0690% 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:

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

**TRA:** (Cont'd)

District's proportionate share of net pension liability	\$ 5,326,845
State's proportionate share of the net pension liability associated with the District	<u>446,164</u>
Total	<u><u>\$ 5,773,009</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$527,390. It also recognized \$40,872 as an increase to pension expense for the support provided by direct aid.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 106,825	\$ 76,918
Changes in actuarial assumptions	1,752,558	3,919,061
Differences between projected and actual investment earnings	113,274	
Changes in proportion	736,473	800,491
Contributions paid to TRA subsequent to measurement date	<u>347,934</u>	
Totals	<u><u>\$ 3,057,064</u></u>	<u><u>\$ 4,796,470</u></u>

\$347,934 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 113,824
2023	(1,416,229)
2024	(1,068,558)
2025	228,524
2026	55,099

E. ACTUARIAL ASSUMPTIONS

**GERP:**

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

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**GERP:** (Cont'd)

Actuarial Assumptions

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on 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 percent per year for the General Employees Plan.

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

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

Changes in Actuarial Assumptions:

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**GERP:** (Cont'd)

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

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

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%
International Stocks	25.00%	5.90%
Bonds	20.00%	0.75%
Alternative Assets	17.50%	5.30%
Cash	2.00%	0.00%
	100.00%	

**TRA:**

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

Actuarial Information

Valuation Date	July 1, 2020
Experience Study	June 5, 2015
	November 6, 2017 (Economic Assumptions)
Actuarial Cost Method	Entry Age Normal

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**TRA:** (Cont'd)

Actuarial Assumptions

Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary Increase	2.85% to 8.85% before July 1, 2028 and 3.25 to 9.25% after June 30, 2028
Cost of Living Adjustment	1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Mortality Assumptions

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

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

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

The following changes in actuarial assumptions occurred 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% 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.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**TRA:** (Cont'd)

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.

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>
Domestic Stocks	35.50%	5.10%
International Stocks	17.50%	5.30%
Bonds	25.00%	5.90%
Alternative Assets	20.00%	0.75%
Cash	2.00%	0.00%
	<u>100.00%</u>	

F. DISCOUNT RATE

**GERP:**

The discount rate used to measure the total pension liability in 2020 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 8. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

F. DISCOUNT RATE (Cont'd)

**TRA:**

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

G. PENSION LIABILITY SENSITIVITY

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

	<u>GERF</u>		<u>TRA</u>	
1% Lower	6.50%	\$ 1,710,338	6.50%	\$ 8,155,343
Current Discount Rate	7.50%	1,067,191	7.50%	5,326,845
1% Higher	8.50%	536,647	8.50%	2,996,305

H. PENSION PLAN FIDUCIARY NET POSITION

**GERP:**

Detailed information about the 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).

**TRA:**

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.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 9. DEFERRED COMPENSATION PLAN

The Joint Powers Board implemented a 403(b) plan effective July 1, 1998. This 403(b) plan replaced the existing Severance Plan on July 1, 2006. Eligible employees may participate in this plan upon attaining tenure with the District.

For the teacher group, to be eligible for the maximum contribution, persons must be employed the full year at least 1,092 hours/year. Persons employed at least 728 hours/year for the full year shall be eligible for partial benefits proportional to the extent of their employment.

For all other groups to be eligible for the maximum contribution, persons must be employed the full year at least thirty-five (35) hours/week for a full school year. Persons employed at least twenty (20) hours/week and twenty (20) weeks for the full year shall be eligible for partial benefits proportional to the extent of their employment.

Employees receive matching contributions from the District, based on the following schedule. The maximum District contribution for the special education coordinator/consultant/supervisor group and the program site coordinator is \$26,000.

<u>Teacher Group for 2019-21</u>			<u>Special Education Coordinator/ Consultant/Supervisor Group for 2019-21</u>		
<u>Years of Service</u>	<u>District Contribution</u>	<u>Teacher Contribution</u>	<u>Years of Service</u>	<u>District Contribution</u>	<u>Coordinator/ Supervisor Contribution</u>
1-4	\$ 700	\$ 700	1-3	\$ 2,100	\$ 2,100
5-7	1,000	1,000	4-6	2,400	2,400
8-11	1,255	1,255	7-9	2,700	2,700
12-15	1,600	1,600	10+	3,200	3,200
16-19	2,220	2,220			
20+	2,900	2,900			

<u>Minnesota School Employees Assosiation for 2020-22</u>		
<u>Years of Service</u>	<u>District Contribution</u>	<u>Teacher Contribution</u>
1-3	\$ 400	\$ 400
4-10	575	575
11-16	725	725
16+	1,100	1,100

For the year ended June 30, 2021, the District match was \$80,532.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN

A. PLAN DESCRIPTION

The District operates a single-employer retiree benefit plan (the Plan) that provides health, dental, and life insurance to eligible employees and their spouses through the District's commercial insurance plans. There are 66 active participants and 1 retired participants. Benefit and eligibility provisions are established through negotiations between the District and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, paragraph 4.

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$238,215 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date. Update procedures were used to roll forward the total OPEB liability to June 30, 2021.

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	\$ 200,170
Changes for the year:	
Service Cost	29,744
Interest	7,060
Changes of Assumptions or Other Inputs	9,970
Benefit Payments	<u>(8,729)</u>
Net changes	<u>38,045</u>
Balance at June 30, 2021	<u>\$ 238,215</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% in 2020 to 2.45% in 2021.

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 1-percentage-point lower (1.45%) or 1-percentage-point higher (3.45%) than the current healthcare cost trend rates:

	<u>1.0% Decrease in Discount Rate (1.45%)</u>	<u>Discount Rate (2.45%)</u>	<u>1.0% Increase in Discount Rate (3.45%)</u>
Total OPEB Liability	\$ 253,267	\$ 238,215	\$ 223,640

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (Cont'd)

C. CHANGES IN TOTAL OPEB LIABILITY (Cont'd)

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 1-percentage-point lower (5.40% decreasing to 3.00%) or 1-percentage-point higher (7.40% decreasing to 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1.0% Decrease (5.40% decreasing to 3.00%)	Trend Rates (6.40% decreasing to 4.00%)	1.0% Increase (7.40% decreasing to 5.00%)
Total OPEB Liability	\$ 211,639	\$ 238,215	\$ 269,845

D. OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2021, the District recognized OPEB expense of \$14,392. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$	\$ 95,498
Changes in Actuarial Assumptions or Other Inputs	8,604	183,086
Contributions Paid Subsequent to Measurement Date	13,071	
Totals	<u>\$ 21,675</u>	<u>\$ 278,584</u>

\$13,071 reported as deferred outflows of resources related to OPEB resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30,	OPEB Expense Amount
2022	\$ (51,196)
2023	(51,196)
2024	(51,196)
2025	(51,196)
2026	(51,196)
Thereafter	(14,000)

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 10. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN (Cont'd)

E. ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.40% for 2020, decreasing on average 0.04% per year to an ultimate rate of 4.00% for 2076 and later years.
Retiree's Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 2.45% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

Non-Teacher mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.

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

NOTE 11. OPERATING LEASES

The District is committed under a long-term operating lease for the rental of instructional and administrative facilities. The facilities lease calls for semi-annual lease payments of \$121,790 which includes interest at a rate of 2.87%, with payments running through April 1, 2030. Lease expenditures are recovered through billing of member districts with revenues totaling \$243,580 in fiscal year 2021.

Total lease expenditures include the following:

Instructional facilities	\$ 52,482
Administrative facilities	<u>191,098</u>
Total	<u><u>\$ 243,580</u></u>

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 11. OPERATING LEASES (Cont'd)

Future minimum lease payments due under existing operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 189,830	\$ 53,750
2023	195,318	48,262
2024	200,964	42,616
2025	206,773	36,807
2026	212,750	30,830
Thereafter	914,299	60,025
Total	<u>\$ 1,919,934</u>	<u>\$ 272,290</u>

NOTE 12. CONTINGENCIES

A. LITIGATION

The District is not involved in any litigation as of the date of this report.

B. FEDERAL AND STATE PROGRAMS

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

NOTE 13. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters and workers' compensation. To mitigate these risks, the District has obtained commercial property and casualty insurance and workers' compensation coverage. The District pays an annual premium with no additional assessments.

The District carries commercial insurance for employee health and dental coverage.

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.

The District's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for the year is estimated to be immaterial based on workers' compensation rates and salaries for the year.

JOINT POWERS DISTRICT #938

NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2021

NOTE 14. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on net position or fund balance.

NOTE 15. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The following is a summary of the major components of deferred outflows and inflows as presented in the Statement of Net Position:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Related to Pensions	\$ 3,215,716	\$ 4,858,816
Related to OPEB	21,675	278,584
Totals	\$ 3,237,391	\$ 5,137,400

NOTE 16. COVID

In March 2020, the World Health Organization declared the novel coronavirus disease (COVID-19) a pandemic, and the United States declared a national emergency. Various governmental measures to control the spread of the virus have been implemented throughout the country, including temporary closure of businesses, restrictions on travel, and other limitations on the conduct of business. The pandemic is disrupting supply chains and affecting production and sales across a range of industries. The continued spread of the coronavirus globally could have an effect on the District's business, net position, and results of operations in the next year.

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REQUIRED SUPPLEMENTARY INFORMATION

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JOINT POWERS DISTRICT #938

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED JUNE 30, 2021

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pensions</u>							
<u>PERA</u>							
6/30/2020	0.0178%	\$ 1,067,191	\$ 32,821	\$ 1,100,012	\$ 1,257,373	87.48%	79.06%
6/30/2019	0.0169%	934,363	28,999	963,362	1,172,367	82.17%	80.23%
6/30/2018	0.0176%	976,376	31,891	1,008,267	1,202,253	83.86%	79.53%
6/30/2017	0.0170%	1,085,269	13,674	1,098,943	1,103,022	99.63%	75.90%
6/30/2016	0.0159%	1,291,001	16,853	1,307,854	981,987	133.18%	68.91%
6/30/2015	0.0148%	767,013		767,013	846,533	90.61%	78.19%
6/30/2014	0.0151%	709,322		709,322	809,313	87.64%	78.75%
<u>TRA</u>							
6/30/2020	0.0721%	5,326,845	446,164	5,773,009	4,204,811	137.30%	75.48%
6/30/2019	0.0690%	4,398,074	389,184	4,787,258	4,009,272	119.40%	78.21%
6/30/2018	0.0618%	3,881,618	364,656	4,246,274	3,887,707	109.22%	78.07%
6/30/2017	0.0695%	13,873,461	1,340,780	15,214,241	3,748,144	405.91%	51.57%
6/30/2016	0.0661%	15,766,427	1,581,783	17,348,210	3,440,579	504.22%	44.88%
6/30/2015	0.0692%	4,280,704	525,150	4,805,854	3,508,187	136.99%	76.77%
6/30/2014	0.0615%	2,833,876	199,279	3,033,155	3,414,706	88.83%	81.50%

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

See Accompanying Notes to Required Supplementary Information

JOINT POWERS DISTRICT #938

SCHEDULE OF EMPLOYER CONTRIBUTION  
YEAR ENDED JUNE 30, 2021

Fiscal Year Ending June 30,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
<u>Pensions</u>					
<u>PERA</u>					
6/30/2021	\$ 81,676	\$ 81,676	\$	\$ 1,089,013	7.50%
6/30/2020	94,303	94,303		1,257,373	7.50%
6/30/2019	87,928	87,928		1,172,256	7.50%
6/30/2018	90,169	90,169		1,202,253	7.50%
6/30/2017	82,737	82,737		1,103,022	7.50%
6/30/2016	73,623	73,623		981,987	7.50%
6/30/2015	63,490	63,490		846,533	7.50%
<u>TRA</u>					
6/30/2021	347,934	347,934		4,279,631	8.13%
6/30/2020	333,021	333,021		4,204,811	7.92%
6/30/2019	309,115	309,115		4,009,272	7.71%
6/30/2018	291,578	291,578		3,887,707	7.50%
6/30/2017	281,156	281,156		3,748,144	7.50%
6/30/2016	258,044	258,044		3,440,579	7.50%
6/30/2015	263,077	263,077		3,508,187	7.50%

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

JOINT POWERS DISTRICT #938

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
JUNE 30, 2021

	Measurement Date			
	6/30/2020	6/30/2019	6/30/2018	6/30/2017
Service Cost	\$ 29,744	\$ 50,757	\$ 46,275	\$ 47,357
Interest	7,060	21,017	18,997	15,636
Changes in Benefit Terms		144		
Differences Between Expected and Actual Experience		(131,534)		
Changes in Assumptions	9,970	(252,174)	18,647	(22,484)
Benefit Payments	(8,729)	(35,726)	(47,138)	(35,469)
Net Change in Total OPEB Liability	38,045	(347,516)	36,781	5,040
Total OPEB Liability - Beginning of Year	200,170	547,686	510,905	505,865
Total OPEB Liability - End of Year	\$ 238,215	\$ 200,170	\$ 547,686	\$ 510,905
Covered Employee Payroll	\$ 4,820,619	\$ 5,363,386	\$ 5,052,152	\$ 4,792,767
Total OPEB Liability as a % of Covered Employee Payroll	4.94%	3.73%	10.84%	10.66%

The District implemented GASB Statement No. 75 for the year ended June 30, 2018. Information for prior years is not available. Additional years will be reported as they become available.

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JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**2020 Changes:**

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

**2019 Changes:**

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:**

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:**

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:**

No changes.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

**2015 Changes:**

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.

**2014 Changes:**

No changes.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

**2020 Changes:**

No changes.

**2019 Changes:**

No changes.

**2018 Changes:**

The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.

Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.

The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.

Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.

Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.

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

**2017 Changes:**

No changes.

**2016 Changes:**

No changes.

JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 1. CHANGES IN PLAN PROVISIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

**2015 Changes:**

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

**2014 Changes:**

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

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

**2020 Changes:**

No changes.

**2019 Changes:**

Retiree premiums were updated to current levels.

The eligibility for an explicit subsidy for Coordinators and Business Managers was updated to age 55 and 10 years of service.

**2018 Changes:**

No changes.

**2017 Changes:**

No changes.

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**2020 Changes:**

The price inflation assumption was decreased from 2.50% to 2.25%.

The payroll growth assumption was decreased from 3.25% to 3.00%.

Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.

Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

**2020 Changes:** (Cont'd)

Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.

The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.

The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

The assumed spouse age difference was changed from two years older for females to one year older.

The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**2019 Changes:**

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

**2018 Changes:**

The mortality projection was changed from MP-2015 to MP-2017.

The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

**2017 Changes:**

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

The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

**2016 Changes:**

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 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.

JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP) (Cont'd)

**2015 Changes:**

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

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

**2020 Changes:**

Assumed termination rates were changed to more closely reflect actual experience.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years. Generational projection uses the MP-2015 scale.

Assumed form of annuity election proportions were changed to a more closely reflect actual experience for female retirees.

**2019 Changes:**

No changes.

**2018 Changes:**

The investment return assumption was changed from 8.50% to 7.50%.

The price inflation assumption was lowered from 3.00% to 2.50%.

The payroll growth assumption was lowered from 3.50% to 3.00%.

The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for 10 years followed by 0.75%, thereafter.

The total salary increase assumption was adjusted by the wage inflation change.

The amortization date for the funding of the Unfunded Actuarial Accrued Liability (UAAL) was reset to June 30, 2048 (30 years).

A mechanism in the law that provided the TRA Board with some authority to set contribution rates was eliminated.

**2017 Changes:**

Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.

The investment return assumption was changed from 8.00% to 7.50%.

The price inflation assumption was lowered from 2.75% to 2.50%.

JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

B. TEACHERS RETIREMENT ASSOCIATION (TRA) (Cont'd)

**2017 Changes:** (Cont'd)

The payroll growth assumption was lowered from 3.50% to 3.00%.

The general wage growth assumption was lowered from 3.50% to 2.85% for 10 years followed by 3.25%, thereafter.

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

**2016 Changes:**

The price inflation assumption was lowered from 3.00% to 2.75%.

The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.

Minor changes at some durations for the merit scale of the salary increase assumption.

The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale.

The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.

The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.

Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.

Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.

A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

**2015 Changes:**

The Cost of Living Adjustment was not assumed to increase to 2.5%, but remain at 2.0% for all future years.

The investment return assumption was changed from 8.25% to 8.00%.

**2014 Changes:**

The Cost of Living Adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2034.

JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST

**2020 Changes:**

The discount rate was changed from 3.13% to 2.45% based on updated 20-year municipal bond rates.

**2019 Changes:**

The discount rate was changed from 3.62% to 3.13% based on updated 20-year municipal bond rates.

Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Medical per capita claims costs were updated to reflect recent experience and new plan offerings.

Withdrawal, mortality and salary increase rates were updated from the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations to the rates used in the 7/1/2019 valuations.

The retirement rates were updated from assuming latest of age 60, plane ligibility or current age to rates used in the 7/1/2019 PERA General Employees Retirement Plan and 7/1/2019 Teachers Retirement Association valuations. This change was made due to updated valuation methods.

The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 50% of employees with current coverage to 30% of all employees.

The percent of retirees electing spouse coverage changed to 40%.

The percent of future non Medicare eligible retirees electing each medical plan changed from the active employee's current election to the following table:

<u>Medical Plan</u>	<u>Fiscal 2020 Valuation</u>
\$1,000 Copay - Aware Network	20%
\$1,000 Copay - Access Network	30%
\$3,500 HSA - Access Network	25%
\$6,700 HSA - Access Network	25%

The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

The valuation method was changed from the Alternative Measurement Method to a full valuation since the total number of members now exceeds 100.

**2018 Changes:**

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.90% in 2018 to 6.30% in 2019.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.56% in 2018 to 3.62% in 2019.

JOINT POWERS DISTRICT #938

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2021

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS (Cont'd)

C. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB) NOT ADMINISTERED IN A TRUST (Cont'd)

**2017 Changes:**

The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent of pay cost method due to new GASB 74/75 accounting rules.

Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

Medical per capita claims costs were updated to reflect recent experience.

Withdrawal, retirement and mortality rates were updated to the rates used in the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations.

A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan and 7/1/2017 Teachers Retirement Association valuations.

Mortality rates were updated from the 2000 United States Life Tables to the RP 20014 headcount-weighted tables to reflect recently-published mortality rates. This change was made due to updated valuation methods.

SUPPLEMENTARY INFORMATION

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JOINT POWERS DISTRICT #938

BALANCE SHEET  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and Investments	\$ 980,757	\$ 1,275,691
Accounts Receivable	5,181	1,994
Due from Other Governments		
Other Minnesota School Districts	564,848	616,650
State Department of Education	819,111	462,159
Federal Department of Education	<u>1,022,818</u>	<u>708,211</u>
Total Assets	<u>\$ 3,392,715</u>	<u>\$ 3,064,705</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>Liabilities</b>		
Accounts Payable	\$ 87,546	\$ 34,496
Salaries and Benefits Payable	901,686	875,831
Due to Other Governments	<u>626,497</u>	<u>550,074</u>
Total Liabilities	1,615,729	1,460,401
<b>Fund Balance</b>		
Restricted	194,618	115,854
Committed	100,000	100,000
Assigned	44,912	39,237
Unassigned	<u>1,437,456</u>	<u>1,349,213</u>
Total Fund Balance	<u>1,776,986</u>	<u>1,604,304</u>
Total Liabilities and Fund Balance	<u>\$ 3,392,715</u>	<u>\$ 3,064,705</u>

JOINT POWERS DISTRICT #938

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	2021		2020	
	Final Budget	Actual	Over (Under) Final Budget	Actual
<b>REVENUES</b>				
Other Local and County Revenues	\$ 2,775,976	\$ 2,507,613	\$ (268,363)	\$ 2,535,145
Revenue from State Sources	4,123,072	4,487,455	364,383	4,258,461
Revenue from Federal Sources	2,738,316	2,320,057	(418,259)	2,500,100
Total Revenues	9,637,364	9,315,125	(322,239)	9,293,706
<b>EXPENDITURES</b>				
Current				
Administration				
Salaries and Wages	6,385	6,780	395	5,625
Employee Benefits	492	519	27	434
Purchased Services	4,636	4,278	(358)	1,495
Supplies and Materials	64,500	49,943	(14,557)	
Total Administration	76,013	61,520	(14,493)	7,554
District Support Services				
Salaries and Wages	32,470	28,373	(4,097)	36,883
Employee Benefits	9,428	8,585	(843)	8,652
Purchased Services	49,335	52,101	2,766	59,774
Supplies and Materials	2,300	1,502	(798)	1,205
Other Expenditures	900	795	(105)	805
Total District Support Services	94,433	91,356	(3,077)	107,319
Elementary and Secondary Regular Instruction				
Salaries and Wages	873,992	740,136	(133,856)	816,084
Employee Benefits	302,017	268,922	(33,095)	274,457
Purchased Services	29,308	35,848	6,540	34,742
Supplies and Materials	19,159	15,577	(3,582)	23,222
Other Expenditures	5,350	5,627	277	4,356
Total Elementary and Secondary Regular Instruction	1,229,826	1,066,110	(163,716)	1,152,861
Vocational Education Instruction				
Salaries and Wages	232,307	261,827	29,520	297,877
Employee Benefits	59,493	85,143	25,650	77,650
Purchased Services	19,100	16,731	(2,369)	29,963
Supplies and Materials	5,025	4,789	(236)	2,900
Other Expenditures	2,000	1,629	(371)	1,185
Total Vocational Education Instruction	317,925	370,119	52,194	409,575

JOINT POWERS DISTRICT #938

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2021  
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF JUNE 30, 2020

	2021		2020	
	Final Budget	Actual	Over (Under) Final Budget	Actual
EXPENDITURES (Cont'd)				
Current (Cont'd)				
Special Education Instruction				
Salaries and Wages	\$ 4,434,942	\$ 4,454,233	\$ 19,291	\$ 4,469,657
Employee Benefits	1,474,405	1,472,197	(2,208)	1,392,472
Purchased Services	1,201,219	884,803	(316,416)	1,019,578
Supplies and Materials	102,918	87,349	(15,569)	89,242
Other Expenditures	28,400	37,745	9,345	27,733
Total Special Education Instruction	<u>7,241,884</u>	<u>6,936,327</u>	<u>(305,557)</u>	<u>6,998,682</u>
Sites and Buildings				
Salaries and Wages	8,247	9,240	993	11,016
Employee Benefits	1,306	1,423	117	1,477
Purchased Services	533,012	530,683	(2,329)	526,609
Supplies and Materials	53,388	30,878	(22,510)	351
Total Sites and Buildings	<u>595,953</u>	<u>572,224</u>	<u>(23,729)</u>	<u>539,453</u>
Fiscal and Other Fixed Costs Programs				
Purchased Services	18,080	12,208	(5,872)	11,510
Total Current	<u>9,574,114</u>	<u>9,109,864</u>	<u>(464,250)</u>	<u>9,226,954</u>
Capital Outlay				
Elementary and Secondary Regular Instruction	27,825	3,691	(24,134)	31,939
Vocational Education Instruction	250		(250)	
Special Education Instruction	25,675	19,101	(6,574)	49,417
Sites and Buildings	9,500	9,787	287	
Total Capital Outlay	<u>63,250</u>	<u>32,579</u>	<u>(30,671)</u>	<u>81,356</u>
Total Expenditures	<u>9,637,364</u>	<u>9,142,443</u>	<u>(494,921)</u>	<u>9,308,310</u>
Net Change in Fund Balances	<u>\$ 0</u>	172,682	<u>\$ 172,682</u>	(14,604)
FUND BALANCE, BEGINNING OF YEAR		<u>1,604,304</u>		<u>1,618,908</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,776,986</u>		<u>\$ 1,604,304</u>

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## REQUIRED REPORTS

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JOINT POWERS DISTRICT #938

UFARS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2021

	Audited	UFARS	Difference		Audited	UFARS	Difference
<u>01 GENERAL FUND</u>				<u>06 BUILDING CONSTRUCTION</u>			
Total Revenue	\$ 9,315,125	\$ 9,315,125	\$	Total Revenue	\$	\$	\$
Total Expenditures	9,142,443	9,142,440	3	Total Expenditures			
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable				460 Nonspendable			
<i>Restricted/Reserved:</i>				<i>Restricted/Reserved:</i>			
403 Staff Development				407 Capital Projects Levy			
406 Health and Safety				409 Alternative Facilities Program			
407 Capital Projects Levy				413 Project Funded by COP/LP			
408 Cooperative Programs				<i>Restricted:</i>			
414 Operating Debt				464 Restricted			
416 Levy Reduction				<i>Unassigned:</i>			
417 Taconite Building Maintenance				463 Unassigned			
423 Certain Teacher Programs							
424 Operating Capital				<u>07 DEBT SERVICE</u>			
426 \$25 Taconite				Total Revenue			
427 Disabled Accessibility				Total Expenditures			
428 Learning & Development				<i>Restricted/Reserved:</i>			
434 Area Learning Center				425 Bond Refundings			
435 Contracted Alt. Programs				451 QZAB and QSCB Payments			
436 State Approved Alt. Programs				<i>Restricted:</i>			
438 Gifted & Talented				464 Restricted			
440 Teacher Development & Eval	8,715	8,715		<i>Unassigned:</i>			
441 Basic Skills Programs	4,473	4,473		463 Unassigned			
445 Career & Technical Programs							
449 Safe Schools - Crime Levy				<u>08 TRUST</u>			
450 Transition for Pre-Kindergarten				Total Revenue			
451 QZAB and QSCB Payments				Total Expenditures			
452 OPEB Liab Not Held in a Trust				<i>Unassigned:</i>			
453 Unfunded Sev & Retirement Levy				422 Unassigned			
467 LFTM							
472 Medical Assistance	181,430	181,430		<u>18 CUSTODIAL FUND</u>			
<i>Restricted:</i>				<i>Restricted:</i>			
464 Restricted				464 Restricted			
<i>Committed:</i>							
418 Separation/Retirement Benefits				<u>20 INTERNAL SERVICE</u>			
461 Committed	100,000	100,000		Total Revenue			
<i>Assigned:</i>				Total Expenditures			
462 Assigned	44,912	44,912		<i>Unassigned:</i>			
<i>Unassigned:</i>				422 Unassigned			
422 Unassigned	1,437,456	1,437,457	(1)				
				<u>25 OPEB REVOCABLE TRUST</u>			
<u>02 FOOD SERVICE</u>				Total Revenue			
Total Revenue				Total Expenditures			
Total Expenditures				<i>Unassigned:</i>			
<i>Nonspendable:</i>				422 Unassigned			
460 Nonspendable							
<i>Restricted/Reserved:</i>				<u>45 OPEB IRREVOCABLE TRUST</u>			
452 OPEB Liab Not Held in a Trust				Total Revenue			
<i>Restricted:</i>				Total Expenditures			
464 Restricted				<i>Unassigned:</i>			
<i>Unassigned:</i>				422 Unassigned			
463 Unassigned							
				<u>47 OPEB DEBT SERVICE</u>			
<u>04 COMMUNITY SERVICE</u>				Total Revenue			
Total Revenue				Total Expenditures			
Total Expenditures				<i>Restricted:</i>			
<i>Nonspendable:</i>				464 Restricted			
460 Nonspendable				<i>Unassigned:</i>			
<i>Restricted/Reserved:</i>				463 Unassigned			
426 \$25 Taconite							
431 Community Education							
432 E.C.F.E							
444 School Readiness							
447 Adult Basic Education							
452 OPEB Liab Not Held in a Trust							
<i>Restricted:</i>							
464 Restricted							
<i>Unassigned:</i>							
463 Unassigned							

JOINT POWERS DISTRICT #938

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2021

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Dassel-Cokato ISD #466				
Title I Grants to Local Educational Agencies	84.010A		\$ 43,725	\$
Minnesota Department of Education				
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act				
Governor's Emergency Education Relief Fund	84.425C	0000205364	4,176	
Elementary and Secondary School Emergency Relief Fund	84.425D	0000205364	14,893	
Total Education Stabilization Fund Under the Coronavirus Aid, Relief and Economic Security Act			19,069	0
Special Education Cluster:				
Special Education Grants to States	84.027	* 0000205364	1,987,667	407,291
Special Education Preschool Grants	84.173	* 0000205364	91,649	91,649
Sourcewell				
Special Education Cluster:				
Special Education Grants to States	84.027	*	40,050	
Total Special Education Cluster			2,119,366	498,940
Special Education-Grants for Infants and Families	84.181	0000205364	56,225	
Total U.S. Department of Education			2,238,385	498,940
U.S. Department of Treasury				
Minnesota Department of Education				
Coronavirus Relief Fund	21.019	0000205364	62,415	
Wright County				
Coronavirus Relief Fund	21.019		19,257	
Total U.S. Department of Treasury			81,672	0
Total Federal Awards			\$ 2,320,057	\$ 498,940

\* Denotes Major Program

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

JOINT POWERS DISTRICT #938

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

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Joint Powers District #938, Howard Lake, Minnesota. The District's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of Joint Powers District #938 under programs of the federal government for the year ended June 30, 2021. 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 the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

NOTE 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 *U.S. Code of Federal Regulations* Part 200, Subpart E - Cost Principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 4. DE MINIMIS COST RATE

The District elected not to charge the de minimis indirect cost rate of 10% to federal programs.

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## COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

To The Board of Directors  
Joint Powers District #938  
Howard Lake, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2021.

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

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.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 23, 2021

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**Morris Office**  
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**Litchfield Office**  
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(800) 862-1337

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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 Directors  
Joint Powers District #938  
Howard Lake, 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 and the major fund of Joint Powers District #938, Howard Lake, Minnesota, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 23, 2021.

**Internal Control Over Financial Reporting**

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

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

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

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## 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 23, 2021



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

To The Board of Directors  
Joint Powers District #938  
Howard Lake, Minnesota

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

We have audited Joint Powers District #938'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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations 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.

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## ***Opinion on Each Major Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## **Report on Internal Control Over Compliance**

Management of Joint Powers District #938 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.

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.

*Conway, Deuth & Schmiesing, PLLP*

CONWAY, DEUTH & SCHMIESING, PLLP  
CPAS & ADVISORS  
WILLMAR, MINNESOTA

November 23, 2021

JOINT POWERS DISTRICT #938

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021

I. SUMMARY OF AUDITOR'S RESULTS

A. FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 2021-001

Noncompliance material to financial statements noted? No

B. FEDERAL AWARDS

Type of auditor's report issued on compliance for major program(s): Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? No

Any audit findings disclosed that are required to be reported in accordance with Part 200.516(a) of the Uniform Guidance? No

C. IDENTIFICATION OF MAJOR PROGRAMS

Assistance Listing No.: 84.027, 84.173  
Name of Federal Program or Cluster: Special Education Cluster

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

Auditee qualified as low-risk auditee? Yes

JOINT POWERS DISTRICT #938

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2021

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

FINDING: 2021-001 LIMITED SEGREGATION OF DUTIES

- Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.
- Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.
- Cause: The District has assigned duties to staff based on a cost-benefit relationship to the District and the practicality of the level of staffing the District maintains.
- Effect: The lack of adequate segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.
- Recommendation: The District should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The District is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Scott LeSage, Business Manager

Planned Completion Date for CAP:

June 30, 2022

Plan to Monitor Completion of CAP:

Appointed Officials

III. MINNESOTA LEGAL COMPLIANCE

None

IV. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

JOINT POWERS DISTRICT #938

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2021

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If not corrected, Provide Planned Corrective Action or Other Explanation</u>
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Financial Statement Findings:

2020-001	Limited Segregation of Duties	Not Corrected	2018	See current year finding 2021-001
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Federal Award Findings:

None

Minnesota Legal Compliance Findings:

None