

INDEPENDENT SCHOOL DISTRICT #347  
WILLMAR PUBLIC SCHOOLS

AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION

JUNE 30, 2020

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

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INDEPENDENT SCHOOL DISTRICT #347

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INDEPENDENT SCHOOL DISTRICT #347

BOARD OF EDUCATION AND ADMINISTRATION  
JUNE 30, 2020

| <u>Board of Education</u>         |  | <u>Term Expires</u> |
|-----------------------------------|--|---------------------|
| Chairperson                       | Mike Reynolds                            | 1/4/2021            |
| Vice-Chairperson                  | Justin Bos                               | 1/4/2021            |
| Clerk                             | Scott Thaden                             | 1/4/2021            |
| Treasurer                         | Tammy Barnes                             | 1/4/2021            |
| Director                          | Mary Amon                                | 1/2/2023            |
| Director                          | Jay Lawton                               | 1/2/2023            |
| Director                          | Michael O'Brien                          | 1/2/2023            |
| <u>Administration</u>             |  |                     |
| Superintendent                    | Dr. Jeff Holm                            |                     |
| Director of Business and Finance  | Pam Harrington<br>Resigned June 30, 2020 |                     |
| Director of Business and Finance  | Kathryn Haase<br>Appointed June 15, 2020 |                     |
| Director of Human Resources       | Liz Fischer                              |                     |
| Director of Teaching and Learning | Carrie Thomas                            |                     |

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## INDEPENDENT AUDITOR'S REPORT

To The Board of Education  
Independent School District #347  
Willmar, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *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.

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**Willmar Office**  
331 Third St SW, Ste 2  
PO Box 570  
Willmar, MN 56201  
(320) 235-3311  
(888) 388-1040

**Benson Office**  
1209 Pacific Ave, Ste 3  
Benson, MN 56215  
(320) 843-2302

**Morris Office**  
401 Atlantic Ave  
Morris, MN 56267  
(320) 589-2602

**Litchfield Office**  
820 Sibley Ave N  
Litchfield, MN 55355  
(320) 693-7975

**Sartell Office**  
Ste 110  
2351 Connecticut Ave  
Sartell, MN 56377  
(320) 252-7565  
(800) 862-1337

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Food Service and Community Service Special Revenue Funds 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 2019 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 14, 2019. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived. Refer to Note 20 of the Notes to the Financial Statements for additional information regarding the prior year partial comparative information.

## **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 for Pension Plans Administered through a Trust, the Schedule of Employer Contributions for Pension Plans Administered through a Trust, the Schedule of Changes in the District's Total Pension Liability for Pension Plans not Administered through a Trust and the Schedule of Changes in the District's Total OPEB Liability and Notes to Required Supplementary Information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 Board of Education and Administration page and the statements and 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The individual fund financial schedules, 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.



**Other Matters** (Cont'd)

*Supplementary and Other Information* (Cont'd)

The Board of Education 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 December 14, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Other Reporting Required by *Manual for Reporting Fund Accounting***

In accordance with Minnesota Statutes, we have also issued our report dated December 14, 2020, on our consideration of the District's compliance with provisions of the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49. The purpose of that report is to determine if the District has complied with Minnesota laws and regulations. That report is an integral part of an audit performed in the State of Minnesota.

*Conway, Deuth & Schmiesing, PLLP*

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

December 14, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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## INDEPENDENT SCHOOL DISTRICT #347

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

This section of Willmar Public Schools – Independent School District No. 347's (District) annual financial report presents management's discussion of the District's financial performance during the fiscal year (FY) ending June 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

The Management's Discussion and Analysis (MD&A) is an element of a reporting model required by the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes reporting requirements that include financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

#### FINANCIAL REVIEW

Key financial items for the 2019-2020 fiscal year include the following:

- The General Fund unassigned fund balance exceeded the School Board's fund balance minimum of 6% of expenditures with a fund balance of \$14,242,298, equivalent to 24.45% of expenditures. The unassigned fund balance was higher than the revised budget estimate of \$13,588,763 or 22.29% of budgeted expenditures.
- Net Position decreased 40.89% from the prior year mainly due to an overall net increase in the district's net pension liabilities, deferred outflow of resources, and deferred inflow of resources related to pensions.
- The combined Governmental Funds fund balance decreased by 12.92%, or \$3,305,251, mainly due to the ongoing project and completion of construction and deferred maintenance projects.
- The overall net decrease to the District's long-term liabilities was \$2,960,204, or 5.85% mainly due to the reduction in bonds payable as bond principal payments occur each year.
- Enrollment increased by 7 ADM's (Average Daily Membership) in FY 2020. The District is watching enrollment closely as the enrollment has slowly increased over the last 5 years. The average increase over the past 5 years was 53 students.
- The District's comprehensive annual financial report for the year ended June 30, 2019 was awarded the Certificate of Excellence in Financial Reporting from the Association of School Business Officials International (ASBO).

**INDEPENDENT SCHOOL DISTRICT #347**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of three parts. They are:

- Independent Auditor's Report,
- Required Supplementary Information, which includes the Management's Discussion and Analysis (this section), and
- Basic Financial Statements

The basic financial statements include two kinds of statements that present different views of the District:

- The **government-wide financial statements**, including the Statement of Net Position and the Statement of Activities, 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 District maintains three groups of fund financial statements. They are:
  - 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.
  - **Proprietary funds statements** offer **short** and **long-term** financial information about the activities the District operates like **businesses**.
  - **Fiduciary funds statements** provide information about the financial relationships in which the District acts solely as a **trustee or agent** for the benefit of others to whom the resources belong.

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

**Government-wide Statements**

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

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

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

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

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

**INDEPENDENT SCHOOL DISTRICT #347**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

***Fund Financial Statements***

The fund financial statements provide more detailed information about the District's **funds** – focusing on its most significant or “major” funds – rather than 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, such as a custodial fund to manage cash and other assets held by the District as the agent for others.

The District has three kinds of funds:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focus on: 1) how **cash and other financial assets** that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed **short-term** view that helps 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, additional information (reconciliation schedules) is provided following the governmental funds statements that explains the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary funds** – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's sole proprietary fund is an internal service fund.
  - The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities. The District currently has one internal service fund for the dental self-insurance program.
- **Fiduciary funds** – The District is a trustee, or fiduciary, for assets that belong to others, such as the Custodial Fund. The Custodial Fund accounts for funds used by a collaboration of districts for Achievement and Integration. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the government-wide financial statements because the District cannot use these assets to finance its operations.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

**Net Position.** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's *combined* net position was \$(11,223,669) on June 30, 2020. This was a decrease of 40.89% from the previous year (see Table A-1 below).

**Table A-1  
The District's Net Position**

|   | <u>Governmental Activities</u> |                       | <u>Percentage<br/>Change</u> |
|---|--------------------------------|-----------------------|------------------------------|
|   | <u>2020</u>                    | <u>2019</u>           |                              |
| Current and Other Assets                    | \$ 36,833,103                  | \$ 41,091,755         | -10.36%                      |
| Capital Assets                              | 66,612,885                     | 66,740,155            | -0.19%                       |
| <b>Total Assets</b>                         | <u>\$ 103,445,988</u>          | <u>\$ 107,831,910</u> | -4.07%                       |
| <b>Total Deferred Outflows of Resources</b> | <u>\$ 26,293,106</u>           | <u>\$ 37,576,730</u>  | -30.03%                      |
| Current Liabilities                         | \$ 7,211,952                   | \$ 8,138,483          | -11.38%                      |
| Long-Term Liabilities                       | 85,191,513                     | 87,998,328            | -3.19%                       |
| <b>Total Liabilities</b>                    | <u>\$ 92,403,465</u>           | <u>\$ 96,136,811</u>  | -3.88%                       |
| <b>Total Deferred Inflows of Resources</b>  | <u>\$ 48,559,298</u>           | <u>\$ 57,238,341</u>  | -15.16%                      |
| Net Position                                |                                |                       |                              |
| Net Investment in Capital Assets            | \$ 24,076,515                  | \$ 26,423,067         | -8.88%                       |
| Restricted                                  | 1,957,898                      | 2,263,778             | -13.51%                      |
| Unrestricted                                | <u>(37,258,082)</u>            | <u>(36,653,357)</u>   | -1.65%                       |
| <b>Total Net Position</b>                   | <u>\$ (11,223,669)</u>         | <u>\$ (7,966,512)</u> | -40.89%                      |

The largest portion of the District's net position, \$24,076,515, reflects its investment in capital assets (e.g., land, buildings and improvements, furniture, and equipment net of accumulated depreciation); less any related outstanding debt (such as general obligation bonds) used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position is primarily the District's unassigned fund balance offset by the liability for future severance and health benefits, which is not fully funded. The reason for this significant change is mainly due to an overall net increase in the district's Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources related to pensions. Refer to Note 9 of the financial statements for additional information.



**INDEPENDENT SCHOOL DISTRICT #347**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

A summary of the revenues and expenses for the last two fiscal years is presented in Table A-2 below.

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

|  | <b>Governmental Activities for the</b> |                       | <b>Percentage</b> |
|--|--|-----------------------|-------------------|
|  | <b>fiscal year ended June 30,</b>      |                       |                   |
|  | <b>2020</b>                            | <b>2019</b>           | <b>Change</b>     |
| <b>Revenues</b>                                      |  |                       |                   |
| Program Revenues                                     |  |                       |                   |
| Charges for Services                                 | \$ 2,211,080                           | \$ 3,139,007          | -29.56%           |
| Operating Grants and Contributions                   | 25,537,775                             | 24,318,198            | 5.02%             |
| Capital Grants and Contributions                     | 1,719,061                              | 1,673,737             | 2.71%             |
| General Revenues                                     |  |                       |                   |
| Property Taxes                                       | 7,957,604                              | 7,917,730             | 0.50%             |
| Unrestricted State Aid                               | 31,255,112                             | 31,990,594            | -2.30%            |
| Investment Earnings                                  | 288,136                                | 440,562               | -34.60%           |
| Gain on Sale of Assets                               | 3,403                                  | 84,710                | -95.98%           |
| Other  | 1,178                                  | 5,834                 | 100.00%           |
| Total Revenues                                       | <u>68,973,349</u>                      | <u>69,570,372</u>     | -0.86%            |
| <b>Expenses</b>                                      |  |                       |                   |
| Administration                                       | 2,544,476                              | 1,973,610             | 28.92%            |
| District Support Services                            | 1,928,491                              | 1,985,578             | -2.88%            |
| Regular Instruction                                  | 27,624,591                             | 20,748,887            | 33.14%            |
| Vocational Education Instruction                     | 1,072,009                              | 677,542               | 58.22%            |
| Special Education Instruction                        | 11,443,489                             | 8,618,229             | 32.78%            |
| Instructional Support Services                       | 3,559,248                              | 2,870,643             | 23.99%            |
| Pupil Support Services                               | 4,937,817                              | 4,419,586             | 11.73%            |
| Sites and Buildings                                  | 11,046,215                             | 10,951,735            | 0.86%             |
| Fiscal and Other Fixed Costs Programs                | 196,839                                | 195,273               | 0.80%             |
| Food Service   | 3,633,842                              | 3,316,156             | 9.58%             |
| Community Service                                    | 2,808,625                              | 2,472,430             | 13.60%            |
| Interest and Fiscal Charges on Long-Term Liabilities | 1,434,864                              | 1,474,846             | -2.71%            |
| Total Expenses                                       | <u>72,230,506</u>                      | <u>59,704,515</u>     | 20.98%            |
| <b>Change in Net Position</b>                        | (3,257,157)                            | 9,865,857             | 133.01%           |
| Beginning Net Position, as Originally Stated         | (7,966,512)                            | (18,045,424)          |                   |
| Prior Period Adjustment                              | -                                      | 213,055               |                   |
| Beginning Net Position, as Restated                  | <u>(7,966,512)</u>                     | <u>(17,832,369)</u>   | -55.33%           |
| Ending Net Position                                  | <u>\$ (11,223,669)</u>                 | <u>\$ (7,966,512)</u> | -40.89%           |

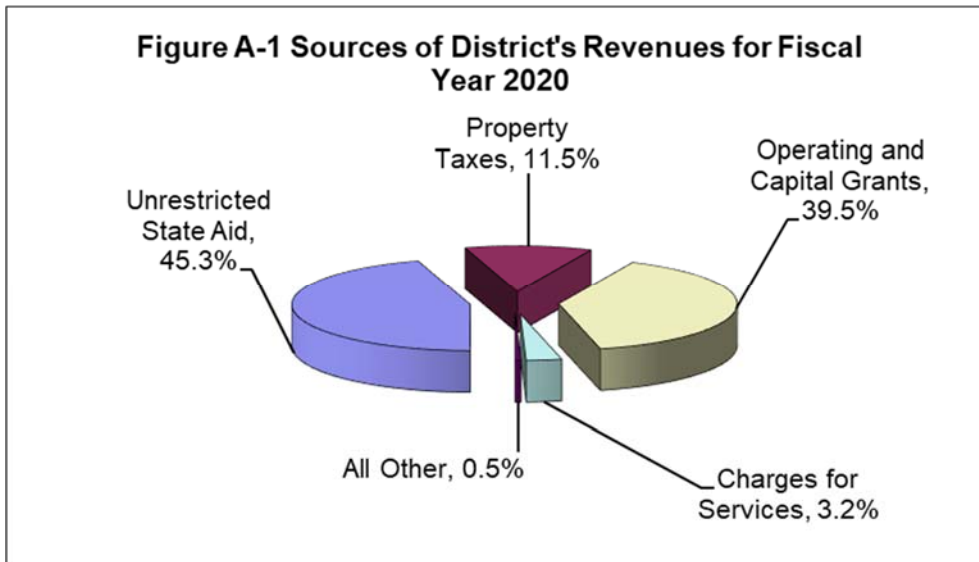
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

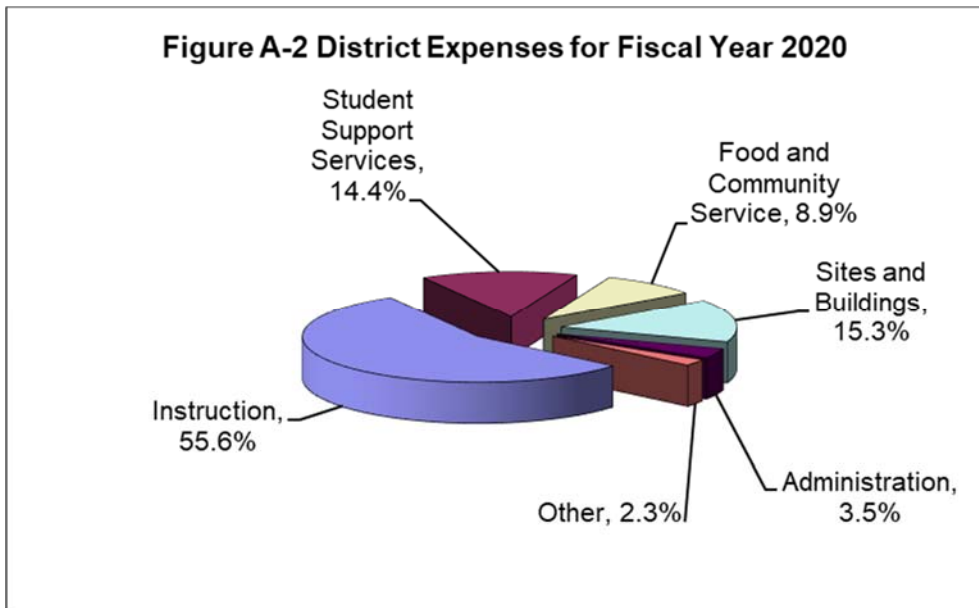
FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

**Changes in Net Position.** The District's total revenues were \$68,973,349 for the year ended June 30, 2020. This is a 0.86% decrease from the prior year's revenues.

Unrestricted state aid along with local property taxes accounted for 56.8% of the total revenue for the year (see Figure A-1 below). Another 42.7% came from restricted state, federal and local program revenues with a negligible amount from earnings on investments and other.



The District's total expenditures for programs and services were \$72,230,506 for the year ended June 30, 2020. This is a 20.98% increase from the prior year's expenses. The District's expenses are predominantly related to student education (70.0%). (See Figure A-2). The purely administrative activities of the District accounted for just 3.5% of total costs. Total expenses surpassed revenues, decreasing net position \$3,257,157 from last year.



**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

The net cost of all **governmental** activities is their total costs less program revenues applicable to each category. The total cost of all governmental activities for this year was \$72,230,506. Table A-3 presents the costs of twelve major District activities such as instruction, food service and others. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

- The users of the District's programs paid for 3.06%, or \$2,211,080 of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$27,256,836, or 37.74% of the total costs for 2019-2020.
- The remainder of the District's costs (\$42,762,590), however, were paid for by: 1) state taxpayers based on the statewide education aid formula, 2) by District taxpayers, and 3) by investment earnings.

**Table A-3  
Change in Net Position**

|  | <u>Total Cost of Services</u> |                      | <u>Percentage<br/>Change</u> | <u>Net Cost of Services</u> |                      | <u>Percentage<br/>Change</u> |
|--|-------------------------------|----------------------|------------------------------|-----------------------------|----------------------|------------------------------|
|  | <u>2020</u>                   | <u>2019</u>          |                              | <u>2020</u>                 | <u>2019</u>          |                              |
| Administration                                       | \$ 2,544,476                  | \$ 1,973,610         | 28.92%                       | \$ 2,539,976                | \$ 1,973,610         | 28.70%                       |
| District Support Services                            | 1,928,491                     | 1,985,578            | -2.88%                       | 1,791,143                   | 1,902,172            | -5.84%                       |
| Regular Instruction                                  | 27,624,591                    | 20,748,887           | 33.14%                       | 15,201,962                  | 8,136,856            | 86.83%                       |
| Vocational Education Instruction                     | 1,072,009                     | 677,542              | 58.22%                       | 985,024                     | 590,671              | 66.76%                       |
| Special Education Instruction                        | 11,443,489                    | 8,618,229            | 32.78%                       | 3,840,983                   | 1,042,017            | 268.61%                      |
| Instructional Support Services                       | 3,559,248                     | 2,870,643            | 23.99%                       | 2,231,465                   | 1,588,893            | 40.44%                       |
| Pupil Support Services                               | 4,937,817                     | 4,419,586            | 11.73%                       | 4,710,348                   | 4,331,568            | 8.74%                        |
| Sites and Buildings                                  | 11,046,215                    | 10,951,735           | 0.86%                        | 9,282,674                   | 9,186,298            | 1.05%                        |
| Fiscal and Other Fixed Costs Programs                | 196,839                       | 195,273              | 0.80%                        | 196,839                     | 195,273              | 0.80%                        |
| Food Service   | 3,633,842                     | 3,316,156            | 9.58%                        | (72,787)                    | 3,289                | -2313.04%                    |
| Community Service                                    | 2,808,625                     | 2,472,430            | 13.60%                       | 620,099                     | 148,080              | 318.76%                      |
| Interest and Fiscal Charges on Long-Term Liabilities | 1,434,864                     | 1,474,846            | -2.71%                       | 1,434,864                   | 1,474,846            | -2.71%                       |
| Total  | <u>\$ 72,230,506</u>          | <u>\$ 59,704,515</u> | 20.98%                       | <u>\$ 42,762,590</u>        | <u>\$ 30,573,573</u> | 39.87%                       |

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2019-2020 fiscal year, the District's governmental funds reported a **combined** fund balance of \$22,284,110, a 12.92% decrease from last year's ending fund balance of \$25,589,361 mainly due to payment out of the building construction fund for the progress and completion of construction projects.

Revenues for the District's governmental funds totaled \$68,964,667 while total expenditures were \$72,273,321. As a result, the District completed the year with an excess of expenditures over revenues and other financing sources of \$3,305,251. Discussion about each governmental fund follows. A summary of the revenues and expenditures reported on the governmental fund financial statements for the past two years appears in Table A-4 below:

**Table A-4  
Revenues and Expenditures - Governmental Funds**

|                        | 2020                 |                      |                                     | Fund Balance<br>Increase<br>(Decrease) |
|------------------------|----------------------|----------------------|-------------------------------------|--|
|                        | Revenues             | Expenditures         | Other<br>Financing<br>Sources(Uses) |  |
| General Fund           | \$ 58,781,671        | \$ 58,251,578        | \$ (76,221)                         | \$ 453,872                             |
| Food Service Fund      | 3,712,090            | 3,719,438            |                                     | (7,348)                                |
| Community Service Fund | 2,587,825            | 2,740,149            | 79,624                              | (72,700)                               |
| Building Construction  | 60,932               | 3,948,141            |                                     | (3,887,209)                            |
| Debt Service Fund      | 3,822,149            | 3,614,015            |                                     | 208,134                                |
| Totals                 | <u>\$ 68,964,667</u> | <u>\$ 72,273,321</u> | <u>\$ 3,403</u>                     | <u>\$ (3,305,251)</u>                  |
|                        | 2019                 |                      |                                     |  |
|                        | Revenues             | Expenditures         | Other<br>Financing<br>Sources(Uses) | Fund Balance<br>Increase<br>(Decrease) |
| General Fund           | \$ 59,525,045        | \$ 59,736,724        | \$ 707,457                          | \$ 495,778                             |
| Food Service Fund      | 3,323,937            | 3,649,598            | 8,837                               | (316,824)                              |
| Community Service Fund | 2,773,857            | 2,875,102            |                                     | (101,245)                              |
| Building Construction  | 187,735              | 4,072,128            |                                     | (3,884,393)                            |
| Debt Service Fund      | 3,673,067            | 3,462,415            |                                     | 210,652                                |
| Totals                 | <u>\$ 69,483,641</u> | <u>\$ 73,795,967</u> | <u>\$ 716,294</u>                   | <u>\$ (3,596,032)</u>                  |

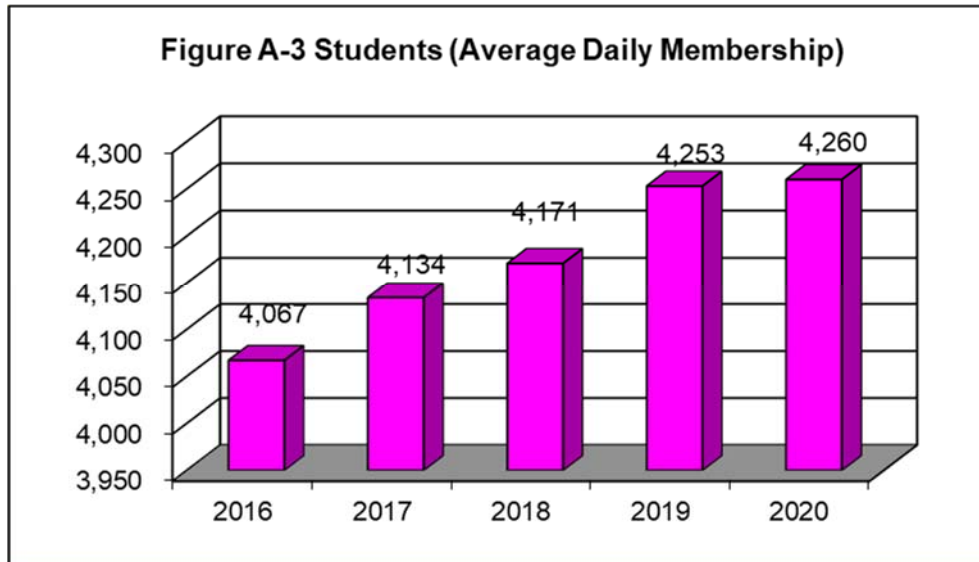
INDEPENDENT SCHOOL DISTRICT #347

MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020

**GENERAL FUND**

The General Fund is used by the District to record the primary operations of providing educational services to students from pre-kindergarten through grade 12. Pupil transportation activities, student activity funds, and capital and major maintenance projects are also included in the General Fund.

**Enrollment.** Funding for Minnesota school districts is largely driven by enrollment. The District had fairly stable enrollment over the last few years with small increases in enrollment from year to year as seen in Figure A-3 below. The District expects enrollment to increase or decrease slightly each year as continued growth is uncertain.



In general, the District has been experiencing slow but steady increasing enrollment. However, the District faces typical enrollment challenges from open enrollment options, dropouts and competition from local private schools, public charter school and home schooling options.

Looking into the near future, there is enrollment uncertainty due to the COVID-19 pandemic. This uncertainty exists in public schools in Minnesota and throughout the nation. Until the public health crisis is resolved, some families are choosing to home school or shift to nonpublic school options. Beyond the potential negative enrollment impact of the pandemic, local demographic trends continue to point to a level or a very slightly increased enrollment trend.

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

The following table presents a summary of General Fund revenues:

**Table A-5  
General Fund Revenues**

| <b>Sources</b>                       | <b>Year Ended June 30,</b> |                      | <b>Amount<br/>Difference</b> | <b>Percentage<br/>Change</b> |
|--------------------------------------|----------------------------|----------------------|------------------------------|------------------------------|
|                                      | <b>2020</b>                | <b>2019</b>          |                              |                              |
| Local Sources                        |                            |                      |                              |                              |
| Property Taxes                       | \$ 4,099,772               | \$ 4,219,114         | \$ (119,342)                 | -2.83%                       |
| Interest Earnings                    | 190,508                    | 208,287              | (17,779)                     | -8.54%                       |
| Other                                | 1,561,661                  | 2,289,444            | (727,783)                    | -31.79%                      |
| State Sources                        | 50,759,364                 | 50,477,193           | 282,171                      | 0.56%                        |
| Federal Sources                      | 2,095,746                  | 2,308,406            | (212,660)                    | -9.21%                       |
| Sales and Other Conversion of Assets | 74,620                     | 22,601               | 52,019                       | 230.16%                      |
| <b>Total General Fund Revenues</b>   | <b>\$ 58,781,671</b>       | <b>\$ 59,525,045</b> | <b>\$ (743,374)</b>          | <b>-1.25%</b>                |

Total General Fund revenue decreased \$743,374, or 1.25%, from the previous year. The decrease to property taxes is due to a Long-Term Facilities Maintenance adjustment in FY 20 that did not occur in FY 19 related to a Middle School sprinkler project. Interest earnings decreased as interest rates continued to decline during the year. Other local sources decreased mainly due to lower receipts in student activity funds and athletic programs due to the COVID-19 pandemic, as well as medical assistance/third party billing revenue being down from the prior year. Basic general education revenue is determined by the state per student funding formula. State aid increased because of increased enrollment and increases to funding formulas. Federal sources decreased because the 21<sup>st</sup> Century grant at the Middle School ended in 2019.

The following table presents a summary of General Fund expenditures:

**Table A-6  
General Fund Expenditures**

| <b>Expenditures</b>                    | <b>Year Ended June 30,</b> |                      | <b>Amount<br/>Difference</b> | <b>Percentage<br/>Change</b> |
|--|----------------------------|----------------------|------------------------------|------------------------------|
|  | <b>2020</b>                | <b>2019</b>          |                              |                              |
| Salaries                               | \$ 33,009,730              | \$ 32,535,231        | \$ 474,499                   | 1.46%                        |
| Employee Benefits                      | 10,793,970                 | 10,356,277           | 437,693                      | 4.23%                        |
| Purchased Services                     | 8,935,801                  | 8,722,951            | 212,850                      | 2.44%                        |
| Supplies and Materials                 | 2,358,494                  | 2,399,106            | (40,612)                     | -1.69%                       |
| Capital Expenditures                   | 2,729,205                  | 3,896,621            | (1,167,416)                  | -29.96%                      |
| Other Expenditures                     | 424,378                    | 1,826,538            | (1,402,160)                  | -76.77%                      |
| <b>Total General Fund Expenditures</b> | <b>\$ 58,251,578</b>       | <b>\$ 59,736,724</b> | <b>\$ (1,485,146)</b>        | <b>-2.49%</b>                |

**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

Total General Fund expenditures decreased \$1,485,146 or 2.49% from the previous year.

Salaries increased primarily due to salary and wage increases for 2019-20 along with some staffing changes. Employee Benefits increased in part due to those benefits that are tied to salaries, so as salaries increase so do those benefits (FICA, TRA, PERA, etc.). In addition, other benefits are driven mainly by employee benefits choices, such as, health insurance and 403(b).

Purchased Services increased due to a shift to utilizing a third party service for substitutes rather than hiring them directly through the district.

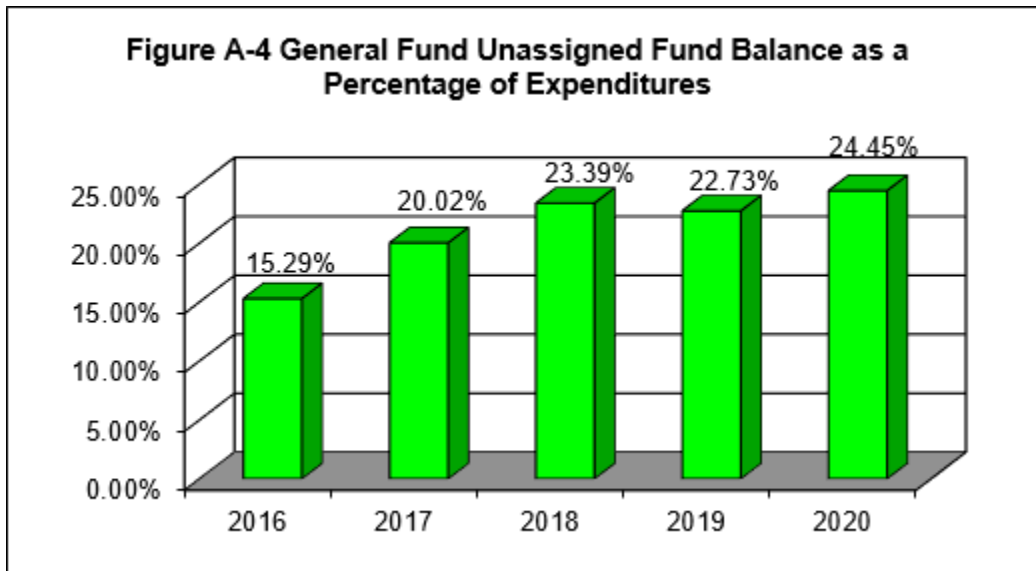
Supplies and Materials purchases were down slightly from the prior year because fewer supplies were purchased in the spring when schools were shut down for in-person learning due to the COVID-19 pandemic.

Capital Expenditures are much lower than the prior year as the District completed some large deferred maintenance projects in the prior year that were funded, in part, by the General Fund.

The District is required to record additional pension expense related to support it receives from the State of Minnesota for the TRA special funding situation per GASB 68. The District does not actually pay this expense and there is an offsetting revenue recorded so the net impact to fund balance is zero.

In summary, 2019-2020 General Fund revenues and other financing sources were more than General Fund expenditures by \$453,872. As a result, the total fund balance is \$17,743,926 at June 30, 2020. After deducting statutory reserves, committed constraints, assigned and nonspendable items, the unassigned fund balance increased from \$13,579,382 on June 30, 2019 to \$14,242,298 on June 30, 2020.

Figure A-4, below, depicts the General Fund unassigned fund balance as a percentage of expenditures for fiscal years 2016 – 2020:



The graph above describing the District's unassigned fund balance trend, offers the single best measure of the District's overall financial health. The unassigned fund balance of \$14,242,298 on June 30, 2020 represents 24.45% of annual expenditures.

## INDEPENDENT SCHOOL DISTRICT #347

### MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2020

#### **GENERAL FUND (CONTINUED)**

The District closely monitors the General Fund unassigned fund balance through use of a detailed financial planning model, initiating necessary budget revisions during the year and with monthly budget analysis. The School Board has adopted a formal fund balance policy to maintain a minimum 6 percent (as a percentage of expenditures) fund balance in the General Fund unassigned fund.

#### ***General Fund Budgetary Highlights***

The District is required to adopt an operating budget prior to the beginning of its fiscal year (July 1). Over the course of the year, the District revised the annual operating budget once. The budget amendment usually falls into two categories:

- Implementing budgets for specially funded projects, which may include grants, adjusting staffing and various instructional building allocations based on enrollment, and budgeting for certain unspent funds that are required to be carried over from fiscal year 2019.
- Changes in appropriations for significant unbudgeted costs.
- While the District's final budget for the General Fund anticipated that expenditures and other financing uses would be greater than revenues by \$589,499, the actual results for the year show that revenues and other financing sources were greater than expenditures by \$453,872. Actual adjusted pupil units (APU), which drives general basic aid, was 31.85 APU or 0.69% higher than budgeted. Expenditures were lower than expected due to the closures related to the COVID-19 pandemic. Utilities expenditures were lower as buildings closed, extended time for staff that would normally occur for summer school did not happen, and conferences/travel for staff and students did not occur.

#### **FOOD SERVICE FUND**

The Food Service Fund revenue for 2019-20 totaled \$3,712,090 and expenditures were \$3,719,438, resulting in a fund balance decrease of \$7,348. The June 30, 2020 Food Service Fund fund balance is \$785,085. The Food Service Fund is anticipating the fund balance to decline due to the additional costs and uncertain participation rates associated with feeding students in changing learning models during the COVID-19 pandemic.

#### **COMMUNITY SERVICE FUND**

In 2019-20, total revenues for the Community Service Fund were \$2,587,825 and total expenditures were \$2,740,149. There was also a fund balance transfer from General Fund to the Community Service Fund of \$79,624 due to the impact of the COVID-19 pandemic. The combination of these factors resulted in a fund balance decrease of \$72,700. The Community Service fund balance as of June 30, 2020 is \$727,593. Community Service continues to monitor the fund balance and make adjustments that allow for the optimal level of programming for the District.

#### **BUILDING CONSTRUCTION FUND**

The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District received the bond proceeds in August 2015. The Building Construction fund balance as of June 30, 2020 is \$2,247,108. The District has continued progress on the project.

#### **DEBT SERVICE FUND**

Revenues and expenditures for the District's Debt Service Fund are tied directly to the District's bond principal and interest payment schedule. The Debt Service Fund revenues exceeded expenditures by \$208,134 in 2019-20. The Debt Service fund balance as of June 30, 2020 is \$780,398. This fund balance is only available for meeting future debt service obligations.



**INDEPENDENT SCHOOL DISTRICT #347**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2020, the District had net capital assets of \$66,612,885 representing a broad range of capital assets, including school buildings, computer and audio-visual equipment, and other equipment for various instructional programs (see Table A-7 below). Total depreciation expense for the year was \$2,378,549. Detailed information about capital assets is in Note 5 to the financial statements.

**Table A-7  
The District's Capital Assets**

| <b>Assets</b>                        | <b>Year Ended June 30,</b>  |                             | <b>Percentage Change</b> |
|--------------------------------------|-----------------------------|-----------------------------|--------------------------|
|                                      | <b>2020</b>                 | <b>2019</b>                 |                          |
| Capital Assets Not Being Depreciated | \$ 2,896,852                | \$ 2,186,156                | 32.51%                   |
| Land Improvements                    | 5,547,686                   | 4,775,681                   | 16.17%                   |
| Buildings and Improvements           | 85,682,159                  | 85,643,042                  | 0.05%                    |
| Equipment                            | 8,334,490                   | 9,127,242                   | -8.69%                   |
| Less: Accumulated Depreciation       | <u>(35,848,302)</u>         | <u>(34,991,966)</u>         | 2.45%                    |
| <b>Total Net Capital Assets</b>      | <b><u>\$ 66,612,885</u></b> | <b><u>\$ 66,740,155</u></b> | <b>-0.19%</b>            |

**Construction Plans**

The District passed a bond referendum in May 2015 for the construction of a new elementary school, an addition on the Middle School, an addition to the Senior High, remodeling projects and deferred maintenance work. The District received the bond proceeds in August 2015. In FY 2017, the Middle School science addition and enclosure of the courtyard was completed. Deferred maintenance projects including electrical switch gear replacement at Kennedy Elementary, reroofing the Senior High, Roosevelt Elementary and Kennedy Elementary began in FY 2017 and were completed in FY 2018. In FY 2018, the Senior High addition and Lakeland Elementary were completed. Kennedy windows and door replacement was started in FY 2018. In FY 2019, Kennedy window and door replacement continued along with HVAC and other deferred maintenance projects. In FY20, there were renovations at Kennedy and the Senior High.

**Long-term Liabilities**

At year-end, the District had \$45,285,733 in general obligation bonds outstanding including bond premium. The District issued a capital lease payable in FY 2019 to pay for iPads as shown in Table A-8. The District also has \$2,183,085 in compensated absences payable at June 30, 2020. Compensated absences payable consists of unused vacation at June 30, 2020 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, vacation expense has been paid by the General, Food Service, and the Community Service Funds. Overall, the District's outstanding long-term liabilities decreased by 5.85% in fiscal year 2020. Detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.

**INDEPENDENT SCHOOL DISTRICT #347**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

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

| <b>Long-Term Liabilities</b> | <b>Beginning Balance</b> | <b>Additions</b>  | <b>Reductions</b>     | <b>Ending Balance</b> | <b>Due Within One Year</b> |
|------------------------------|--------------------------|-------------------|-----------------------|-----------------------|----------------------------|
| Bonds Payable                | \$ 46,425,000            | \$                | \$ (2,100,000)        | \$ 44,325,000         | \$ 2,145,000               |
| Bond Premium                 | 1,022,384                |                   | (61,651)              | 960,733               | 61,651                     |
| Capital Lease                | 417,935                  |                   | (207,422)             | 210,513               | 210,513                    |
| Compensated Absences Payable | 2,774,216                | 276,361           | (867,492)             | 2,183,085             | 347,098                    |
| <b>Total</b>                 | <b>\$ 50,639,535</b>     | <b>\$ 276,361</b> | <b>\$ (3,236,565)</b> | <b>\$ 47,679,331</b>  | <b>\$ 2,764,262</b>        |

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

With the exception of a voter-approved operating referendum, the District is dependent on the State of Minnesota for its revenue authority.

There is a \$129 (2.0%) increase to the general fund basic formula for FY 2021. Voluntary Pre-K (VPK) funding began in FY 2017 as was renewed through FY 2021. The District is expected to complete the referendum projects in FY 2021. Long-Term Facilities Maintenance funding became available in FY 2017 when the state combined Health & Safety, Deferred Maintenance and Alternative Facilities funding along with an additional increase. The funding has very specific uses and will help the District maintain its buildings.

The ongoing COVID-19 pandemic will cause challenges to enrollment and staffing if conditions persist that make it challenging to serve students on site in district buildings.

The District will strive to maintain its longstanding commitment to academic excellence and educational opportunity for students within a framework of financial fiduciary responsibility.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Business Office, Independent School District 347, 611 5<sup>th</sup> St SW, Willmar, MN 56201-3297, visit the Finance section of the District website at [www.willmar.k12.mn.us](http://www.willmar.k12.mn.us) (click on Departments and Finance), or contact Kathryn Haase, Director of Business and Finance, at [haasek@willmar.k12.mn.us](mailto:haasek@willmar.k12.mn.us) or 320-231-8511.

## BASIC FINANCIAL STATEMENTS

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INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION

JUNE 30, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | Governmental Activities |                       |
|--|-------------------------|-----------------------|
|  | 2020                    | 2019                  |
| <b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>                   |                         |                       |
| <b>Assets</b>  |                         |                       |
| Cash and Investments   | \$ 24,965,387           | \$ 28,910,427         |
| Receivables  |                         |                       |
| Property Taxes   | 4,478,500               | 3,992,473             |
| Other Governments  | 6,672,549               | 7,718,864             |
| Other  | 81,425                  | 160,032               |
| Due from Custodial Fund  | 28,218                  | 15,884                |
| Prepaid Items  | 493,699                 | 248,293               |
| Inventories  | 113,325                 | 45,782                |
| Capital Assets   |                         |                       |
| Assets Not Being Depreciated                                       | 2,896,852               | 2,186,156             |
| Other Capital Assets, Net of Depreciation                          | 63,716,033              | 64,553,999            |
| Total Assets   | <u>103,445,988</u>      | <u>107,831,910</u>    |
| Deferred Outflows of Resources                                     | <u>26,293,106</u>       | <u>37,576,730</u>     |
| Total Assets and Deferred Outflows of Resources                    | <u>\$ 129,739,094</u>   | <u>\$ 145,408,640</u> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b> |                         |                       |
| <b>Liabilities</b>   |                         |                       |
| Salaries and Wages Payable   | \$ 4,968,781            | \$ 4,893,936          |
| Accounts and Contracts Payable                                     | 1,492,261               | 2,363,354             |
| Due to Other Governmental Units                                    | 57,818                  | 137,372               |
| Accrued Interest Payable   | 611,913                 | 629,413               |
| Unearned Revenue   | 81,179                  | 114,408               |
| Long-Term Liabilities  |                         |                       |
| Net Pension Liability  | 34,883,891              | 33,407,193            |
| Total OPEB Liability   | 2,628,291               | 3,951,600             |
| Other Long-Term Liabilities Due Within One Year                    | 2,764,262               | 2,765,138             |
| Other Long-Term Liabilities Due in More Than One Year              | 44,915,069              | 47,874,397            |
| Total Liabilities  | <u>92,403,465</u>       | <u>96,136,811</u>     |
| Deferred Inflows of Resources                                      | 48,559,298              | 57,238,341            |
| Net Position   |                         |                       |
| Net Investment in Capital Assets                                   | 24,076,515              | 26,423,067            |
| Restricted for   |                         |                       |
| Operating Capital Purposes   | 128,752                 | 95,379                |
| State-Mandated Reserves  | 1,407,057               | 2,015,992             |
| Student Activities   | 191,947                 | 119,954               |
| Scholarship  | 31,974                  | 32,453                |
| Debt Service   | 198,168                 |                       |
| Unrestricted   | <u>(37,258,082)</u>     | <u>(36,653,357)</u>   |
| Total Net Position   | <u>(11,223,669)</u>     | <u>(7,966,512)</u>    |
| Total Liabilities, Deferred Inflows of Resources and Net Position  | <u>\$ 129,739,094</u>   | <u>\$ 145,408,640</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|   | 2020                 |                         |  | 2019   |  |                            |
|---|----------------------|-------------------------|--|--|--|----------------------------|
|   | Expenses             | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |                            |
|   |                      | Charges<br>for Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions                     | Governmental<br>Activities                                 | Governmental<br>Activities |
| <b>GOVERNMENTAL ACTIVITIES</b>                              |                      |                         |  |  |  |                            |
| Administration  | \$ 2,544,476         | \$                      | \$ 4,500                                 | \$   | \$ (2,539,976)   | \$ (1,973,610)             |
| District Support Services                                   | 1,928,491            |                         | 137,348                                  |  | (1,791,143)  | (1,902,172)                |
| Regular Instruction   | 27,624,591           | 746,419                 | 11,676,210                               |  | (15,201,962)   | (8,136,856)                |
| Vocational Education Instruction                            | 1,072,009            | (281)                   | 87,266                                   |  | (985,024)  | (590,671)                  |
| Special Education Instruction                               | 11,443,489           | 339,302                 | 7,263,204                                |  | (3,840,983)  | (1,042,017)                |
| Instructional Support Services                              | 3,559,248            | 7,814                   | 1,319,969                                |  | (2,231,465)  | (1,588,893)                |
| Pupil Support Services                                      | 4,937,817            |                         | 227,469                                  |  | (4,710,348)  | (4,331,568)                |
| Sites and Buildings   | 11,046,215           | 31,823                  | 12,657                                   | 1,719,061  | (9,282,674)  | (9,186,298)                |
| Fiscal and Other Fixed Costs Programs                       | 196,839              |                         |  |  | (196,839)  | (195,273)                  |
| Food Service  | 3,633,842            | 523,131                 | 3,183,498                                |  | 72,787   | (3,289)                    |
| Community Service   | 2,808,625            | 562,872                 | 1,625,654                                |  | (620,099)  | (148,080)                  |
| Interest and Fiscal Charges on Long-Term Liabilities        | 1,434,864            |                         |  |  | (1,434,864)  | (1,474,846)                |
| <b>Total Governmental Activities</b>                        | <b>\$ 72,230,506</b> | <b>\$ 2,211,080</b>     | <b>\$ 25,537,775</b>                     | <b>\$ 1,719,061</b>  | <b>(42,762,590)</b>  | <b>(30,573,573)</b>        |
| <b>GENERAL REVENUES</b>                                     |                      |                         |  |  |  |                            |
| Property Taxes Levied for                                   |                      |                         |  |  |  |                            |
| General Purposes  |                      |                         |  |  | 4,100,754  | 4,218,005                  |
| Community Service   |                      |                         |  |  | 381,016  | 374,278                    |
| Debt Service  |                      |                         |  |  | 3,475,834  | 3,325,447                  |
| State Aid not Restricted to Specific Purposes               |                      |                         |  |  | 31,255,112   | 31,990,594                 |
| Interest Earnings   |                      |                         |  |  | 288,136  | 440,562                    |
| Gain on Sale of Assets                                      |                      |                         |  |  | 3,403  | 84,710                     |
| Miscellaneous   |                      |                         |  |  | 1,178  | 5,834                      |
| <b>Total General Revenues</b>                               |                      |                         |  |  | <b>39,505,433</b>  | <b>40,439,430</b>          |
| <b>Change in Net Position</b>                               |                      |                         |  |  | <b>(3,257,157)</b>   | <b>9,865,857</b>           |
| <b>NET POSITION, BEGINNING OF YEAR AS ORIGINALLY STATED</b> |                      |                         |  |  | <b>(7,966,512)</b>   | <b>(18,045,424)</b>        |
| <b>PRIOR PERIOD ADJUSTMENT</b>                              |                      |                         |  |  |  | <b>213,055</b>             |
| <b>NET POSITION, BEGINNING OF YEAR AS RESTATED</b>          |                      |                         |  |  | <b>(7,966,512)</b>   | <b>(17,832,369)</b>        |
| <b>NET POSITION, END OF YEAR</b>                            |                      |                         |  |  | <b>\$ (11,223,669)</b>                                     | <b>\$ (7,966,512)</b>      |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | General              | Food<br>Service     | Community<br>Service | Building<br>Construction | Debt<br>Service     | Total Governmental Funds |                      |
|--|----------------------|---------------------|----------------------|--------------------------|---------------------|--------------------------|----------------------|
|  |                      |                     |                      |                          |                     | 2020                     | 2019                 |
| <b>ASSETS</b>  |                      |                     |                      |                          |                     |                          |                      |
| Cash and Investments   | 18,464,994           | \$ 463,991          | \$ 899,891           | \$ 2,749,363             | \$ 2,306,116        | \$ 24,884,355            | 28,843,734           |
| Receivables  |                      |                     |                      |                          |                     |                          |                      |
| Current Property Taxes   | 2,138,559            |                     | 208,460              |                          | 2,062,462           | 4,409,481                | 3,928,472            |
| Delinquent Property Taxes  | 35,943               |                     | 3,393                |                          | 29,683              | 69,019                   | 64,001               |
| Due from Other Minnesota School Districts                                    | 533,186              | 29,904              |                      |                          |                     | 563,090                  | 595,527              |
| Due from Minnesota Department of Education                                   | 4,985,476            | 63,839              | 124,189              |                          | 32,898              | 5,206,402                | 6,185,543            |
| Due from Federal through Minnesota Department of Education                   | 328,920              | 539,763             | 2,560                |                          |                     | 871,243                  | 692,037              |
| Due from Other Governmental Units  | 20,582               |                     | 11,232               |                          |                     | 31,814                   | 245,757              |
| Other Receivables  | 67,090               | 14,335              |                      |                          |                     | 81,425                   | 160,032              |
| Due from Other Funds   | 28,218               |                     | 19,810               |                          |                     | 48,028                   | 47,966               |
| Prepaid Items  | 481,641              | 1,702               | 9,496                | 860                      |                     | 493,699                  | 248,293              |
| Inventories  | 60,257               | 53,068              |                      |                          |                     | 113,325                  | 45,782               |
| <b>Total Assets</b>  | <b>\$ 27,144,866</b> | <b>\$ 1,166,602</b> | <b>\$ 1,279,031</b>  | <b>\$ 2,750,223</b>      | <b>\$ 4,431,159</b> | <b>\$ 36,771,881</b>     | <b>\$ 41,057,144</b> |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCE</b>       |                      |                     |                      |                          |                     |                          |                      |
| <b>Liabilities</b>   |                      |                     |                      |                          |                     |                          |                      |
| Salaries and Wages Payable   | \$ 4,799,872         | \$ 36,107           | \$ 132,802           | \$                       | \$                  | \$ 4,968,781             | 4,893,936            |
| Accounts and Contracts Payable   | 703,943              | 266,229             | 5,369                | 503,115                  |                     | 1,478,656                | 2,355,775            |
| Due to Other Governmental Units  | 47,240               | 2                   | 10,576               |                          |                     | 57,818                   | 137,372              |
| Due to Other Funds   | 19,810               |                     |                      |                          |                     | 19,810                   | 32,082               |
| Unearned Revenue   | 550                  | 79,179              | 1,450                |                          |                     | 81,179                   | 114,408              |
| <b>Total Liabilities</b>   | <b>5,571,415</b>     | <b>381,517</b>      | <b>150,197</b>       | <b>503,115</b>           | <b>0</b>            | <b>6,606,244</b>         | <b>7,533,573</b>     |
| <b>Deferred Inflows of Resources</b>   |                      |                     |                      |                          |                     |                          |                      |
| Property Taxes Levied for Subsequent Year's Expenditures                     | 3,793,582            |                     | 397,848              |                          | 3,621,078           | 7,812,508                | 7,870,209            |
| Unavailable Revenue - Delinquent Property Taxes                              | 35,943               |                     | 3,393                |                          | 29,683              | 69,019                   | 64,001               |
| <b>Total Deferred Inflows of Resources</b>                                   | <b>3,829,525</b>     | <b>0</b>            | <b>401,241</b>       | <b>0</b>                 | <b>3,650,761</b>    | <b>7,881,527</b>         | <b>7,934,210</b>     |
| <b>Fund Balance</b>  |                      |                     |                      |                          |                     |                          |                      |
| Nonspendable   | 541,898              | 1,702               | 9,496                | 860                      |                     | 553,956                  | 257,329              |
| Restricted   | 1,759,730            | 783,383             | 718,097              | 2,246,248                | 780,398             | 6,287,856                | 10,552,650           |
| Committed  | 1,200,000            |                     |                      |                          |                     | 1,200,000                | 1,200,000            |
| Unassigned   | 14,242,298           |                     |                      |                          |                     | 14,242,298               | 13,579,382           |
| <b>Total Fund Balance</b>  | <b>17,743,926</b>    | <b>785,085</b>      | <b>727,593</b>       | <b>2,247,108</b>         | <b>780,398</b>      | <b>22,284,110</b>        | <b>25,589,361</b>    |
| <b>Total Liabilities, Deferred Inflows of Resources<br/>and Fund Balance</b> | <b>\$ 27,144,866</b> | <b>\$ 1,166,602</b> | <b>\$ 1,279,031</b>  | <b>\$ 2,750,223</b>      | <b>\$ 4,431,159</b> | <b>\$ 36,771,881</b>     | <b>\$ 41,057,144</b> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | <u>2020</u>            | <u>2019</u>           |
|--|------------------------|-----------------------|
| Total Fund Balances - Governmental Funds   | \$ 22,284,110          | \$ 25,589,361         |
| Amounts reported for governmental activities in the Statement of Net Position are different because:   |                        |                       |
| Capital assets used in governmental funds are not financial resources and therefore are not reported as assets in the governmental funds. Those assets consist of:   |                        |                       |
| Land and Construction in Progress  | 2,896,852              | 2,186,156             |
| Land Improvements, Net of Accumulated Depreciation   | 3,059,055              | 1,952,804             |
| Buildings and Improvements, Net of Accumulated Depreciation  | 55,155,082             | 56,825,301            |
| Equipment and Vehicles, Net of Accumulated Depreciation  | 5,501,896              | 5,775,894             |
| Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.  | 69,019                 | 64,001                |
| Interest on long-term liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.   | (611,913)              | (629,413)             |
| Internal service funds are used by management to charge the costs associated with Delta Dental Insurance. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Position.  | 67,427                 | 59,114                |
| 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   | 26,168,159             | 37,438,319            |
| Deferred Inflows of Resources Related to Pensions  | (39,463,370)           | (49,347,318)          |
| 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   | 124,947                | 138,411               |
| Deferred Inflows of Resources Related to OPEB  | (1,283,420)            | (20,814)              |
| Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Position. Balances at year-end are: |                        |                       |
| Bonds Payable  | (44,325,000)           | (46,425,000)          |
| Unamortized Premium  | (960,733)              | (1,022,384)           |
| Capital Lease  | (210,513)              | (417,935)             |
| Compensated Absences Payable   | (2,183,085)            | (2,774,216)           |
| Total OPEB Liability   | (2,628,291)            | (3,951,600)           |
| Net Pension Liability  | (34,883,891)           | (33,407,193)          |
| Total Net Position - Governmental Activities   | <u>\$ (11,223,669)</u> | <u>\$ (7,966,512)</u> |

See Accompanying Notes to the Financial Statements



INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | General      | Food Service | Community Service | Building Construction | Debt Service | Total Governmental Funds |             |
|--|--------------|--------------|-------------------|-----------------------|--------------|--------------------------|-------------|
|  |              |              |                   |                       |              | 2020                     | 2019        |
| <b>REVENUES</b>  |              |              |                   |                       |              |                          |             |
| Local Sources  |              |              |                   |                       |              |                          |             |
| Property Taxes   | \$ 4,099,772 | \$           | \$ 380,896        | \$                    | \$ 3,471,918 | \$ 7,952,586             | 7,916,253   |
| Interest Earnings  | 190,508      | 5,461        | 9,724             | 60,932                | 21,250       | 287,875                  | 439,415     |
| Other  | 1,561,661    | 667,578      | 757,502           |                       |              | 2,986,741                | 3,961,035   |
| State Sources  | 50,759,364   | 221,271      | 1,398,546         |                       | 328,981      | 52,708,162               | 52,407,757  |
| Federal Sources  | 2,095,746    | 2,817,780    | 38,076            |                       |              | 4,951,602                | 4,736,580   |
| Sales and Other Conversion of Assets                         | 74,620       |              | 3,081             |                       |              | 77,701                   | 22,601      |
| Total Revenues   | 58,781,671   | 3,712,090    | 2,587,825         | 60,932                | 3,822,149    | 68,964,667               | 69,483,641  |
| <b>EXPENDITURES</b>  |              |              |                   |                       |              |                          |             |
| Current  |              |              |                   |                       |              |                          |             |
| Administration   | 2,472,298    |              |                   |                       |              | 2,472,298                | 2,478,870   |
| District Support Services                                    | 1,904,746    |              |                   |                       |              | 1,904,746                | 1,952,892   |
| Regular Instruction  | 25,138,720   |              |                   |                       |              | 25,138,720               | 26,282,799  |
| Vocational Education Instruction                             | 982,243      |              |                   |                       |              | 982,243                  | 938,906     |
| Special Education Instruction                                | 11,087,799   |              |                   |                       |              | 11,087,799               | 10,439,051  |
| Instructional Support Services                               | 3,446,289    |              |                   |                       |              | 3,446,289                | 3,470,990   |
| Pupil Support Services                                       | 4,829,535    |              | 33,351            |                       |              | 4,862,886                | 4,623,705   |
| Sites and Buildings  | 5,463,902    |              |                   |                       |              | 5,463,902                | 5,486,607   |
| Fiscal and Other Fixed Costs Programs                        | 196,839      |              |                   |                       |              | 196,839                  | 195,273     |
| Food Service   |              | 3,616,551    |                   |                       |              | 3,616,551                | 3,262,565   |
| Community Service  |              |              | 2,704,981         |                       |              | 2,704,981                | 2,836,033   |
| Capital Outlay   | 2,729,207    | 102,887      | 1,817             | 3,948,141             |              | 6,782,052                | 8,365,861   |
| Debt Service   |              |              |                   |                       |              |                          |             |
| Principal  |              |              |                   |                       | 2,100,000    | 2,100,000                | 1,910,000   |
| Interest and Fiscal Charges                                  |              |              |                   |                       | 1,514,015    | 1,514,015                | 1,552,415   |
| Total Expenditures   | 58,251,578   | 3,719,438    | 2,740,149         | 3,948,141             | 3,614,015    | 72,273,321               | 73,795,967  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | 530,093      | (7,348)      | (152,324)         | (3,887,209)           | 208,134      | (3,308,654)              | (4,312,326) |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|   | General              | Food Service      | Community Service | Building Construction | Debt Service      | Total Governmental Funds |                      |
|---|----------------------|-------------------|-------------------|-----------------------|-------------------|--------------------------|----------------------|
|   |                      |                   |                   |                       |                   | 2020                     | 2019                 |
| OTHER FINANCING SOURCES (USES)                          |                      |                   |                   |                       |                   |                          |                      |
| Transfer from Other Funds                               |                      |                   | 79,624            |                       |                   | 79,624                   |                      |
| Transfer to Other Funds                                 | (79,624)             |                   |                   |                       |                   | (79,624)                 |                      |
| Issuance of Capital Lease                               |                      |                   |                   |                       |                   |                          | 631,584              |
| Sale of Equipment                                       | 3,403                |                   |                   |                       |                   | 3,403                    | 84,710               |
| Total Other Financing Sources (Uses)                    | <u>(76,221)</u>      | <u>0</u>          | <u>79,624</u>     | <u>0</u>              | <u>0</u>          | <u>3,403</u>             | <u>716,294</u>       |
| Net Change in Fund Balances                             | 453,872              | (7,348)           | (72,700)          | (3,887,209)           | 208,134           | (3,305,251)              | (3,596,032)          |
| FUND BALANCE, BEGINNING OF YEAR<br>AS ORIGINALLY STATED | 17,290,054           | 792,433           | 800,293           | 6,134,317             | 572,264           | 25,589,361               | 28,972,338           |
| PRIOR PERIOD ADJUSTMENT                                 |                      |                   |                   |                       |                   |                          | 213,055              |
| FUND BALANCE, BEGINNING OF YEAR,<br>AS RESTATED         | <u>17,290,054</u>    | <u>792,433</u>    | <u>800,293</u>    | <u>6,134,317</u>      | <u>572,264</u>    | <u>25,589,361</u>        | <u>29,185,393</u>    |
| FUND BALANCE, END OF YEAR                               | <u>\$ 17,743,926</u> | <u>\$ 785,085</u> | <u>\$ 727,593</u> | <u>\$ 2,247,108</u>   | <u>\$ 780,398</u> | <u>\$ 22,284,110</u>     | <u>\$ 25,589,361</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | <u>2020</u>    | <u>2019</u>    |
|--|----------------|----------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ (3,305,251) | \$ (3,596,032) |

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

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.

|  |             |             |
|--|-------------|-------------|
| Capital Outlay   | 2,444,019   | 3,105,402   |
| Depreciation Expense                                       | (2,378,549) | (2,293,127) |
| Cost of Capital Assets Disposed                            | (1,714,953) | (231,933)   |
| Accumulated Deprecation Related to Disposed Capital Assets | 1,522,213   | 165,777     |

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences is as follows:

|   |           |           |
|---|-----------|-----------|
| Principal Retirement of Long-Term Liabilities | 2,307,422 | 2,123,649 |
| Issuance of Capital Lease                     |           | (631,584) |
| Change in Accrued Interest Payable            | 17,500    | 15,916    |
| Amortization of Bond Premium                  | 61,651    | 61,652    |

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

|       |       |
|-------|-------|
| 5,018 | 1,476 |
|-------|-------|

In the Statement of Activities, certain operating expenses - pension, 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).

|                               |             |            |
|-------------------------------|-------------|------------|
| Pensions                      | (2,862,910) | 11,221,451 |
| Other Postemployment Benefits | 47,239      | (44,949)   |
| Compensated Absences          | 591,131     | (923)      |

An internal service fund is used to charge the costs associated with Delta Dental insurance. The net change in net position of the fund is reported with governmental activities.

|              |                 |
|--------------|-----------------|
| <u>8,313</u> | <u>(30,918)</u> |
|--------------|-----------------|

Change in Net Position - Governmental Activities  
See Accompanying Notes to the Financial Statements

|                       |                     |
|-----------------------|---------------------|
| <u>\$ (3,257,157)</u> | <u>\$ 9,865,857</u> |
|-----------------------|---------------------|

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|                                       | 2020              |                   |                   | 2019               |                   |
|---------------------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
|                                       | Budgeted Amounts  |                   | Actual            | Over (Under)       |                   |
|                                       | Original          | Final             |                   | Final Budget       | Actual            |
| <b>REVENUES</b>                       |                   |                   |                   |                    |                   |
| <b>Local Sources</b>                  |                   |                   |                   |                    |                   |
| Property Taxes                        | \$ 4,116,222      | \$ 4,113,420      | \$ 4,099,772      | \$ (13,648)        | \$ 4,219,114      |
| Interest Earnings                     | 187,043           | 202,244           | 190,508           | (11,736)           | 208,287           |
| Other                                 | 1,463,136         | 1,566,284         | 1,561,661         | (4,623)            | 2,289,444         |
| State Sources                         | 50,321,435        | 52,322,034        | 50,759,364        | (1,562,670)        | 50,477,193        |
| Federal Sources                       | 2,245,723         | 2,095,250         | 2,095,746         | 496                | 2,308,406         |
| Sales and Other Conversion of Assets  | 14,800            | 67,515            | 74,620            | 7,105              | 22,601            |
| Total Revenues                        | <u>58,348,359</u> | <u>60,366,747</u> | <u>58,781,671</u> | <u>(1,585,076)</u> | <u>59,525,045</u> |
| <b>EXPENDITURES</b>                   |                   |                   |                   |                    |                   |
| <b>Current</b>                        |                   |                   |                   |                    |                   |
| Administration                        | 2,427,722         | 2,584,397         | 2,472,298         | (112,099)          | 2,478,870         |
| District Support Services             | 1,921,023         | 1,960,959         | 1,904,746         | (56,213)           | 1,952,892         |
| Regular Instruction                   | 26,077,743        | 26,783,518        | 25,138,720        | (1,644,798)        | 26,282,799        |
| Vocational Education Instruction      | 992,432           | 1,021,878         | 982,243           | (39,635)           | 938,906           |
| Special Education Instruction         | 10,646,340        | 11,558,340        | 11,087,799        | (470,541)          | 10,439,051        |
| Instructional Support Services        | 3,522,535         | 3,555,242         | 3,446,289         | (108,953)          | 3,470,990         |
| Pupil Support Services                | 4,629,947         | 4,917,223         | 4,829,535         | (87,688)           | 4,594,715         |
| Sites and Buildings                   | 5,725,640         | 5,819,879         | 5,463,902         | (355,977)          | 5,486,607         |
| Fiscal and Other Fixed Costs Programs | 202,800           | 197,100           | 196,839           | (261)              | 195,273           |
| <b>Capital Outlay</b>                 |                   |                   |                   |                    |                   |
| Administration                        | 800               | 800               |                   | (800)              | 796               |
| District Support Services             | 21,075            | 7,395             | 8,934             | 1,539              | 20,698            |
| Regular Instruction                   | 404,995           | 471,351           | 493,489           | 22,138             | 1,027,866         |
| Special Education Instruction         |                   | 4,277             | 4,277             |                    | 2,072             |
| Instructional Support Services        | 500               |                   |                   |                    | 17,960            |
| Pupil Support Services                | 1,000             | 1,000             | 166               | (834)              |                   |
| Sites and Buildings                   | 1,872,210         | 2,076,290         | 2,222,341         | 146,051            | 2,827,229         |
| Total Expenditures                    | <u>58,446,762</u> | <u>60,959,649</u> | <u>58,251,578</u> | <u>(2,708,071)</u> | <u>59,736,724</u> |
| Excess (Deficiency) of Revenues       |                   |                   |                   |                    |                   |
| Over (Under) Expenditures             | (98,403)          | (592,902)         | 530,093           | 1,122,995          | (211,679)         |

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | 2020               |                     |                      | 2019                |                      |
|--|--------------------|---------------------|----------------------|---------------------|----------------------|
|  | Budgeted Amounts   |                     | Actual               | Over (Under)        | Actual               |
|  | Original           | Final               |                      | Final Budget        |                      |
| OTHER FINANCING SOURCES (USES)                           |                    |                     |                      |                     |                      |
| Transfer to Other Funds                                  |                    |                     | (79,624)             | (79,624)            |                      |
| Issuance of Capital Lease                                |                    |                     |                      |                     | 631,584              |
| Sale of Equipment  | 800                | 3,403               | 3,403                |                     | 75,873               |
| Total Other Financing Sources (Uses)                     | <u>800</u>         | <u>3,403</u>        | <u>(76,221)</u>      | <u>(79,624)</u>     | <u>707,457</u>       |
| Net Change in Fund Balance                               | <u>\$ (97,603)</u> | <u>\$ (589,499)</u> | 453,872              | <u>\$ 1,043,371</u> | 495,778              |
| FUND BALANCE, BEGINNING OF YEAR,<br>AS ORIGINALLY STATED |                    |                     | 17,290,054           |                     | 16,581,221           |
| PRIOR PERIOD ADJUSTMENT                                  |                    |                     |                      |                     | <u>213,055</u>       |
| FUND BALANCE, BEGINNING OF YEAR,<br>AS RESTATED          |                    |                     | <u>17,290,054</u>    |                     | <u>16,794,276</u>    |
| FUND BALANCE, END OF YEAR                                |                    |                     | <u>\$ 17,743,926</u> |                     | <u>\$ 17,290,054</u> |

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 FOOD SERVICE SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | 2020                |                     |                   | Over (Under)<br>Final<br>Budget | 2019              |
|--|---------------------|---------------------|-------------------|---------------------------------|-------------------|
|  | Budgeted Amounts    |                     | Actual            |                                 | Actual            |
|  | Original            | Final               |                   |                                 |                   |
| <b>REVENUES</b>  |                     |                     |                   |                                 |                   |
| Local Sources  |                     |                     |                   |                                 |                   |
| Interest Earnings  | \$ 9,844            | \$ 6,799            | \$ 5,461          | \$ (1,338)                      | \$ 11,076         |
| Other-Primarily Meal Sales                                   | 795,014             | 734,625             | 667,578           | (67,047)                        | 734,890           |
| State Sources  | 200,434             | 158,165             | 221,271           | 63,106                          | 191,821           |
| Federal Sources  | 2,495,201           | 2,675,745           | 2,817,780         | 142,035                         | 2,386,150         |
| Total Revenues   | <u>3,500,493</u>    | <u>3,575,334</u>    | <u>3,712,090</u>  | <u>136,756</u>                  | <u>3,323,937</u>  |
| <b>EXPENDITURES</b>  |                     |                     |                   |                                 |                   |
| Current  |                     |                     |                   |                                 |                   |
| Food Service   | 3,478,001           | 3,536,077           | 3,616,551         | 80,474                          | 3,262,565         |
| Capital Outlay   |                     |                     |                   |                                 |                   |
| Food Service   | 221,700             | 258,370             | 102,887           | (155,483)                       | 387,033           |
| Total Expenditures   | <u>3,699,701</u>    | <u>3,794,447</u>    | <u>3,719,438</u>  | <u>(75,009)</u>                 | <u>3,649,598</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (199,208)           | (219,113)           | (7,348)           | 211,765                         | (325,661)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                   |                                 |                   |
| Sale of Equipment  | <u>(2,617)</u>      |                     |                   |                                 | <u>8,837</u>      |
| Net Change in Fund Balance                                   | <u>\$ (196,591)</u> | <u>\$ (219,113)</u> | <u>(7,348)</u>    | <u>\$ 211,765</u>               | <u>(316,824)</u>  |
| FUND BALANCE, BEGINNING OF YEAR                              |                     |                     | <u>792,433</u>    |                                 | <u>1,109,257</u>  |
| FUND BALANCE, END OF YEAR                                    |                     |                     | <u>\$ 785,085</u> |                                 | <u>\$ 792,433</u> |

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 COMMUNITY SERVICE SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|  | 2020                |                     |                   | Over (Under)<br>Final<br>Budget | 2019              |
|--|---------------------|---------------------|-------------------|---------------------------------|-------------------|
|  | Budgeted Amounts    |                     | Actual            |                                 | Actual            |
|  | Original            | Final               |                   |                                 |                   |
| <b>REVENUES</b>  |                     |                     |                   |                                 |                   |
| Local Sources  |                     |                     |                   |                                 |                   |
| Property Taxes   | \$ 380,388          | \$ 380,759          | \$ 380,896        | \$ 137                          | \$ 374,485        |
| Interest Earnings  | 11,389              | 9,971               | 9,724             | (247)                           | 13,030            |
| Other-Primarily Tuition and Fees                             | 815,392             | 723,506             | 757,502           | 33,996                          | 936,701           |
| State Sources  | 1,289,019           | 1,449,153           | 1,398,546         | (50,607)                        | 1,407,617         |
| Federal Sources  | 35,935              | 38,076              | 38,076            |                                 | 42,024            |
| Sales and Other Conversion of Assets                         |                     | 3,038               | 3,081             | 43                              |                   |
| Total Revenues   | <u>2,532,123</u>    | <u>2,604,503</u>    | <u>2,587,825</u>  | <u>(16,678)</u>                 | <u>2,773,857</u>  |
| <b>EXPENDITURES</b>  |                     |                     |                   |                                 |                   |
| Current  |                     |                     |                   |                                 |                   |
| Pupil Support Services                                       | 29,203              | 35,483              | 33,351            | (2,132)                         | 28,990            |
| Community Service  | 2,740,278           | 2,972,117           | 2,704,981         | (267,136)                       | 2,836,033         |
| Capital Outlay   |                     |                     |                   |                                 |                   |
| Community Service  | 1,000               | 1,817               | 1,817             |                                 | 10,079            |
| Total Expenditures   | <u>2,770,481</u>    | <u>3,009,417</u>    | <u>2,740,149</u>  | <u>(269,268)</u>                | <u>2,875,102</u>  |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | (238,358)           | (404,914)           | (152,324)         | 252,590                         | (101,245)         |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                   |                                 |                   |
| Transfer From Other Funds                                    |                     |                     | 79,624            | 79,624                          |                   |
| Net Change in Fund Balance                                   | <u>\$ (238,358)</u> | <u>\$ (404,914)</u> | <u>(72,700)</u>   | <u>\$ 332,214</u>               | <u>(101,245)</u>  |
| FUND BALANCE, BEGINNING OF YEAR                              |                     |                     | 800,293           |                                 | 901,538           |
| FUND BALANCE, END OF YEAR                                    |                     |                     | <u>\$ 727,593</u> |                                 | <u>\$ 800,293</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF NET POSITION  
 PROPRIETARY FUND  
 JUNE 30, 2020  
 WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019

|                                    | Governmental Activities-<br>Internal Service Fund |                  |
|------------------------------------|---|------------------|
|                                    | <u>2020</u>                                       | <u>2019</u>      |
| ASSETS                             |   |                  |
| Current Assets                     |   |                  |
| Cash and Investments               | <u>\$ 81,032</u>                                  | <u>66,693</u>    |
| LIABILITIES AND NET POSITION       |   |                  |
| Current Liabilities                |   |                  |
| Accounts Payable                   | 13,605  | 7,579            |
| Net Position                       |   |                  |
| Unrestricted                       | <u>67,427</u>                                     | <u>59,114</u>    |
| Total Liabilities and Net Position | <u>\$ 81,032</u>                                  | <u>\$ 66,693</u> |



INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|                                  | Governmental Activities-<br>Internal Service Fund |                  |
|----------------------------------|---|------------------|
|                                  | 2020  | 2019             |
| OPERATING REVENUES               |   |                  |
| Charges for Services             | \$ 238,472  | \$ 213,732       |
| OPERATING EXPENSES               |   |                  |
| Dental Insurance Claim Payments  | 202,520   | 218,979          |
| General Administration Costs     | 27,900  | 26,278           |
| Total Operating Expenses         | <u>230,420</u>                                    | <u>245,257</u>   |
| Operating Income (Loss)          | 8,052   | (31,525)         |
| NONOPERATING REVENUES (EXPENSES) |   |                  |
| Interest Earnings                | 261   | 607              |
| Change in Net Position           | <u>8,313</u>                                      | <u>(30,918)</u>  |
| NET POSITION, BEGINNING OF YEAR  | <u>59,114</u>                                     | <u>90,032</u>    |
| NET POSITION, END OF YEAR        | <u>\$ 67,427</u>                                  | <u>\$ 59,114</u> |

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|   | Governmental Activities-<br>Internal Service Fund |                    |
|---|---|--------------------|
|   | <u>2020</u>                                       | <u>2019</u>        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |   |                    |
| Receipts from Interfund Services Provided   | \$ 238,472  | \$ 213,732         |
| Payments for Administrative Costs   | (26,476)  | (26,153)           |
| Payments for Dental Fees and Insurance Claims   | (197,918)   | (217,942)          |
| Net Cash Provided (Used) by Operating Activities  | <u>14,078</u>                                     | <u>(30,363)</u>    |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>  |   |                    |
| Interest Earnings   | 261   | 607                |
| Net Increase (Decrease) in Cash and Cash Equivalents  | <u>14,339</u>                                     | <u>(29,756)</u>    |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>   | <u>66,693</u>                                     | <u>96,449</u>      |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>   | <u>\$ 81,032</u>                                  | <u>\$ 66,693</u>   |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS<br/>FROM OPERATING ACTIVITIES</b>            |   |                    |
| Operating Income (Loss)   | \$ 8,052  | \$ (31,525)        |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided<br>(Used) by Operating Activities |   |                    |
| Increase (Decrease) in Liabilities  |   |                    |
| Accounts Payable  | 6,026   | 1,162              |
| Net Cash Provided (Used) By Operating Activities  | <u>\$ 14,078</u>                                  | <u>\$ (30,363)</u> |

See Accompanying Notes to the Financial Statements

INDEPENDENT SCHOOL DISTRICT #347

STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUND  
JUNE 30, 2020

ASSETS

|   |    |                 |
|---|----|-----------------|
| Receivables                               |    |                 |
| Due from Other Minnesota School Districts | \$ | 29,806          |
| Interest Receivable                       |    |                 |
|   |    | <hr/>           |
| Total Assets                              | \$ | <u><u>0</u></u> |

LIABILITIES

|                    |    |                      |
|--------------------|----|----------------------|
| Liabilities        |    |                      |
| Accounts Payable   | \$ | 1,588                |
| Due to Other Funds |    | 28,218               |
|                    |    | <hr/>                |
| Total Liabilities  | \$ | <u><u>29,806</u></u> |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUND  
YEAR ENDED JUNE 30, 2020

ADDITIONS

|               |    |        |
|---------------|----|--------|
| Local Sources |    |        |
| Other         | \$ | 71,943 |

DEDUCTIONS

|                        |  |        |
|------------------------|--|--------|
| Current                |  |        |
| Regular Instruction    |  |        |
| Salaries and Wages     |  | 19,734 |
| Employee Benefits      |  | 3,183  |
| Purchased Services     |  | 9,723  |
| Supplies and Materials |  | 39,303 |
| Total Deductions       |  | <hr/>  |
|                        |  | 71,943 |
| Change in Net Position |  | <hr/>  |
|                        |  | 0      |

NET POSITION, BEGINNING OF YEAR

|                           |    |                 |
|---------------------------|----|-----------------|
| NET POSITION, END OF YEAR | \$ | <u><u>0</u></u> |
|---------------------------|----|-----------------|

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INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Independent School District #347 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 government's accounting policies are described below.

A. REPORTING ENTITY

The Independent School District #347 Board of Education ("District") is the basic level of government which has the financial accountability and control over all activities related to the public school education for the Willmar Public School District. The District receives funding from local, state, and federal sources and must comply with the expenditure requirements of these funding source entities.

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.

Extracurricular student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. The School Board has a fiduciary responsibility in establishing general policies and ensuring that appropriate financial records are maintained for student activities. In addition, these accounts of the District are under the School Board's control. The activity of the student activity accounts is accounted for in the General Fund.

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 except for fiduciary funds. Fiduciary funds are only reported at the fund financial statement level.

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of all charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements. Because the principal user of the internal services is the District's governmental activities, the financial statement of the internal service fund is consolidated into the governmental activities column when presented in the government-wide financial statements. The cost of these services is reported in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is charges to customers for service. Operating expenses for the internal service fund include the cost of services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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.

Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except interest earnings) are recorded as revenues 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences 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 various District funds has been established by the State of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of the funds included in this report is as follows:

*Major Governmental Funds:*

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

The Food Service Special Revenue Fund accounts for all activities associated with the preparation and service of milk, meals and snacks in connection with school and community service activities. Revenues for the Food Service Fund are generated primarily from user fees, federal reimbursements, and state aids.

The Community Service Special Revenue Fund accounts for services provided to residents in the areas of enrichment, recreation, nonpublic pupils, adult basic education and early childhood programs or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, federal reimbursements, and state aids.

The Building Construction Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities funded by the sale of bonds.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

*Proprietary Fund:*

The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program. The self-insurance costs are charged to the various funds based on established premium rates.

*Fiduciary Fund:*

The Custodial Fund is used to account for cash and other assets held by the District as the agent for others. These funds are used to account for the West Central Achievement and Integration Collaborative.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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 School Board adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, Building Construction and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

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

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

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

**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



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

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

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of demand deposit accounts, non-negotiable certificates of deposit, money market accounts and external investment pools. Investments are recorded at fair value as determined by quoted market prices or amortized cost.

The District categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The District 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.

Cash balances from all funds of the District are pooled and invested, to the extent available, in allowable cash management accounts. Earnings from such accounts are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the Statement of Cash Flows, the District considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its proprietary fund.

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 the District. 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

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

*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.

*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.

**Current Property Taxes Receivable:**

Current property taxes receivable represent current real and personal property tax levies, certified the previous December and collectible in the current calendar year, which have not been received by the District.

**Delinquent Property Taxes Receivable:**

Delinquent property taxes receivable represent taxes collectible in the years 2013 to 2019 that remain uncollected at June 30, 2020. They are equally offset by a deferred inflows of resources amount in the governmental fund financial statements.

**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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

**Inventories:**

Inventories are recorded using the consumption method of accounting and consist of paper, purchased food and supplies. Food, paper and supply purchases are recorded at invoice cost, computed on a first-in, first-out method.

**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 as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 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 governmental fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school purpose by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

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

The District does not possess any material amounts of infrastructure capital assets. Items such as sidewalks and other land improvements are considered to be part of the cost of buildings or other improvable property.

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 related to pensions and OPEB.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

**Long-Term Obligations:**

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

**Compensated Absences:**

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and certain sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are 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. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

*Vacation Pay:*

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. All outstanding unpaid vacation pay is payable upon termination of employment. At June 30, 2020, unpaid vacation pay totaling \$197,888 is recorded in the financial statements.

*Sick Pay:*

Substantially all District employees are entitled to sick leave at various rates. For certain employees, unused sick leave enters into the calculation of pay upon termination.

*Secretarial Staff:*

An unused sick leave payment is available to full-time secretaries who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 800 hours, less any TSA match the District contributed. Employees hired after July 1, 2000 are not eligible for an unused sick leave payment.

*Library Clerical Staff and General Paraprofessionals:*

An unused sick leave payment is available to library clerical staff and full-time general paraprofessionals whose combined part-time and full-time service is not less than 15 years of service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 120 days. Employees hired July 1, 2018 or later are not eligible for an unused sick leave payment.

*Special Needs Paraprofessionals, Sign Language Interpreters and Job Coaches:*

An unused sick leave payment is available to full-time special needs paraprofessionals, full-time sign language interpreters and full-time job coaches who have completed at least 15 years of continuous service with the District and are at least 58 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 805 hours, less any TSA match the District contributed. Employees hired after July 1, 2002 will not be eligible for an unused sick leave payment.

*Food Service Staff:*

An unused sick leave payment is available to full-time food service staff who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 600 hours.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

**Compensated Absences:** (Cont'd)

*Administrators:*

An unused sick leave payment is available to administrators who have completed at least 10 years of full-time service with the District and are at least 55 years of age but not more than 65 years of age. An eligible administrator will receive an amount equal to the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 175 days, less any TSA match the District contributed. Administrators hired after July 1, 2000 are not eligible for an unused sick leave payment.

*Teachers:*

An unused sick leave payment is available to teachers who have completed at least 15 years of combined part-time and Full-Time Equivalent (FTE) paid teaching service with the District and are at least 55 years of age. An eligible teacher will receive an amount equal to 50% of the number of unused accumulated sick leave days multiplied by the employee's daily rate of pay, not to exceed 90 days. Furthermore, an eligible teacher will receive an amount equal to the teacher's number of years of service multiplied by four days and the employee's daily rate of pay, not to exceed 100 days. The maximum combined total payment shall not exceed 150 days. Any TSA match the District contributed will be deducted from the payment. Teachers hired after July 1, 2000 are not eligible for this benefit.

*Custodians:*

Custodians shall earn ten days of severance pay credit for each full year of service, with accumulation to 150 days. In addition, an eligible custodian will receive severance pay for 50% of the number of unused accumulated sick leave days, not to exceed 90 days. Upon resignation of the employee at age 55 or older, the District shall pay severance equal to 75% of an employee's accumulated severance pay days up to a maximum of 150 days, at the employee's daily rate of pay.

*Confidential Employees:*

An unused sick leave payment is available to full-time confidential employees who have completed at least 15 years of continuous service with the District and are at least 55 years of age. An eligible individual will receive an amount equal to 75% of the number of unused accumulated sick leave hours multiplied by the employee's hourly rate of pay, not to exceed 900 hours. The eligible confidential employee shall also earn ten days of severance pay credit for each full year of service, with accumulation to 100 days. The maximum combined severance shall not exceed 150 days.

**Other Postemployment Benefits:**

Under the terms of previous employment contracts, when certain qualified employees retired between the ages of 55 to 65, the District provided life and health insurance benefits which would cease when such employees attain the age of 65. This benefit is no longer available to employees; however, the District continues to pay health insurance for qualified individuals that retired when this benefit was in effect. All premiums 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, information about the fiduciary net position of the Public Employees Retirement Association (PERA), the Teachers Retirement Association (TRA) and the District's supplemental pension plan and additions to/deductions from PERA's, TRA's and the District's supplemental pension plan's fiduciary net position have been determined on the same basis as they are reported by PERA, TRA and the District's supplemental pension plan. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

**Pensions:** (Cont'd)

The District participates in various pension plans; total pension expense for the fiscal year ended was \$5,763,339. 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 items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, pensions and OPEB.

**Property Taxes Levied for Subsequent Year's Expenditures:**

Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2020, are included in this account to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**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:

*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, inventories and 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 Education. 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 Education.

*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 School Board Policy, the Director of Business and Finance is authorized to establish assignments of fund balance.

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

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

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 Board of Education formally adopted a fund balance policy for the General Fund. The District's policy is to strive to maintain a minimum unassigned fund balance of 6% of the General Fund expenditures.

**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, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term liabilities used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund 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.

F. REVENUES AND EXPENDITURES

**Revenues:**

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

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum which is frozen at \$184,153 for the District. For the year ended June 30, 2020, State law is not requiring recognition of the current operating referendum and all other levies other than Career Technical and Reemployment Insurance. Career Technical and Reemployment Insurance tax levies are recognized early based on statutory requirements in the amounts of \$169,857 and \$2,941, respectively.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

F. REVENUES AND EXPENDITURES (Cont'd)

**Revenues:** (Cont'd)

Tax levies from prior years that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources at the fund level because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2020, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

**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 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 government's financial statements for the year ended June 30, 2019, from which the partial information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. VIOLATIONS OF FINANCE-RELATED OBLIGATIONS

There were no violations of finance-related obligations.

B. DEFICIT FUND BALANCES

There were no deficit fund balances.

C. EXPENDITURES EXCEEDING APPROPRIATIONS

There were no expenditures exceeding appropriations.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 3. CASH AND INVESTMENTS

A. DEPOSITS

The District's deposits were sufficiently covered by insurance through FDIC as well as collateralized with securities held by the pledging institution's trust department or agent in the District's name.

The District has the following deposits:

| <u>Governmental Activities</u>         |                      |
|--|----------------------|
| Petty Cash                             | \$ 403               |
| Pooled Cash in Checking Accounts       | 9,706,679            |
| Money Market Deposit Account           | 8,378,650            |
| Non-negotiable Certificates of Deposit | <u>4,500,896</u>     |
| Total Deposits                         | <u>\$ 22,586,628</u> |

B. INVESTMENTS

The District has the following investments:

| <u>Governmental Activities</u> |                     |
|--------------------------------|---------------------|
| Investments at amortized cost: |                     |
| MSDLAF+ Liquid Class           | \$ 224,458          |
| MSDLAF+ MAX Class              | <u>2,154,301</u>    |
| Total Investments              | <u>\$ 2,378,759</u> |

The credit rating for the MSDLAF+ Classes was AAA.

The following is a summary of total deposits and investments:

|                                |                      |
|--------------------------------|----------------------|
| Deposits (Note 3.A.)           | \$ 22,586,628        |
| Investments (Note 3.B.)        | <u>2,378,759</u>     |
| Total Deposits and Investments | <u>\$ 24,965,387</u> |

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

|                           |                      |
|---------------------------|----------------------|
| Statement of Net Position |                      |
| Cash and Investments      | <u>\$ 24,965,387</u> |

*Concentration Risk.* This is the risk of loss attributed to the magnitude of an investment in a single issuer. More than 5 percent of the District's investments are in MSDLAF. MSDLAF is 100% of the District's investments.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 4. RECEIVABLES

Receivables are as follows:

|  | <u>Total<br/>Receivables</u> | <u>Amounts not<br/>Scheduled<br/>for Collection<br/>During the<br/>Subsequent<br/>Year</u> |
|--|------------------------------|--|
| <u>Governmental Activities</u>                             |                              |  |
| Receivables  |                              |  |
| Property Taxes   |                              |  |
| Current Property Taxes                                     | \$ 4,409,481                 | \$   |
| Delinquent Property Taxes                                  | 69,019                       |  |
| Total Property Taxes                                       | <u>4,478,500</u>             | <u>0</u>   |
| Other Governments  |                              |  |
| Due from Other Minnesota School Districts                  | 563,090                      |  |
| Due from Minnesota Department of Education                 | 5,206,402                    |  |
| Due from Federal through Minnesota Department of Education | 871,243                      |  |
| Due from Other Governmental Units                          | 31,814                       |  |
| Total Other Governments                                    | <u>6,672,549</u>             | <u>0</u>   |
| Other  |                              |  |
| Other Receivables  | <u>81,425</u>                |  |
| Total Governmental Activities                              | <u>\$ 11,232,474</u>         | <u>\$ 0</u>  |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 5. CAPITAL ASSETS

Capital asset activity was as follows:

|  | Beginning<br>Balance | Increase            | Decrease              | Ending<br>Balance    |
|--|----------------------|---------------------|-----------------------|----------------------|
| <u>Governmental Activities</u>                 |                      |                     |                       |                      |
| Capital Assets, Not Being Depreciated          |                      |                     |                       |                      |
| Land   | \$ 1,497,585         | \$                  | \$                    | \$ 1,497,585         |
| Construction in Progress                       | 688,571              | 2,008,348           | (1,297,652)           | 1,399,267            |
| Total Capital Assets, Not<br>Being Depreciated | 2,186,156            | 2,008,348           | (1,297,652)           | 2,896,852            |
| Capital Assets, Being Depreciated              |                      |                     |                       |                      |
| Land Improvements                              | 4,775,681            | 1,306,344           | (534,339)             | 5,547,686            |
| Buildings and Improvements                     | 85,643,042           | 39,117              |                       | 85,682,159           |
| Equipment                                      | 9,127,242            | 387,862             | (1,180,614)           | 8,334,490            |
| Total Capital Assets,<br>Being Depreciated     | 99,545,965           | 1,733,323           | (1,714,953)           | 99,564,335           |
| Less Accumulated Depreciation for              |                      |                     |                       |                      |
| Land Improvements                              | (2,822,877)          | (191,760)           | 526,006               | (2,488,631)          |
| Buildings and Improvements                     | (28,817,741)         | (1,709,336)         |                       | (30,527,077)         |
| Equipment                                      | (3,351,348)          | (477,453)           | 996,207               | (2,832,594)          |
| Total Accumulated Depreciation                 | (34,991,966)         | (2,378,549)         | 1,522,213             | (35,848,302)         |
| Total Capital Assets Being<br>Depreciated, Net | 64,553,999           | (645,226)           | (192,740)             | 63,716,033           |
| Governmental Activities<br>Net Capital Assets  | <u>\$ 66,740,155</u> | <u>\$ 1,363,122</u> | <u>\$ (1,490,392)</u> | <u>\$ 66,612,885</u> |

Depreciation expense was charged to functions/programs as follows:

|  |                     |
|--|---------------------|
| Governmental Activities                              |                     |
| District Support Services                            | \$ 10,521           |
| Regular Instruction                                  | 775,042             |
| Vocational Education Instruction                     | 9,113               |
| Special Education Instruction                        | 6,071               |
| Instructional Support Services                       | 116                 |
| Pupil Support Services                               | 33,145              |
| Sites and Buildings                                  | 1,452,638           |
| Food Service   | 70,608              |
| Community Service                                    | 21,295              |
| Total Depreciation Expense - Governmental Activities | <u>\$ 2,378,549</u> |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND BALANCES

The composition of interfund balances is as follows:

| <u>Due From Other Funds</u> | <u>Due to Other Funds</u> | <u>Amount</u> |
|-----------------------------|---------------------------|---------------|
| General Fund                | Custodial Fund            | \$ 28,218     |
| Community Service           | General Fund              | 19,810        |

The purpose of the above interfund loans were to record amounts received in the general fund for community education activities and to cover negative cash in the custodial fund.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

| <u>Transfer Out</u> | <u>Transfer In<br/>Community<br/>Service</u> |
|---------------------|--|
| General             | \$ 79,624                                    |

The purpose of the above transfer was to replace fund balance depletion that occurred when Cardinal Place was required to close to paid families due to COVID-19, remaining open to only children of critical sector workers, free of charge.

NOTE 7. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

|   | <u>Original<br/>Amount<br/>Issued</u> | <u>Final<br/>Maturity<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Balance<br/>Outstanding</u> |
|---|---------------------------------------|------------------------------------|--------------------------|--------------------------------|
| <u>Governmental Activities</u>            |                                       |                                    |                          |                                |
| General Obligation Bonds,<br>Series 2015A | \$ 51,615,000                         | 02/01/2036                         | 2.00-4.00%               | \$ 44,325,000                  |
| Bond Premium - Net                        |                                       |                                    |                          | 960,733                        |
| Capital Lease                             |                                       |                                    |                          | 210,513                        |
| Compensated Absences Payable              |                                       |                                    |                          | 2,183,085                      |
| Total Governmental Activities             |                                       |                                    |                          | <u>\$ 47,679,331</u>           |

B. DESCRIPTION OF LONG-TERM LIABILITIES

**General Obligation Bonds:**

On August 4, 2015, the District issued \$51,615,000 of General Obligation Bonds, Series 2015A for the building of a new school and other school building maintenance and improvements. The bonds are due in varying annual installments each February 1 from February 1, 2017 through February 1, 2036 with interest at a rate of 2.00%-4.00% due semi-annually on February 1 and August 1. Future ad valorem tax levies are dedicated to the retirement of these bonds.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. DESCRIPTION OF LONG-TERM LIABILITIES (Cont'd)

**Capital Lease:**

On July 15, 2018, the District entered into a lease agreement for the purchase of iPads. The assets under the capital lease agreement were \$631,584.

**Compensated Absences Payable:**

Compensated absences payable consists of unused vacation at June 30, 2020 and other compensated absences paid at retirement for certain employees based on the employment contract. In the past, compensated absences have been paid by the General, Food Service, and Community Service Funds.

C. CHANGES IN LONG-TERM LIABILITIES

The following table summarizes changes in long-term liabilities:

|                                | Beginning<br>Balance | Additions         | Reductions            | Ending<br>Balance    | Due<br>Within<br>One Year |
|--------------------------------|----------------------|-------------------|-----------------------|----------------------|---------------------------|
| <u>Governmental Activities</u> |                      |                   |                       |                      |                           |
| Bonds Payable                  | \$ 46,425,000        | \$                | \$ (2,100,000)        | \$ 44,325,000        | \$ 2,145,000              |
| Bond Premium                   | 1,022,384            |                   | (61,651)              | 960,733              | 61,651                    |
| Capital Lease                  | 417,935              |                   | (207,422)             | 210,513              | 210,513                   |
| Compensated Absences Payable   | 2,774,216            | 276,361           | (867,492)             | 2,183,085            | 347,098                   |
| Total Governmental Activities  | <u>\$ 50,639,535</u> | <u>\$ 276,361</u> | <u>\$ (3,236,565)</u> | <u>\$ 47,679,331</u> | <u>\$ 2,764,262</u>       |

D. MINIMUM DEBT PAYMENTS

Minimum principal and interest payments required to retire the general obligation bonds and the capital lease are as follows:

| Year Ending June 30, | General Obligation<br>Bonds Payable |                      |
|----------------------|-------------------------------------|----------------------|
|                      | Principal                           | Interest             |
| 2021                 | \$ 2,145,000                        | \$ 1,468,590         |
| 2022                 | 2,185,000                           | 1,425,690            |
| 2023                 | 2,275,000                           | 1,338,290            |
| 2024                 | 2,365,000                           | 1,247,290            |
| 2025                 | 2,460,000                           | 1,152,690            |
| 2026-2030            | 13,575,000                          | 4,481,250            |
| 2031-2035            | 15,830,000                          | 2,223,096            |
| 2036                 | 3,490,000                           | 122,150              |
|                      | <u>\$ 44,325,000</u>                | <u>\$ 13,459,046</u> |
| Year Ending June 30, | Capital Lease                       |                      |
|                      | Principal                           | Interest             |
| 2021                 | \$ 210,513                          | \$ 3,137             |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8. FUND BALANCE

The following is a summary of fund balance components:

|                       | <u>General</u>       | <u>Food<br/>Service</u> | <u>Community<br/>Service</u> | <u>Subtotal</u>      |
|-----------------------|----------------------|-------------------------|------------------------------|----------------------|
| <b>Nonspendable</b>   |                      |                         |                              |                      |
| Prepaid Items         | \$ 481,641           | \$ 1,702                | \$ 9,496                     | \$ 492,839           |
| Inventories           | 60,257               |                         |                              | 60,257               |
| Total Nonspendable    | <u>541,898</u>       | <u>1,702</u>            | <u>9,496</u>                 | <u>553,096</u>       |
| <b>Restricted</b>     |                      |                         |                              |                      |
| Student Activities    | 191,947              |                         |                              | 191,947              |
| Scholarships          | 31,974               |                         |                              | 31,974               |
| Staff Development     | 313,690              |                         |                              | 313,690              |
| Operating Capital     | 128,752              |                         |                              | 128,752              |
| Community Education   |                      |                         | 270,412                      | 270,412              |
| ECFE                  |                      |                         | 132,660                      | 132,660              |
| Area Learning Center  | 494,573              |                         |                              | 494,573              |
| Gifted and Talented   | 7,216                |                         |                              | 7,216                |
| School Readiness      |                      |                         | 235,700                      | 235,700              |
| Adult Basic Education |                      |                         | 79,325                       | 79,325               |
| Basic Skills          |                      |                         |                              |                      |
| Extended Time         | 408,373              |                         |                              | 408,373              |
| Safe Schools          | 109,578              |                         |                              | 109,578              |
| Medical Assistance    | 73,627               |                         |                              | 73,627               |
| Other Fund Activities |                      | 783,383                 |                              | 783,383              |
| Total Restricted      | <u>1,759,730</u>     | <u>783,383</u>          | <u>718,097</u>               | <u>3,261,210</u>     |
| <b>Committed</b>      |                      |                         |                              |                      |
| Severance             | 1,200,000            |                         |                              | 1,200,000            |
| <b>Unassigned</b>     |                      |                         |                              |                      |
|                       | <u>14,242,298</u>    |                         |                              | <u>14,242,298</u>    |
|                       | <u>\$ 17,743,926</u> | <u>\$ 785,085</u>       | <u>\$ 727,593</u>            | <u>\$ 19,256,604</u> |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8. FUND BALANCE (Cont'd)

The following is a summary of fund balance components:

|                       | <u>Building<br/>Construction</u> | <u>Debt<br/>Service</u> | <u>Subtotal</u>     | <u>Total</u>         |
|-----------------------|----------------------------------|-------------------------|---------------------|----------------------|
| Nonspendable          |                                  |                         |                     |                      |
| Prepaid Items         | \$ 860                           | \$                      | \$ 860              | \$ 493,699           |
| Inventories           |                                  |                         |                     | 60,257               |
| Total Nonspendable    | <u>860</u>                       | <u>0</u>                | <u>860</u>          | <u>553,956</u>       |
| Restricted            |                                  |                         |                     |                      |
| Student Activities    |                                  |                         |                     | 191,947              |
| Scholarships          |                                  |                         |                     | 31,974               |
| Staff Development     |                                  |                         |                     | 313,690              |
| Operating Capital     |                                  |                         |                     | 128,752              |
| Community Education   |                                  |                         |                     | 270,412              |
| ECFE                  |                                  |                         |                     | 132,660              |
| Area Learning Center  |                                  |                         |                     | 494,573              |
| Gifted and Talented   |                                  |                         |                     | 7,216                |
| School Readiness      |                                  |                         |                     | 235,700              |
| Adult Basic Education |                                  |                         |                     | 79,325               |
| Basic Skills          |                                  |                         |                     |                      |
| Extended Time         |                                  |                         |                     | 408,373              |
| Safe Schools          |                                  |                         |                     | 109,578              |
| Medical Assistance    |                                  |                         |                     | 73,627               |
| Other Fund Activities | <u>2,246,248</u>                 | <u>780,398</u>          | <u>3,026,646</u>    | <u>3,810,029</u>     |
| Total Restricted      | <u>2,246,248</u>                 | <u>780,398</u>          | <u>3,026,646</u>    | <u>6,287,856</u>     |
| Committed             |                                  |                         |                     |                      |
| Severance             |                                  |                         |                     | 1,200,000            |
| Unassigned            |                                  |                         |                     | <u>14,242,298</u>    |
|                       | <u>\$ 2,247,108</u>              | <u>\$ 780,398</u>       | <u>\$ 3,027,506</u> | <u>\$ 22,284,110</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 potential restricted fund balances for the governmental funds:

A. RESTRICTED FOR STUDENT ACTIVITIES

The fund balance restriction represents unspent resources available for student activity expenditures.

B. RESTRICTED FOR SCHOLARSHIPS

The fund balance restriction represents unspent resources available for scholarship expenditures.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8. FUND BALANCE (Cont'd)

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

C. RESTRICTED FOR STAFF DEVELOPMENT

In accordance with state statute, the District is required to restrict 2.0% of basic General Education revenue for staff development. The cumulative excess of such revenues over staff development expenditures is reported as a restriction of fund balance in the General Fund.

D. RESTRICTED FOR OPERATING CAPITAL

The District levies taxes and receives state aid to be used for the purchase of equipment, books and vehicles and to purchase, rent, improve, and repair school facilities as allowed by state statute. The cumulative excess of such revenues over equipment and facilities expenditures is reported as a restriction of fund balance in the General Fund.

E. RESTRICTED FOR COMMUNITY EDUCATION

The fund balance restriction represents accumulated resources available to provide general community education programming.

F. RESTRICTED FOR ECFE (EARLY CHILDHOOD AND FAMILY EDUCATION)

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

G. RESTRICTED FOR AREA LEARNING CENTER

The fund balance reservation represents up to 90% of the accumulated resources available to provide alternative programming in accordance with funding made available for that purpose.

H. RESTRICTED FOR GIFTED AND TALENTED

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

I. RESTRICTED FOR SCHOOL READINESS

The fund balance restriction represents accumulated resources available to provide services for the school readiness program.

J. RESTRICTED FOR ADULT BASIC EDUCATION

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

K. RESTRICTED FOR BASIC SKILLS EXTENDED TIME

The fund balance restriction represents accumulated resources available for extended time activities to provide for the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age in accordance with funding made available for that purpose.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 8. FUND BALANCE (Cont'd)

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

L. RESTRICTED FOR SAFE SCHOOLS

The fund balance restriction represents unspent resources available from the safe schools levy.

M. RESTRICTED FOR MEDICAL ASSISTANCE

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

NOTE 9. 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 Defined 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. 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.

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

**TRA Benefits:**

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

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

Tier 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 are up to July 1, 2006                     | 1.2% per year |
|             | First ten years if service are up 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 |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

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

Tier I Benefits: (Cont'd)

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.

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 2020; the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020 were \$797,031. The District's contributions were equal to the required contributions as set by state statute.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

**TRA Contributions:**

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

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

The District's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$1,924,641. The District's contributions were equal to the required contributions for each year as set by state statute.

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 | \$ 403,300,000        |
| Add Employer Contributions Not Related to Future Contribution Efforts                         | (688,000)             |
| Deduct TRA's Contributions Not Included in Allocation   | <u>(486,000)</u>      |
| Total Employer Contributions  | 402,126,000           |
| Total Non-Employer Contributions  | <u>35,588,000</u>     |
| Total Contributions Reported in Schedule of Employer and Non-Employer Allocations             | <u>\$ 437,714,000</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 Pension Costs:**

At June 30, 2020 the District reported a liability of \$8,066,484 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$250,822. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the District's proportion share was 0.1459% at the end of the measurement period and 0.1436% for the beginning of the period.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

**GERP Pension Costs:** (Cont'd)

There were no provision changes during the measurement period.

For the year ended June 30, 2020, the District recognized pension expense of \$712,581 for its proportionate share of GERP's pension expense. In addition, the District recognized an additional \$18,784 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2020 the District reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Economic Experience  | \$ 217,420                                    | \$   |
| Changes in Actuarial Assumptions                             |   | 612,669                                      |
| Differences Between Projected and Actual Investment Earnings |   | 773,006                                      |
| Changes in Proportion  | 296,790                                       | 105,554                                      |
| Contributions Paid to GERP Subsequent to Measurement Date    | <u>797,031</u>                                |  |
| Totals   | <u>\$ 1,311,241</u>                           | <u>\$ 1,491,229</u>                          |

\$797,031 reported as deferred outflows of resources related to pensions resulting from District contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

| <u>Year ended June 30,</u> | <u>Pension Expense Amount</u> |
|----------------------------|-------------------------------|
| 2021                       | \$ (373,660)                  |
| 2022                       | (489,434)                     |
| 2023                       | (126,924)                     |
| 2024                       | 12,999                        |

**TRA Pension Costs:**

On June 30, 2020, the District reported a liability of \$26,573,294 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.4169% at the end of the measurement period and 0.4017% for the beginning of the year.

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

|   |               |
|---|---------------|
| District's Proportionate Share of Net Pension Liability                               | \$ 26,573,294 |
| State's Proportionate Share of the Net Pension Liability Associated with the District | 2,351,685     |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

**TRA Pension Costs:** (Cont'd)

For the year ended June 30, 2020, the District recognized pension expense of \$2,265,843. It also recognized \$178,756 as an increase to pension expense for the support provided by direct aid.

At June 30, 2020, 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<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Differences Between Expected and Actual Economic Experience  | \$ 3,902                                      | \$ 633,474                                   |
| Changes in Actuarial Assumptions                             | 21,504,938                                    | 34,022,983                                   |
| Differences Between Projected and Actual Investment Earnings |   | 2,136,257                                    |
| Changes in Proportion  | 1,332,264                                     | 1,116,765                                    |
| Contributions Paid to TRA Subsequent to Measurement Date     | <u>1,924,641</u>                              |  |
| Totals   | <u>\$ 24,765,745</u>                          | <u>\$ 37,909,479</u>                         |

\$1,924,641 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, 2021. 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> |
|----------------------------|-------------------------------|
| 2021                       | \$ 1,303,319                  |
| 2022                       | (257,450)                     |
| 2023                       | (9,454,558)                   |
| 2024                       | (6,769,539)                   |
| 2025                       | 109,853                       |

E. ACTUARIAL ASSUMPTIONS

**GERP:**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Assumptions

|                           |                |
|---------------------------|----------------|
| Inflation                 | 2.50% per year |
| Salary Growth             | 3.25% per year |
| Investment Rate of Return | 7.50%          |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**GERP:** (Cont'd)

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

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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

| Asset Class          | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Stocks      | 35.50%            | 5.10%                                  |
| International Stocks | 25.00%            | 5.90%                                  |
| Bonds                | 20.00%            | 0.75%                                  |
| Alternative Assets   | 17.50%            | 5.90%                                  |
| Cash                 | 2.00%             | 0.00%                                  |
|                      | 100.00%           |  |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**TRA:**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Information

|                       |   |
|-----------------------|---|
| Valuation Date        | July 1, 2019  |
| Experience Study      | June 5, 2015<br>November 6, 2017 (Economic Assumptions) |
| Actuarial Cost Method | Entry Age Normal  |

Actuarial Assumptions

|                           |  |
|---------------------------|--|
| Investment Rate of Return | 7.50%  |
| Price Inflation           | 2.50%  |
| Wage Growth Rate          | 2.85% before July 1, 2028 and 3.25% 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 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually. |

Mortality Assumptions

|                  |   |
|------------------|---|
| Pre-Retirement:  | RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.  |
| Post-Retirement: | RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational 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.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

**TRA:** (Cont'd)

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.

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 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 | 17.50%            | 5.30%                                  |
| Private Markets      | 25.00%            | 5.90%                                  |
| Fixed Income         | 20.00%            | 0.75%                                  |
| Cash                 | 2.00%             | 0.00%                                  |
|                      | 100.00%           |  |

F. DISCOUNT RATE

**GERP:**

The discount rate used to measure the total pension liability in 2019 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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 9. 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 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

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>GERP</u>   |       | <u>TRA</u>    |
|-----------------------|-------|---------------|-------|---------------|
| 1% Lower              | 6.50% | \$ 13,260,866 | 6.50% | \$ 42,364,327 |
| Current Discount Rate | 7.50% | 8,066,484     | 7.50% | 26,573,294    |
| 1% Higher             | 8.50% | 3,777,490     | 8.50% | 13,553,819    |

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.

NOTE 10. OTHER POST-EMPLOYMENT BENEFIT (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 684 active participants and 31 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 \$2,628,291 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, 2020.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

C. CHANGES IN TOTAL OPEB LIABILITY

Changes in the total OPEB liability were as follows:

|   | <u>Total OPEB<br/>Liability</u> |
|---|---------------------------------|
| Balance at June 30, 2019                              | \$ 3,951,600                    |
| Changes for the Year:                                 |                                 |
| Service Cost  | 315,055                         |
| Interest  | 128,685                         |
| Changes in Benefit Terms                              | (72,227)                        |
| Differences Between Expected<br>and Actual Experience | (1,265,517)                     |
| Changes of Assumptions or<br>Other Inputs             | (118,657)                       |
| Benefit Payments                                      | <u>(310,648)</u>                |
| Net Changes   | <u>(1,323,309)</u>              |
| Balance at June 30, 2020                              | <u>\$ 2,628,291</u>             |

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.30% in 2019 to 6.40% in 2020.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.13% in 2019 to 2.45% in 2020.

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

|                      | <u>1.0% Decrease<br/>in Discount<br/>Rate (1.45%)</u> | <u>Discount Rate<br/>(2.45%)</u> | <u>1.0% Increase<br/>in Discount<br/>Rate (3.45%)</u> |
|----------------------|---|----------------------------------|---|
| Total OPEB Liability | \$ 2,550,846  | \$ 2,628,291                     | \$ 2,651,667  |

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:

|                      | <u>1.0% Decrease<br/>(5.40%<br/>decreasing to<br/>3.00%)</u> | <u>Healthcare Cost<br/>Trend Rates<br/>(6.40%<br/>decreasing to<br/>4.00%)</u> | <u>1.0% Increase<br/>(7.40%<br/>decreasing to<br/>5.00%)</u> |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 2,585,340   | \$ 2,628,291   | \$ 2,634,883   |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$(47,239). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Experience | \$                                   | \$ 1,156,421                        |
| Changes in Actuarial Assumptions or Other Inputs   | 124,947                              | 126,999                             |
| Totals   | <u>\$ 124,947</u>                    | <u>\$ 1,283,420</u>                 |

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 |
|---------------------|---------------------|
| 2021                | \$ (108,104)        |
| 2022                | (108,104)           |
| 2023                | (108,104)           |
| 2024                | (108,104)           |
| 2025                | (108,104)           |
| Thereafter          | (617,953)           |

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 0.40% per year to an ultimate rate of 4.00% for 2076 and later years. |
| Retiree's Share of Benefit-Related Costs | Assumed to decrease 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.

Mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments for teachers and mortality rates for non-teachers were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018, and other adjustments.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

E. ACTUARIAL METHODS AND ASSUMPTIONS (Cont'd)

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. SUPPLEMENTAL PENSION PLAN

The District engaged an actuary to determine the District's liability for its supplemental pension plan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 73 as of June 30, 2020.

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

**Plan Description:**

The District participates in a single employer lump-sum defined benefit pension plan administered by the District. At June 30, 2019, the plan covered 118 active members.

**Benefits Provided:**

Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year or three-year bargaining period. The Plan does not issue a publicly available report.

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS

|  | Increase (Decrease)                  |  |                                       |
|--|--------------------------------------|--|---------------------------------------|
|  | Total<br>Pension<br>Liability<br>(a) | Plan<br>Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) - (b) |
| Balances at 6/30/2019                              | \$ 210,474                           | \$                                       | \$ 210,474                            |
| Changes for the Year:                              |                                      |  |                                       |
| Service Cost                                       | 19,185                               |  | 19,185                                |
| Interest   | 6,895                                |  | 6,895                                 |
| Differences Between Expected and Actual Experience | 105,555                              |  | 105,555                               |
| Changes of Assumptions                             | (8,979)                              |  | (8,979)                               |
| Changes of Benefit Terms                           | (70,279)                             |  | (70,279)                              |
| Benefit Payments                                   | (18,738)                             |  | (18,738)                              |
| Net Changes  | <u>33,639</u>                        | <u>0</u>                                 | <u>33,639</u>                         |
| Balances at 6/30/2020                              | <u>\$ 244,113</u>                    | <u>\$ 0</u>                              | <u>\$ 244,113</u>                     |

For the year ended June 30, 2020, the District recognized pension expense of \$(57,939) for its supplemental pension plan.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 11. SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS (Cont'd)

At June 30, 2020, the District reported its proportionate share of its supplemental pension plan's deferred outflows of resources and deferred inflows of resources from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|--|---|--|
| Difference Between Expected and Actual Liability | \$ 86,638                                     | \$ 44,720                                    |
| Change of Assumptions                            | <u>4,535</u>                                  | <u>17,942</u>                                |
| Totals   | <u>\$ 91,173</u>                              | <u>\$ 62,662</u>                             |

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> |
|----------------------------|-------------------------------|
| 2021                       | \$ 4,998                      |
| 2022                       | 4,998                         |
| 2023                       | 4,998                         |
| 2024                       | 5,424                         |
| 2025                       | 7,888                         |
| Thereafter                 | 205                           |

**Actuarial Assumptions:**

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

|                                       |   |
|---------------------------------------|---|
| Inflation Rate:                       | 2.50 percent                                    |
| Expected Long-Term Investment Return: | N/A   |
| Amortization Method:                  | Straight-line amortization over a closed period |
| Remaining Amortization Period:        | 5 years   |
| Discount Rate:                        | 2.45 percent                                    |

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

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

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

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 11. SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY AND OTHER RELATED AMOUNTS (Cont'd)

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate:**

The following presents the net pension liability calculated using the discount rate of 2.45 percent, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

|                                  | 1% Decrease<br>in Discount<br>Rate<br>(1.45%) | Discount Rate<br>(2.45%) | 1% Increase<br>in Discount<br>Rate<br>(3.45%) |
|----------------------------------|---|--------------------------|---|
| District's Net Pension Liability | \$ 248,591                                    | \$ 244,113               | \$ 239,327                                    |

**Pension Plan Fiduciary Net Position:**

The District does not have separately-issued financial reports on the plan's fiduciary net position.

NOTE 12. DEFINED CONTRIBUTION PLAN

The District implemented a 403(b) plan effective July 1, 2004. Employees who are regularly employed at least 12 months and at least 30 hours per week shall be eligible to participate. The District shall make monthly contributions, up to a maximum amount, equal to the amount contributed by the employee. Maximum monthly contributions vary by employee group. Maximum career matching contribution by the District is \$15,000.

Employees hired prior to July 1, 2004 will continue to be covered under the severance plan. The District shall subtract the employer contributions to the 403(b) plan matching contribution from the severance pay. The balance shall be paid by the employer. Employees hired after July 1, 2004 will not be eligible for the severance plan.

For year ended June 30, 2020 the District and employee match was \$412,868 and \$1,030,983, respectively.

NOTE 13. SELF-INSURED DENTAL PLAN

The District has elected to self-insure their employee dental insurance program. The District has entered into an agreement with an insurance company to provide stop-loss insurance to limit the losses on individual and aggregate claims and to provide claims processing and other administrative duties. The individual stop-loss amount is \$1,200 per participant. The District established an internal service fund to account for contributions from other funds for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on maximum claims before reinsurance is effective. The amounts charged to expenses include administrative fees, stop-loss insurance premiums, claims paid and accruals for claims incurred but not paid at year end. The District recorded expenses of \$230,420 for the year ended June 30, 2019 which includes administrative costs of \$27,900.

The liability for unpaid claims is included in the Internal Service Fund as accounts payable.

|                                  | June 30,         |                 |
|----------------------------------|------------------|-----------------|
|                                  | 2020             | 2019            |
| Unpaid Claims, Beginning of Year | \$ 7,579         | \$ 6,417        |
| Incurred Claims                  | 202,520          | 218,979         |
| Claims Payments (cash basis)     | (196,494)        | (217,817)       |
| Unpaid Claims, End of Year       | <u>\$ 13,605</u> | <u>\$ 7,579</u> |

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 14. COMMITMENTS AND CONTINGENCIES

A. 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.

B. CONSTRUCTION COMMITMENT

The District has active construction projects, including the following:

|  | <u>Original Contract</u> | <u>Remaining Commitment</u> |
|--|--------------------------|-----------------------------|
| Kennedy Elementary - Renovation                    | \$ 1,475,000             | \$ 483,383                  |
| Willmar High School Tennis Court                   | 578,096                  | 40,840                      |
| Kennedy Elementary School<br>Building Improvements | 1,099,500                | 209,296                     |
| Kennedy Elementary -<br>Building Improvements      | 825,000                  | 44,216                      |
| ALC Fire Suppression                               | 195,000                  | 175,166                     |
| Senior High Industrial Arts Addition               | 1,182,219                | 1,182,219                   |
| ALC Masonry Restoration                            | 223,448                  | 260,282                     |
| Senior High Pod Remodel                            | 987,000                  | 767,712                     |

NOTE 15. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers' compensation. 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 has joined together with other school districts in Minnesota in the Southwest - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member districts. The District pays monthly premiums to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating districts for future losses sustained is extremely remote.

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.



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 16. JOINT POWERS AGREEMENT

The District and the City of Willmar have entered into a Joint Powers agreement to collaborate and coordinate in the provision of social, educational, vocational and recreational services to members of the community. It is the intention of the parties to offer these services collaboratively and to coordinate their service programs in order to eliminate duplication of services and in order to maximize the effectiveness of the services provided. The Joint Powers Entity is governed by the Joint Powers Board, which includes five members appointed by the City Council, five members appointed by the School Board, and two students, one recommended by the Senior High School Student Council and one recommended by the Middle School Student Council, to be approved and appointed by the City Council and School Board. One School Board member, one City Council member, the City Administrator and the Superintendent of Schools shall serve as ex-officio members to the Board.

NOTE 17. TAX ABATEMENTS

The District is authorized by Minnesota Statute 469.1813 to enter into property tax abatements for the purpose of attracting or retaining businesses. Tax abatements, which cannot exceed 100 percent of the entity's property tax bill in any year, may be granted to any business located within or promising to relocate to the District for construction of new facilities or the creation of new full time equivalent positions. The District recaptures the amount of abated taxes by increasing the levy for the amount abated. The District determines the percentage, amount and duration of the tax abatement, which is not to exceed twenty years. The amount of the abatement is paid by the property owner and then refunded by the District to the property owner.

The District abated property taxes totaling \$45,706 under this program for MinnWest Technology Campus.

NOTE 18. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no effect on total Net Position or Fund Balance.

NOTE 19. 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|---|--------------------------------------|-------------------------------------|
| Related to Pensions                       | \$ 26,168,159                        | \$ 39,463,370                       |
| Related to OPEB                           | 124,947                              | 1,283,420                           |
| Property Taxes Levied for Subsequent Year |                                      | 7,812,508                           |
|   | <u>\$ 26,293,106</u>                 | <u>\$ 48,559,298</u>                |
| Totals                                    |                                      |                                     |

NOTE 20. PRIOR PERIOD ADJUSTMENT

The June 30, 2019 beginning fund balance of the General Fund and the June 30, 2019 beginning net position of the governmental activities have been increased to reflect a change in accounting principle. The District implemented GASB 84, *Fiduciary Activities*, which records the activity of the student activity funds and the private purpose trust fund in the District's General Fund. The June 30, 2019 beginning fund balance of the General Fund and the June 30, 2019 beginning net position of the governmental activities have been restated from \$16,581,221 to \$16,794,276 and \$(18,045,424) to \$(17,832,369) (an increase of \$213,055), respectively.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

NOTE 21. SUBSEQUENT EVENTS

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. The World Health Organization has declared the outbreak to constitute a "Public Health Emergency of International Concern." The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

REQUIRED SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST  
JUNE 30, 2020

| Fiscal Year<br>Ending | Employer's<br>Proportion<br>of the Net<br>Pension<br>Liability (Asset) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>(a) | State's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>Associated with<br>the Employer<br>(b) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>and the State's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>Associated with<br>the Employer<br>(a+b) | Employer's<br>Covered<br>Payroll<br>(c) | Employer's<br>Proportionate<br>Share of the<br>Net Pension<br>Liability (Asset)<br>as a Percentage of<br>its Covered Payroll<br>((a+b)/c) | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of the Total<br>Pension<br>Liability |
|-----------------------|--|--|--|---|---|---|---|
| <u>Pensions</u>       |  |  |  |   |   |   |   |
| <u>GERP</u>           |  |  |  |   |   |   |   |
| 6/30/2019             | 0.1459%  | \$ 8,066,484   | \$ 250,822   | \$ 8,317,306  | \$ 10,118,572                           | 82.20%  | 80.23%  |
| 6/30/2018             | 0.1436%  | 7,966,339  | 261,292  | 8,227,631   | 9,553,785                               | 86.12%  | 79.53%  |
| 6/30/2017             | 0.1373%  | 8,765,141  | 110,224  | 8,875,365   | 8,905,707                               | 99.66%  | 75.90%  |
| 6/30/2016             | 0.1425%  | 11,570,293   | 151,048  | 11,721,341  | 8,821,466                               | 132.87%   | 68.91%  |
| 6/30/2015             | 0.1450%  | 7,514,653  |  | 7,514,653   | 8,415,120                               | 89.30%  | 78.19%  |
| 6/30/2014             | 0.1469%  | 6,900,626  |  | 6,900,626   | 7,740,462                               | 89.15%  | 78.75%  |
| <u>TRA</u>            |  |  |  |   |   |   |   |
| 6/30/2019             | 0.4169%  | 26,573,294   | 2,351,685  | 28,924,979  | 23,923,450                              | 120.91%   | 78.21%  |
| 6/30/2018             | 0.4017%  | 25,230,380   | 2,370,257  | 27,600,637  | 22,501,776                              | 122.66%   | 78.07%  |
| 6/30/2017             | 0.4050%  | 80,845,347   | 7,815,939  | 88,661,286  | 21,922,200                              | 404.44%   | 51.57%  |
| 6/30/2016             | 0.4005%  | 95,528,806   | 9,588,605  | 105,117,411   | 20,898,836                              | 502.98%   | 44.88%  |
| 6/30/2015             | 0.4306%  | 26,636,869   | 3,267,150  | 29,904,019  | 22,097,506                              | 135.33%   | 76.77%  |
| 6/30/2014             | 0.4403%  | 20,288,707   | 1,427,361  | 21,716,068  | 20,120,785                              | 107.93%   | 81.50%  |

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available. Additional years will be reported as they become available.

See Accompanying Notes to the Required Supplementary Information

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR PENSION PLANS ADMINISTERED THROUGH A TRUST  
JUNE 30, 2020

| Fiscal Year<br>Ending | Statutorily<br>Required<br>Contribution<br>(a) | Contributions<br>in Relation<br>to the Statutorily<br>Required<br>Contribution<br>(b) | Contribution<br>Deficiency<br>(Excess)<br>(a-b) | Covered<br>Payroll<br>(d) | Contributions<br>as a Percentage<br>of Covered<br>Payroll<br>(b/d) |
|-----------------------|--|---|---|---------------------------|--|
| <u>Pensions</u>       |  |   |   |                           |  |
| <u>GERP</u>           |  |   |   |                           |  |
| 6/30/2020             | \$ 797,031                                     | \$ 797,031  | \$  | \$ 10,621,731             | 7.50%  |
| 6/30/2019             | 758,781  | 758,781   |   | 10,118,572                | 7.50%  |
| 6/30/2018             | 716,534  | 716,534   |   | 9,553,785                 | 7.50%  |
| 6/30/2017             | 667,928  | 667,928   |   | 8,905,707                 | 7.50%  |
| 6/30/2016             | 661,610  | 661,610   |   | 8,821,466                 | 7.50%  |
| 6/30/2015             | 631,134  | 631,134   |   | 8,415,120                 | 7.50%  |
| <u>TRA</u>            |  |   |   |                           |  |
| 6/30/2020             | 1,924,641                                      | 1,924,641   |   | 24,301,027                | 7.92%  |
| 6/30/2019             | 1,844,498                                      | 1,844,498   |   | 23,923,444                | 7.71%  |
| 6/30/2018             | 1,687,633                                      | 1,687,633   |   | 22,501,776                | 7.50%  |
| 6/30/2017             | 1,644,165                                      | 1,644,165   |   | 21,922,200                | 7.50%  |
| 6/30/2016             | 1,567,327                                      | 1,567,327   |   | 20,898,836                | 7.50%  |
| 6/30/2015             | 1,657,313                                      | 1,657,313   |   | 22,097,506                | 7.50%  |

The District implemented GASB Statement No. 68 for fiscal year ended June 30, 2015. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL PENSION LIABILITY  
FOR PENSION PLANS NOT ADMINISTERED THROUGH A TRUST  
JUNE 30, 2020

|  | Measurement Date |              |              |               |              |
|--|------------------|--------------|--------------|---------------|--------------|
|  | 6/30/2020        | 6/30/2019    | 6/30/2018    | 6/30/2017     | 6/30/2016    |
| Service Cost                                       | \$ 19,185        | \$ 23,308    | \$ 70,995    | \$ 16,337     | \$ 15,278    |
| Interest   | 6,895            | 12,807       | 48,386       | 6,678         | 8,474        |
| Differences Between Expected and Actual Experience | 105,555          |              | (76,364)     |               |              |
| Changes of Assumptions                             | (8,979)          | 6,267        | (14,766)     | (4,278)       |              |
| Changes of Benefit Terms                           | (70,279)         | (119,797)    | (887,788)    | 1,215,024     |              |
| Benefit Payments                                   | (18,738)         | (85,156)     | (134,256)    | (169,778)     | (5,932)      |
| Net Change in Total Pension Liability              | 33,639           | (162,571)    | (993,793)    | 1,063,983     | 17,820       |
| Total Pension Liability -<br>Beginning of Year     | 210,474          | 373,045      | 1,366,838    | 302,855       | 285,035      |
| Total Pension Liability - End of Year              | \$ 244,113       | \$ 210,474   | \$ 373,045   | \$ 1,366,838  | \$ 302,855   |
| District's Total Pension Liability - Ending        | \$ 244,113       | \$ 210,474   | \$ 373,045   | \$ 1,366,838  | \$ 302,855   |
| Payroll for Measurement Period                     | \$ 6,886,563     | \$ 8,783,762 | \$ 8,425,778 | \$ 10,025,698 | \$ 8,632,095 |
| Total Pension Liability as a % of Employee Payroll | 3.5%             | 2.4%         | 4.4%         | 13.6%         | 3.5%         |

The District implemented GASB Statement No. 73 for fiscal year ended June 30, 2016. Information for prior years is not available. Additional years will be reported as they become available.

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
JUNE 30, 2020

|   | Measurement Date |               |               |
|---|------------------|---------------|---------------|
|   | 6/30/2020        | 6/30/2019     | 6/30/2018     |
| Service Cost  | \$ 315,055       | \$ 266,826    | \$ 255,218    |
| Interest  | 128,685          | 137,082       | 137,381       |
| Changes in Benefit Terms                                | (72,227)         | 121,850       |               |
| Differences Between Expected and Actual Experience      | (1,265,517)      |               |               |
| Change in Assumptions                                   | (118,657)        | 151,875       | (25,300)      |
| Benefit Payments  | (310,648)        | (492,030)     | (475,787)     |
| Net Change in Total OPEB Liability                      | (1,323,309)      | 185,603       | (108,488)     |
| Total OPEB Liability - Beginning of Year                | 3,951,600        | 3,765,997     | 3,874,485     |
| Total OPEB Liability - End of Year                      | \$ 2,628,291     | \$ 3,951,600  | \$ 3,765,997  |
| Covered Employee Payroll                                | \$ 33,664,951    | \$ 32,187,700 | \$ 33,884,934 |
| Total OPEB Liability as a % of Covered Employee Payroll | 7.81%            | 12.28%        | 11.11%        |

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



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

NOTE 1. CHANGES IN PLAN PROVISIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**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.

**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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

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

**2014 Changes:**

No changes.

B. TEACHERS RETIREMENT ASSOCIATION (TRA)

**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.

**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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

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

**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:**

Retiree premiums were updated to current levels.

The severance benefit for the Community Education Direct was removed.

The severance benefit for Confidential Employees was removed because there are no longer any employees eligible for this benefit.

The severance eligibility and benefit were updated for the Library and General Paraprofessionals.

The maximum 403(b) contribution was updated for teachers.

**2019 Changes:**

No changes.

**2018 Changes:**

No changes.

D. PENSION PLANS NOT ADMINISTERED IN A TRUST

**2020 Changes:**

The maximum 403(b) contribution was updated for teachers.

**2019 Changes:**

No changes.

**2018 Changes:**

The severance benefit for the High School Coordinator was removed.

The severance eligibility and benefit were updated for the Community Education Director.

The severance payment form was updated for Administrators, Principals and Teachers.

**2017 Changes:**

Payment form and benefit type were updated for the Custodial and Teacher contract groups.

**2016 Changes:**

No changes.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

NOTE 2. CHANGES IN ACTUARIAL ASSUMPTIONS

A. GENERAL EMPLOYEE RETIREMENT PLAN (GERP)

**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.

**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)

**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%.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

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

**2018 Changes:** (Cont'd)

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%.

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.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

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

**2016 Changes:** (Cont'd)

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.

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.

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 capital claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.

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

The percent of future retirees assumed to elect life insurance coverage at retirement changed from 75% to 50% to reflect recent plan experience.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

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

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

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

| Medical Plan | FY 2020<br>Valuation | FY 2019<br>Valuation |
|--------------|----------------------|----------------------|
| VEBA \$1,200 | 20%                  | 25%                  |
| VEBA \$2,600 | 40%                  | 40%                  |
| VEBA \$3,250 | 20%                  | 25%                  |
| VEBA \$6,350 | 20%                  | 10%                  |

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

**2019 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 3.62% in 2018 to 3.13% in 2019.

**2018 Changes:**

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from 6.80% in 2017 to 6.90% in 2018.

Changes of assumptions and other inputs reflect a change in the discount rate from 3.53% in 2017 to 3.62% in 2018.

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 from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

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

**2018 Changes:** (Cont'd)

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.

The percent of future retirees not eligible for a medical direct subsidy assumed to elect coverage at retirement changed from 50% to 40% to reflect recent plan experience.

The percent of current and future retirees assumed to continue medical coverage after age 65 changed from 10% to 5% to reflect recent plan experience.

The percent of retirees not eligible for a subsidy and electing spouse coverage changed from 10% to 20% to reflect recent plan experience.

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

| Medical Plan | 7/1/2015<br>Valuation | 6/30/2017<br>Valuation |
|--------------|-----------------------|------------------------|
| VEBA \$1,200 | 30%                   | 25%                    |
| VEBA \$2,600 | 40%                   | 40%                    |
| VEBA \$3,250 | 25%                   | 25%                    |
| VEBA \$6,350 | 5%                    | 10%                    |

D. PENSION PLANS 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.

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

**2019 Changes:**

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



INDEPENDENT SCHOOL DISTRICT #347

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2020

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

D. PENSION PLANS NOT ADMINISTERED IN A TRUST (Cont'd)

**2018 Changes:**

The discount rate was changed from 3.53% to 3.62% based on updated 20-year municipal bond rates.

Withdrawal, retirement, mortality and salary increase rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan and 7/1/2015 Teachers Retirement Association valuations to the rates used in the 7/1/2017 valuations.

**2017 Changes:**

The discount rate was changed from 2.85% to 3.53% based on updated 20-year municipal bond rates.

**2016 Changes:**

No changes.

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SUPPLEMENTARY INFORMATION

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INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 BUILDING CONSTRUCTION CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|                                 | 2020                  |                       |                     | Over (Under)<br>Final<br>Budget | 2019                |
|---------------------------------|-----------------------|-----------------------|---------------------|---------------------------------|---------------------|
|                                 | Budgeted Amounts      |                       | Actual              |                                 | Actual              |
|                                 | Original              | Final                 |                     |                                 |                     |
| REVENUES                        |                       |                       |                     |                                 |                     |
| Interest Earnings               | \$ 100,000            | \$ 65,341             | \$ 60,932           | \$ (4,409)                      | \$ 187,735          |
| EXPENDITURES                    |                       |                       |                     |                                 |                     |
| Capital Outlay                  |                       |                       |                     |                                 |                     |
| Sites and Buildings             | 5,650,196             | 4,141,569             | 3,948,141           | (193,428)                       | 4,072,128           |
| Net Change in Fund Balance      | <u>\$ (5,550,196)</u> | <u>\$ (4,076,228)</u> | (3,887,209)         | <u>\$ 189,019</u>               | (3,884,393)         |
| FUND BALANCE, BEGINNING OF YEAR |                       |                       | <u>6,134,317</u>    |                                 | <u>10,018,710</u>   |
| FUND BALANCE, END OF YEAR       |                       |                       | <u>\$ 2,247,108</u> |                                 | <u>\$ 6,134,317</u> |

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2020  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

|                                 | 2020              |                   |                   | Over (Under)<br>Final<br>Budget | 2019              |
|---------------------------------|-------------------|-------------------|-------------------|---------------------------------|-------------------|
|                                 | Budgeted Amounts  |                   | Actual            |                                 | Actual            |
|                                 | Original          | Final             |                   |                                 |                   |
| <b>REVENUES</b>                 |                   |                   |                   |                                 |                   |
| Local Sources                   |                   |                   |                   |                                 |                   |
| Property Taxes                  | \$ 3,464,819      | \$ 3,470,401      | \$ 3,471,918      | \$ 1,517                        | 3,322,654         |
| Interest Earnings               | 17,663            | 24,792            | 21,250            | (3,542)                         | 19,287            |
| State Sources                   | 331,126           | 329,006           | 328,981           | (25)                            | 331,126           |
| Total Revenues                  | <u>3,813,608</u>  | <u>3,824,199</u>  | <u>3,822,149</u>  | <u>(2,050)</u>                  | <u>3,673,067</u>  |
| <b>EXPENDITURES</b>             |                   |                   |                   |                                 |                   |
| Debt Service                    |                   |                   |                   |                                 |                   |
| Bond Principal                  | 2,100,000         | 2,100,000         | 2,100,000         |                                 | 1,910,000         |
| Bond Interest                   | 1,510,590         | 1,510,590         | 1,510,590         |                                 | 1,548,790         |
| Paying Agent Fees and Other     | 3,675             | 3,425             | 3,425             |                                 | 3,625             |
| Total Expenditures              | <u>3,614,265</u>  | <u>3,614,015</u>  | <u>3,614,015</u>  | <u>0</u>                        | <u>3,462,415</u>  |
| Net Change in Fund Balance      | <u>\$ 199,343</u> | <u>\$ 210,184</u> | 208,134           | <u>\$ (2,050)</u>               | 210,652           |
| FUND BALANCE, BEGINNING OF YEAR |                   |                   | <u>572,264</u>    |                                 | <u>361,612</u>    |
| FUND BALANCE, END OF YEAR       |                   |                   | <u>\$ 780,398</u> |                                 | <u>\$ 572,264</u> |

## REQUIRED REPORTS

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INDEPENDENT SCHOOL DISTRICT #347

UFARS COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2020

|                                     | Audited       | UFARS         | Difference |                                    | Audited   | UFARS     | Difference |
|-------------------------------------|---------------|---------------|------------|------------------------------------|-----------|-----------|------------|
| <b>01 GENERAL FUND</b>              |               |               |            |                                    |           |           |            |
| Total Revenue                       | \$ 58,781,671 | \$ 58,781,658 | \$ 13      | <i>Unassigned:</i>                 | \$        | \$        | \$         |
| Total Expenditures                  | 58,251,578    | 58,251,577    | 1          | 463 Unassigned                     |           |           |            |
| <i>Nonspendable:</i>                |               |               |            |                                    |           |           |            |
| 460 Nonspendable                    | 541,898       | 541,898       |            | <b>06 BUILDING CONSTRUCTION</b>    |           |           |            |
| <i>Restricted/Reserved:</i>         |               |               |            |                                    |           |           |            |
| 401 Student Activities              | 191,947       | 191,947       |            | Total Revenue                      | 60,932    | 60,932    |            |
| 402 Scholarships                    | 31,974        | 31,974        |            | Total Expenditures                 | 3,948,141 | 3,948,140 | 1          |
| 403 Staff Development               | 313,690       | 313,690       |            | <i>Nonspendable:</i>               |           |           |            |
| 405 Deferred Maintenance            |               |               |            | 460 Nonspendable                   | 860       | 860       |            |
| 406 Health and Safety               |               |               |            | <i>Restricted/Reserved:</i>        |           |           |            |
| 407 Capital Projects Levy           |               |               |            | 407 Capital Projects Levy          |           |           |            |
| 408 Cooperative Revenue             |               |               |            | 409 Alternative Facilities Program |           |           |            |
| 409 Alternative FAC Program         |               |               |            | 413 Project Funded by COP/LP       |           |           |            |
| 413 Project Funded by Cop           |               |               |            | 467 LTFM                           |           |           |            |
| 414 Operating Debt                  |               |               |            | <i>Restricted:</i>                 |           |           |            |
| 416 Levy Reduction                  |               |               |            | 464 Restricted                     | 2,246,248 | 2,246,249 | (1)        |
| 417 Taconite Building Maintenance   |               |               |            | <i>Unassigned:</i>                 |           |           |            |
| 423 Certain Teacher Programs        |               |               |            | 463 Unassigned                     |           |           |            |
| 424 Operating Capital               | 128,752       | 128,752       |            | <b>07 DEBT SERVICE</b>             |           |           |            |
| 426 \$25 Taconite                   |               |               |            | Total Revenue                      | 3,822,149 | 3,822,149 |            |
| 427 Disabled Accessibility          |               |               |            | Total Expenditures                 | 3,614,015 | 3,614,015 |            |
| 428 Learning & Development          |               |               |            | <i>Nonspendable:</i>               |           |           |            |
| 434 Area Learning Center            | 494,573       | 494,573       |            | 460 Nonspendable                   |           |           |            |
| 435 Contracted Alt. Programs        |               |               |            | <i>Restricted/Reserved:</i>        |           |           |            |
| 436 State Approved Alt. Programs    |               |               |            | 425 Bond Refundings                |           |           |            |
| 438 Gifted & Talented               | 7,216         | 7,216         |            | 451 QZAB and QSCB Payments         |           |           |            |
| 440 Teacher Development & Eval      |               |               |            | <i>Restricted:</i>                 |           |           |            |
| 441 Basic Skills Programs           |               |               |            | 464 Restricted                     | 780,398   | 780,398   |            |
| 445 Career & Technical Programs     |               |               |            | <i>Unassigned:</i>                 |           |           |            |
| 448 Achievement and Integration     |               |               |            | 463 Unassigned                     |           |           |            |
| 449 Safe Schools Levy               | 109,578       | 109,578       |            | <b>08 TRUST</b>                    |           |           |            |
| 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                     |           |           |            |
| 459 Basic Skills Ext Time           | 408,373       | 408,373       |            | <b>18 CUSTODIAL FUND</b>           |           |           |            |
| 467 LTFM                            | (123,352)     | (123,352)     |            | Total Revenue                      | 71,943    | 71,943    |            |
| 472 Medical Assistance              | 73,627        | 73,627        |            | Total Expenditures                 | 71,943    | 71,943    |            |
| <i>Restricted:</i>                  |               |               |            |                                    |           |           |            |
| 464 Restricted                      |               |               |            | <i>Unassigned:</i>                 |           |           |            |
| <i>Committed:</i>                   |               |               |            |                                    |           |           |            |
| 418 Separation/Retirement Benefits  | 1,200,000     | 1,200,000     |            | 422 Unassigned                     |           |           |            |
| 461 Committed                       |               |               |            | <b>20 INTERNAL SERVICE</b>         |           |           |            |
| <i>Assigned:</i>                    |               |               |            |                                    |           |           |            |
| 462 Assigned                        |               |               |            | Total Revenue                      | 238,733   | 238,733   |            |
| <i>Unassigned:</i>                  |               |               |            |                                    |           |           |            |
| 422 Unassigned                      | 14,365,650    | 14,365,649    | 1          | Total Expenditures                 | 230,420   | 230,420   |            |
| <b>02 FOOD SERVICE</b>              |               |               |            |                                    |           |           |            |
| Total Revenue                       | 3,712,090     | 3,712,089     | 1          | <i>Unassigned:</i>                 |           |           |            |
| Total Expenditures                  | 3,719,438     | 3,719,437     | 1          | 422 Unassigned                     | 67,427    | 67,427    |            |
| <i>Nonspendable:</i>                |               |               |            |                                    |           |           |            |
| 460 Nonspendable                    | 1,702         | 1,702         |            | <b>25 OPEB REVOCABLE TRUST</b>     |           |           |            |
| <i>Restricted/Reserved:</i>         |               |               |            |                                    |           |           |            |
| 452 OPEB Liab Not Held in a Trust   |               |               |            | Total Revenue                      |           |           |            |
| <i>Restricted:</i>                  |               |               |            |                                    |           |           |            |
| 464 Restricted                      | 783,383       | 783,383       |            | Total Expenditures                 |           |           |            |
| <i>Unassigned:</i>                  |               |               |            |                                    |           |           |            |
| 463 Unassigned                      |               |               |            | <b>45 OPEB IRREVOCABLE TRUST</b>   |           |           |            |
| <b>04 COMMUNITY SERVICE</b>         |               |               |            |                                    |           |           |            |
| Total Revenue                       | 2,587,825     | 2,587,823     | 2          | Total Revenue                      |           |           |            |
| Total Expenditures                  | 2,740,149     | 2,740,146     | 3          | Total Expenditures                 |           |           |            |
| <i>Nonspendable:</i>                |               |               |            |                                    |           |           |            |
| 460 Nonspendable                    | 9,496         | 9,496         |            | <i>Unassigned:</i>                 |           |           |            |
| <i>Restricted/Reserved:</i>         |               |               |            |                                    |           |           |            |
| 426 \$25 Taconite                   |               |               |            | 422 Unassigned                     |           |           |            |
| 431 Community Education             | 270,412       | 270,412       |            | <b>47 OPEB DEBT SERVICE</b>        |           |           |            |
| 432 E.C.F.E                         | 132,660       | 132,660       |            | Total Revenue                      |           |           |            |
| 444 School Readiness                | 235,700       | 235,700       |            | Total Expenditures                 |           |           |            |
| 447 Adult Basic Education           | 79,325        | 79,325        |            | <i>Nonspendable:</i>               |           |           |            |
| 452 OPEB Liab Not Held in a Trust   |               |               |            | 460 Nonspendable                   |           |           |            |
| 464 Restricted                      |               |               |            | <i>Restricted:</i>                 |           |           |            |
|                                     |               |               |            | 425 Bond Refundings                |           |           |            |
|                                     |               |               |            | 464 Restricted                     |           |           |            |
|                                     |               |               |            | <i>Unassigned:</i>                 |           |           |            |
|                                     |               |               |            | 463 Unassigned                     |           |           |            |

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020

| Federal Grantor\<br>Pass-Through Grantor\<br>Program Title            | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Expenditures        |
|---|---------------------------|---|---------------------|
| U.S. Department of Agriculture  |                           |   |                     |
| Minnesota Department of Education                                     |                           |   |                     |
| Child Nutrition Cluster:  |                           |   |                     |
| National School Lunch Program:  |                           |   |                     |
| Regular Lunch   |                           |   | \$ 171,191          |
| Free and Reduced Lunch  |                           |   | 827,567             |
| After School Snack  |                           |   | 40,547              |
| Food Distribution (Commodities-noncash)                               |                           |   | 206,645             |
| Total National School Lunch Program                                   | 10.555                    | 0000193883                                      | 1,245,950           |
| Special Milk Program for Children                                     | 10.556                    | 0000193883                                      | 807                 |
| School Breakfast Program  | 10.553                    | 0000193883                                      | 510,403             |
| Summer Food Service Program for Children                              | 10.559                    | 0000193883                                      | 213,213             |
| COVID-19 - Unanticipated School Closures 2019-20                      | 10.559                    | 0000193883                                      | 639,317             |
| Total Child Nutrition Cluster   |                           |   | 2,609,690           |
| Fresh Fruit and Vegetable Program                                     | 10.582                    | 0000193883                                      | 121,838             |
| Child and Adult Care Food Program                                     | 10.558                    | 0000193883                                      | 86,252              |
| Total U.S. Department of Agriculture                                  |                           |   | 2,817,780           |
| U.S. Department of Education  |                           |   |                     |
| Minnesota Department of Education                                     |                           |   |                     |
| Title I Grants to Local Educational Agencies                          | 84.010                    | * 0000193883                                    | 1,141,188           |
| Adult Education - Basic Grants to States                              | 84.002                    | 0000193883                                      | 38,076              |
| Title II, Part A - Supporting Effective Instruction State Grants      | 84.367                    | 0000193883                                      | 167,435             |
| Title III, Part A - English Language Acquisition State Grants         | 84.365                    | 0000193883                                      | 128,082             |
| Title IV, Part A - Student Support and<br>Academic Enrichment Program | 84.424A                   | 0000193883                                      | 105,408             |
| SW/WC Service Cooperative   |                           |   |                     |
| Special Education Cluster:  |                           |   |                     |
| Special Education Grants to States                                    | 84.027                    | Not Assigned                                    | 501,577             |
| Special Education Preschool Grants                                    | 84.173                    | Not Assigned                                    | 30,351              |
| Total Special Education Cluster                                       |                           |   | 531,928             |
| Pact for Families Collaborative                                       |                           |   |                     |
| Twenty-First Century Community Learning Centers                       | 84.287                    | Not Assigned                                    | 658                 |
| Ridgewater College  |                           |   |                     |
| Career and Technical Education - Basic Grants to States               | 84.048A                   | Not Assigned                                    | 21,047              |
| Total U.S. Department of Education                                    |                           |   | 2,133,822           |
| Total Federal Awards  |                           |   | <u>\$ 4,951,602</u> |

\* Denotes Major Program

See Accompanying Notes to Schedule of Expenditures of Federal Awards

INDEPENDENT SCHOOL DISTRICT #347

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2020

NOTE 1. REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Independent School District #347, Willmar, 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 Independent School District #347 under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the 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. FOOD DISTRIBUTION

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

NOTE 5. SUBRECIPIENTS

During the year ended June 30, 2020, the District did not pass any federal money to subrecipients.

NOTE 6. 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 Education  
Independent School District #347  
Willmar, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Independent School District #347's basic financial statements, and have issued our report thereon dated December 14, 2020.

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

December 14, 2020

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**Willmar Office**  
331 Third St SW, Ste 2  
PO Box 570  
Willmar, MN 56201  
(320) 235-3311  
(888) 388-1040

**Benson Office**  
1209 Pacific Ave, Ste 3  
Benson, MN 56215  
(320) 843-2302

**Morris Office**  
401 Atlantic Ave  
Morris, MN 56267  
(320) 589-2602

**Litchfield Office**  
820 Sibley Ave N  
Litchfield, MN 55355  
(320) 693-7975

**Sartell Office**  
Ste 110  
2351 Connecticut Ave  
Sartell, MN 56377  
(320) 252-7565  
(800) 862-1337

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## INDEPENDENT AUDITOR'S REPORT ON STUDENT ACTIVITIES COMPLIANCE

Members of the Board of Education, Advisors, and Students  
Independent School District #347  
Willmar, Minnesota

We have audited Independent School District #347's compliance with the types of compliance requirements described in the *Manual for Activity Fund Accounting* issued by the Minnesota Department of Education, pursuant to Minnesota Statutes §123B.49 for the year ended June 30, 2020. The *Manual for Activity Fund Accounting* provides uniform financial accounting and reporting standards for student activities.

### Management's Responsibility

Management is responsible for compliance with the requirements referred to above.

### Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit. 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 *Manual for Activity Fund Accounting*. Those standards and the *Manual for Activity Fund Accounting* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the District 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 with the *Manual for Activity Fund Accounting*. Our audit does not provide a legal determination of the District's compliance with those requirements.

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**Willmar Office**

331 Third St SW, Ste 2  
PO Box 570  
Willmar, MN 56201  
(320) 235-3311  
(888) 388-1040

**Benson Office**

1209 Pacific Ave, Ste 3  
Benson, MN 56215  
(320) 843-2302

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401 Atlantic Ave  
Morris, MN 56267  
(320) 589-2602

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820 Sibley Ave N  
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(320) 693-7975

**Sartell Office**

Ste 110  
2351 Connecticut Ave  
Sartell, MN 56377  
(320) 252-7565  
(800) 862-1337

## Opinion

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the Student Activity Fund for the year ended June 30, 2020.

*Conway, Deuth & Schmiesing, PLLP*

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

December 14, 2020



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

To The Board of Education  
Independent School District #347

We have audited, in accordance with auditing standards generally accepted in the United States of America and the stand.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District #347, Willmar, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 14, 2020.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

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|  |   |  |  |   |
|--|---|--|--|---|
| <b>Willmar Office</b><br>331 Third St SW, Ste 2<br>PO Box 570<br>Willmar, MN 56201<br>(320) 235-3311<br>(888) 388-1040 | <b>Benson Office</b><br>1209 Pacific Ave, Ste 3<br>Benson, MN 56215<br>(320) 843-2302 | <b>Morris Office</b><br>401 Atlantic Ave<br>Morris, MN 56267<br>(320) 589-2602 | <b>Litchfield Office</b><br>820 Sibley Ave N<br>Litchfield, MN 55355<br>(320) 693-7975 | <b>Sartell Office</b><br>Ste 110<br>2351 Connecticut Ave<br>Sartell, MN 56377<br>(320) 252-7565<br>(800) 862-1337 |
|--|---|--|--|---|

## 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

December 14, 2020



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

To the Board of Education  
Independent School District #347  
Willmar, Minnesota

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

We have audited Independent School District #347's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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|  |   |  |  |   |
|--|---|--|--|---|
| <b>Willmar Office</b><br>331 Third St SW, Ste 2<br>PO Box 570<br>Willmar, MN 56201<br>(320) 235-3311<br>(888) 388-1040 | <b>Benson Office</b><br>1209 Pacific Ave, Ste 3<br>Benson, MN 56215<br>(320) 843-2302 | <b>Morris Office</b><br>401 Atlantic Ave<br>Morris, MN 56267<br>(320) 589-2602 | <b>Litchfield Office</b><br>820 Sibley Ave N<br>Litchfield, MN 55355<br>(320) 693-7975 | <b>Sartell Office</b><br>Ste 110<br>2351 Connecticut Ave<br>Sartell, MN 56377<br>(320) 252-7565<br>(800) 862-1337 |
|--|---|--|--|---|

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

December 14, 2020

INDEPENDENT SCHOOL DISTRICT #347

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2020

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)? No

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

CFDA No.: 84.010  
Name of Federal Program or Cluster: Title I Grants to Local Education Agencies

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

Auditee qualified as low-risk auditee? Yes

INDEPENDENT SCHOOL DISTRICT #347

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2020

| <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> |
|--------------------------------------|-------------------------------|---------------|--|---|
| Financial Statement Findings:        |                               |               |  |   |
| 2019-001                             | Limited Segregation of Duties | Corrected     | 2018                                   |   |
| Minnesota Legal Compliance Findings: |                               |               |  |   |
| 2019-002                             | Pledged Collateral            | Corrected     | 2019                                   |   |
| Manual for Activity Fund Accounting: |                               |               |  |   |
| 2019-003                             | MAFA Noncompliance            | Corrected     | 2018                                   |   |
| Federal Awards Findings:             |                               |               |  |   |
| None                                 |                               |               |  |   |