

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CLARA CITY, MINNESOTA**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2020**

**SCHLENNER WENNER & CO.  
Certified Public Accountants  
& Business Consultants**

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CLARA CITY, MINNESOTA  
TABLE OF CONTENTS**

**INTRODUCTORY SECTION:**

**BOARD OF EDUCATION AND ADMINISTRATION** ..... 2

**FINANCIAL SECTION:**

**INDEPENDENT AUDITOR’S REPORT** ..... 4

**REQUIRED SUPPLEMENTARY INFORMATION:**

Management’s Discussion and Analysis ..... 8

**BASIC FINANCIAL STATEMENTS:**

*Government-wide Financial Statements*

Statement of Net Position ..... 20

Statement of Activities ..... 21

*Fund Financial Statements*

Balance Sheet – Governmental Funds ..... 22

Reconciliation of the Balance Sheet – Governmental  
Funds to the Statement of Net Position ..... 23

Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Governmental Funds ..... 24

Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances – Governmental Funds to the Statement of Activities ..... 25

*Notes to the Basic Financial Statements* ..... 26

**REQUIRED SUPPLEMENTARY INFORMATION:**

Budgetary Comparison Schedule – General Fund ..... 52

Schedule of Changes in District’s Net OPEB Liability ..... 53

Schedule of District OPEB Contributions ..... 54

Schedule of District’s Proportionate Share of Net Pension Liability ..... 55

Schedule of District Pension Contributions ..... 56

*Notes to the Required Supplementary Information* ..... 57

**SUPPLEMENTARY INFORMATION:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 63

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balances – Nonmajor Governmental Funds ..... 64

Uniform Financial Accounting and Reporting Standards Compliance Table ..... 65

**OTHER REQUIRED REPORTS:**

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* ..... 67

Independent Auditor’s Report on Minnesota Legal Compliance ..... 69

Schedule of Findings and Responses ..... 70

Corrective Action Plans ..... 73

**INTRODUCTORY  
SECTION**

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
BOARD OF EDUCATION AND ADMINISTRATION  
FOR THE YEAR ENDED JUNE 30, 2020**

**BOARD OF EDUCATION**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lane Schwitters	Chairperson	December 31, 2020
Julie Alsum	Vice-Chairperson	December 31, 2020
Carmel Thein	Clerk	December 31, 2020
Scott Ruitter	Treasurer	December 31, 2020
Debra Brandt	Director	December 31, 2022
Tate Mueller	Director	December 31, 2022

**ADMINISTRATION**

<u>Name</u>	<u>Title</u>
Sherry Broderius	Superintendent
Kim Sandry	Business Manager

**FINANCIAL  
SECTION**

## INDEPENDENT AUDITOR'S REPORT

Members of the School Board  
Independent School District No. 2180  
Clara City, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2180, Clara City, Minnesota (the District) 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 District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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 No. 2180, Clara City, Minnesota, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining nonmajor governmental funds financial statements, and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds financial statements and the Uniform Financial Accounting and Reporting Standards Compliance Table are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2020 on our consideration of Independent School District No. 2180's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Independent School District No. 2180's internal control over financial reporting and compliance.

## **Report on Other Legal and Regulatory Requirements**

In accordance with Minnesota Statutes, we have also issued our report dated December 14, 2020, on our consideration of Independent School District No. 2180's compliance with provisions of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65. The purpose of the 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.

A handwritten signature in cursive script that reads "Schlenner Wenner & Co.".

**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

December 14, 2020



**REQUIRED SUPPLEMENTARY  
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

As management of Independent School District No. 2180 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,894,990. Of this amount, negative \$4,957,176 is considered unrestricted.
- The District's total net position decreased \$491,438 as a result of current year operations.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$43,283,258, an increase of \$40,099,216 in comparison with the prior year. Approximately 8 percent of this amount, \$3,325,668, is available for spending at the District's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,325,668, or 35 percent of total General Fund expenditures.
- The District's total long-term debt increased by \$40,073,839 in the current fiscal year, excluding the change in the net OPEB liability and net pension liability.
- The significant increases in fund balance and long-term debt noted above are primarily due to debt issued in the current year for the District's upcoming building construction project.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain are summarized in the following table. The remainder of the overview section of the Management Discussion and Analysis highlights the structure and contents of each of the statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

	Government-Wide	Fund Financial Statements
		Governmental Funds
<b>Scope</b>	Entire District	The activities of the District, such as regular instruction, special education, support services, building maintenance, food service, and community education
<b>Required financial statements</b>	Statement of Net Position  Statement of Activities	Balance Sheet  Statement of Revenues, Expenditures and Changes in Fund Balances
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
<b>Type of asset/deferred outflows/liability/ deferred inflows information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; deferred inflows of resources recorded to defer unavailable assets; no capital assets or long-term liabilities included
<b>Type of outflow/inflow information</b>	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

**Government-Wide Financial Statements**

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

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include administration, district support services, regular instruction, vocational instruction, exceptional instruction, community education and services, instructional support services, pupil support services, sites and buildings, fiscal and other fixed cost programs, and interest and other fiscal charges. The District currently does not report any business-type activities.

The government-wide financial statements start on page 20 of this report.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

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

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Although governments often report multiple types of funds, all of the funds of the District are governmental funds.

**Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains three individual major governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and Building Construction Fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements start on page 22 of this report.

**Notes to the Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements start on page 26 of this report.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements as supplementary information. Combining fund statements start on page 63 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, for a net balance of \$4,894,990 at the close of the most recent fiscal year.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in 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.

**Net Position  
Table 1**

	Governmental Activities		
	2020	2019	Increase (Decrease)
Assets			
Current and Other Assets	\$ 48,978,486	\$ 6,287,336	\$ 42,691,150
Capital Assets	<u>15,151,230</u>	<u>14,837,409</u>	<u>313,821</u>
Total Assets	64,129,716	21,124,745	43,004,971
Deferred Outflows of Resources	4,303,578	6,052,292	(1,748,714)
Liabilities			
Current and Other Liabilities	1,499,879	854,372	645,507
Noncurrent Liabilities	<u>51,168,478</u>	<u>11,119,570</u>	<u>40,048,908</u>
Total Liabilities	52,668,357	11,973,942	40,694,415
Deferred Inflows of Resources	10,869,947	9,816,667	1,053,280
Net Position			
Net Investment in Capital Assets	9,647,374	9,741,063	(93,689)
Restricted	204,792	272,626	(67,834)
Unrestricted	<u>(4,957,176)</u>	<u>(4,627,261)</u>	<u>(329,915)</u>
Total Net Position	<u>\$ 4,894,990</u>	<u>\$ 5,386,428</u>	<u>\$ (491,438)</u>

An additional portion of the District's net position (\$204,792) represents resources that are subject to external restrictions on how they may be used. The remaining balance (unrestricted net position) is negative \$4,957,176 at year end.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

**Changes in Net Position**

The District's net position decreased \$491,438 during the most recent fiscal year. Key elements of this decrease are as follows:

**Changes in Net Position  
Table 2**

	Governmental Activities		
	2020	2019	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	\$ 437,867	\$ 526,856	\$ (88,989)
Operating Grants and Contributions	1,550,904	1,494,388	56,516
Capital Grants and Contributions	-	512,642	(512,642)
General Revenues			
Property Taxes	2,256,627	1,964,958	291,669
State Aid Not Restricted to Specific Programs	7,157,655	6,469,602	688,053
Earnings on Investments	397,734	17,573	380,161
Gifts and Donations	3,349	8,396	(5,047)
Miscellaneous	225,105	200,259	24,846
Total Revenues	<u>12,029,241</u>	<u>11,194,674</u>	<u>834,567</u>
Expenses			
Administration	779,581	638,439	141,142
District Support Services	296,190	326,209	(30,019)
Regular Instruction	4,349,078	2,957,739	1,391,339
Vocational Instruction	164,075	64,497	99,578
Exceptional Instruction	1,625,127	1,079,279	545,848
Community Education and Services	502,585	341,793	160,792
Instructional Support Services	601,094	430,764	170,330
Pupil Support Services	1,490,704	1,426,939	63,765
Sites and Buildings	1,869,452	1,878,209	(8,757)
Fiscal and Other Fixed Cost Programs	49,950	45,349	4,601
Interest and Other Fiscal Charges	792,843	106,583	686,260
Total Expenses	<u>12,520,679</u>	<u>9,295,800</u>	<u>3,224,879</u>
Change in Net Position	(491,438)	1,898,874	(2,390,312)
Net Position - Beginning of Year	<u>5,386,428</u>	<u>3,487,554</u>	<u>1,898,874</u>
Net Position - End of Year	<u>\$ 4,894,990</u>	<u>\$ 5,386,428</u>	<u>\$ (491,438)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

- The current year change in net position is a decrease of \$2,390,312 compared to that of the prior year. This is a result of a 7.5 percent increase in revenues and a 34.7 percent increase in expenses during fiscal year 2020.
- Property taxes increased \$291,669, due to fluctuations in levies. State Aid Not Restricted to Specific Programs increased \$688,053 due to changes in education aid funding formulas and pension funding activity. Capital grants and contributions, on the other hand, decreased \$512,642, primarily due to donations received for the tennis court project in the prior year.
- Expenses related to regular instruction and exceptional instruction increased \$1,391,339 and \$545,848, respectively, primarily due to fluctuations in pension expense.
- Interest and Other Fiscal Charges increased \$686,260 primarily due to issuance costs and interest expense for the new debt issued in the current year.

**Total and Net Cost of Governmental Activities**

The net cost of governmental activities is their total costs less program revenues applicable to each category. The following table presents these total and net costs.

**Total and Net Costs of Services  
Table 3**

	Total Cost of Services			Net Cost of Services		
	2020	2019	Increase (Decrease)	2020	2019	Increase (Decrease)
Administration	\$ 779,581	\$ 638,439	\$ 141,142	\$ 779,581	\$ 638,439	\$ 141,142
District Support Services	296,190	326,209	(30,019)	294,552	324,377	(29,825)
Regular Instruction	4,349,078	2,957,739	1,391,339	4,063,548	2,655,979	1,407,569
Vocational Instruction	164,075	64,497	99,578	164,075	64,497	99,578
Exceptional Instruction	1,625,127	1,079,279	545,848	650,891	163,637	487,254
Community Education and Services	502,585	341,793	160,792	299,492	87,354	212,138
Instructional Support Services	601,094	430,764	170,330	601,094	400,913	200,181
Pupil Support Services	1,490,704	1,426,939	63,765	966,430	909,219	57,211
Sites and Buildings	1,869,452	1,878,209	(8,757)	1,869,452	1,365,567	503,885
Fiscal and Other Fixed Cost Programs	49,950	45,349	4,601	49,950	45,349	4,601
Interest and Other Fiscal Charges	792,843	106,583	686,260	792,843	106,583	686,260
Totals	<u>\$ 12,520,679</u>	<u>\$ 9,295,800</u>	<u>\$ 3,224,879</u>	<u>\$ 10,531,908</u>	<u>\$ 6,761,914</u>	<u>\$ 3,769,994</u>

Some significant items to note include the following:

- The net cost of services related to Regular Instruction increased \$1,407,569 due to the reasons outlined previously.
- The net cost of services related to Exceptional Instruction increased \$487,254 due to reasons outlined previously.
- The net cost of services related to Sites and Buildings increased by \$503,885 primarily due to the tennis court donations mentioned above which offset Sites and Buildings expenses in the prior year.
- The total and net cost of services for Interest and Other Fiscal Charges increased \$686,260 due to the reasons outlined previously.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

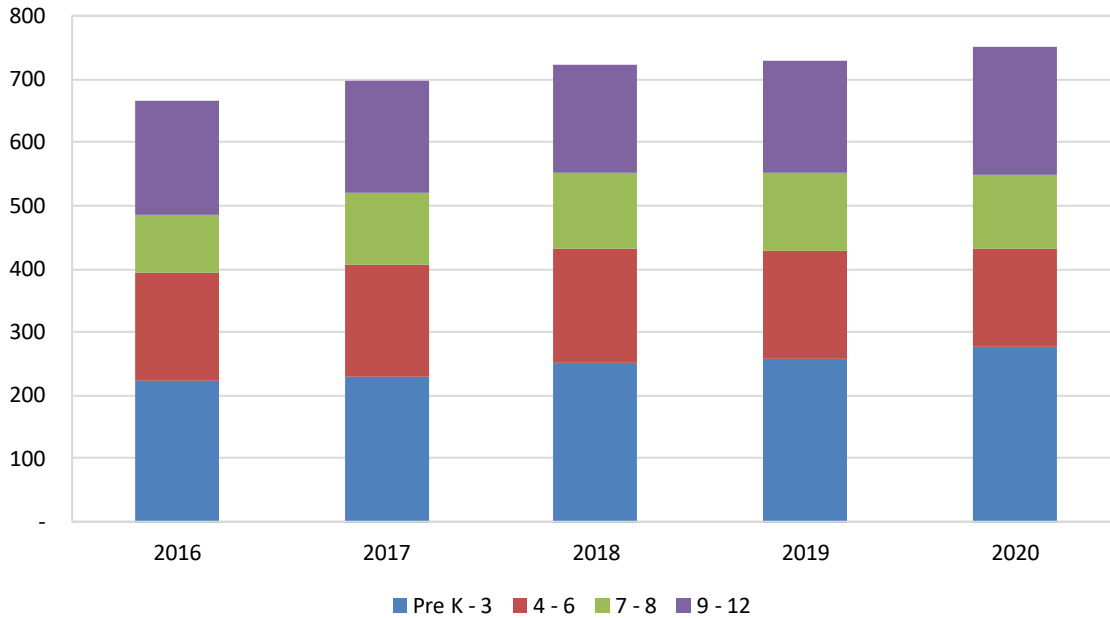
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The majority of the financial aid received by the District is determined based on the number of students enrolled during the year. Therefore, fluctuations in enrollment have a significant impact on the financial health of the District. The following graphs show the trend in student enrollment counts over the past five years:

**Student Enrollment (Average Daily Membership)**

	2016	2017	2018	2019	2020
Pre K - 3	222	231	251	258	276
4 - 6	171	174	180	170	155
7 - 8	92	116	121	123	119
9 - 12	181	175	170	179	202
<b>Total Student for Aid</b>	<u>666</u>	<u>696</u>	<u>722</u>	<u>730</u>	<u>752</u>
<b>Percentage Change</b>	-2.77%	4.50%	3.74%	1.11%	3.01%

**Student Enrollment (in ADM's)**



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

**Governmental Funds**

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



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

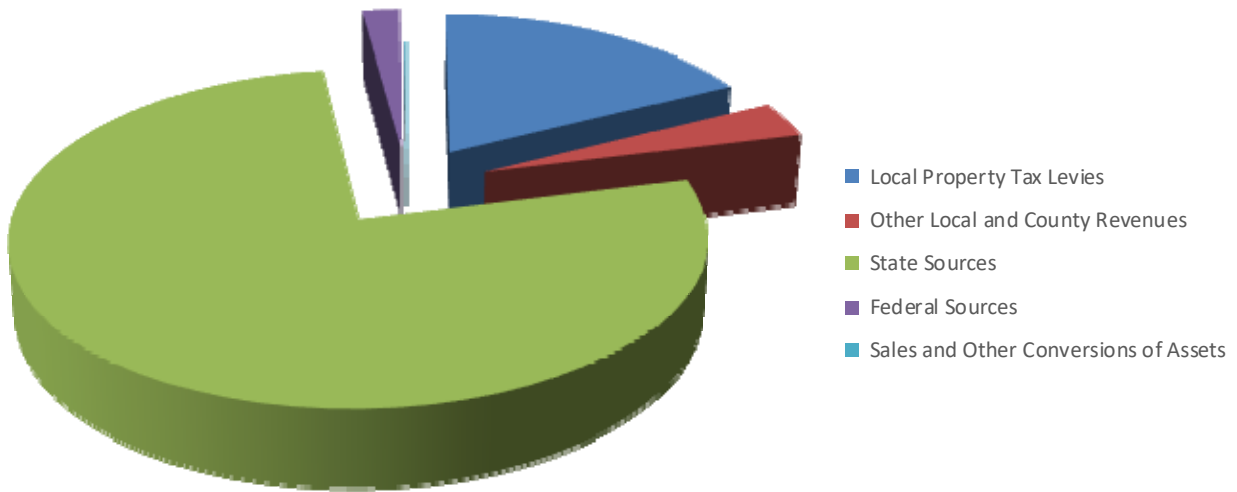
**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$43,283,258, an increase of \$40,099,216 in comparison with prior year. The following is a summary of the District's major funds:

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2020	2019	
General	\$ 3,508,494	\$ 3,293,069	\$ 215,425

The fund balance of the General Fund increased by \$215,425. Revenues increased approximately 3.9 percent from the prior year, while expenditures decreased approximately 4.0 percent.

**General Fund Revenue**

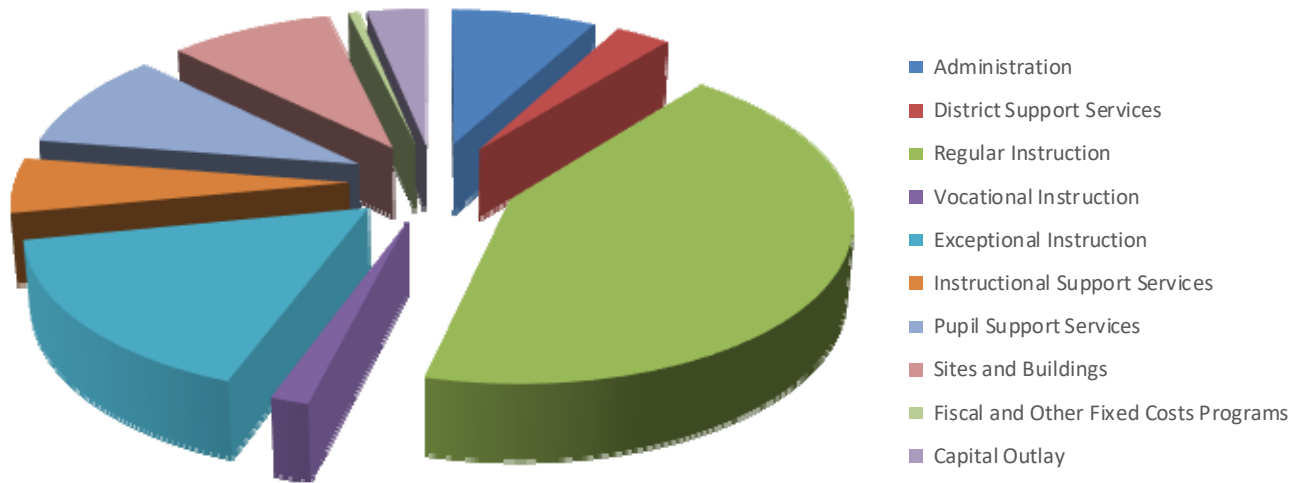


The District receives the vast majority of its funding in the General Fund from the State of Minnesota (77 percent), which is subject to fluctuation based on the number of pupils served by the District and changes in State legislation. In addition, the District receives approximately 18 percent of its General Fund revenues from local property tax levies.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)**

**General Fund Expenditures**



A significant portion of the District's General Fund expenditures are used for regular, vocational, and exceptional instruction (60 percent). Expenditures for various support services total 18 percent, and the remaining 22 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2020	2019	
Debt Service	\$ 72,216	\$ 42,429	\$ 29,787

The Debt Service Fund balance increased \$29,787 during the year. Operations were comparable to that of the prior year.

Major Funds	Fund Balance June 30,		Increase (Decrease)
	2020	2019	
Building Construction	\$ 39,674,358	\$ -	\$ 39,674,358

The Building Construction Fund balance increased \$39,674,358 during the year due to the issuance of School Building Bonds for the District's upcoming building construction project.

**General Fund Budgetary Highlights**

The District's General Fund budget was amended during the year. The revenues budget was increased by \$222,762, and the expenditures budget was revised in several functions for an overall decrease of \$15,892 from original to final. The final budget called for expenditures of \$9,429,264 and an overall increase in fund balance of \$391,108. Actual revenues recognized during the year exceeded budgeted amounts by \$473,556. Expenditures exceeded budgeted amounts by \$169,866. Therefore, the current year increase in fund balance was \$175,683 less than budgeted.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2020, amounts to \$15,151,230 (net of accumulated depreciation). This investment in capital assets includes site improvements, buildings and improvements, equipment and vehicles. The total increase in the District's investment in capital assets for the current fiscal year was approximately 2.1 percent.

Major capital asset events during the current fiscal year included various roof updates.

**Capital Assets Net of Depreciation  
Table 4**

	Governmental Activities		
	2020	2019	Increase (Decrease)
Construction in Progress	\$ 1,130,332	\$ -	\$ 1,130,332
Buildings and Improvements	13,821,504	14,582,432	(760,928)
Equipment and Vehicles	199,394	254,977	(55,583)
<b>Total</b>	<b>\$ 15,151,230</b>	<b>\$ 14,837,409</b>	<b>\$ 313,821</b>

Additional information on the District's capital assets can be found in Note 2.B. on page 34 of this report.

**Long-Term Debt**

At the end of the current fiscal year, the District had total long-term debt outstanding of \$45,199,489, excluding the District long-term net OPEB liability and net pension liability of \$526,851 and \$5,442,138, respectively. A summary of long-term debt activity for the year ended June 30, 2020 follows:

**Long-Term Debt  
Table 5**

	Governmental Activities		
	2020	2019	Increase (Decrease)
G.O. Alternative and Capital Facilities Bonds	\$ 3,345,000	\$ 3,870,000	\$ (525,000)
School Building Bonds	38,790,000	-	38,790,000
Unamortized Premium	2,017,239	98,023	1,919,216
Capital Leases	1,025,975	1,128,323	(102,348)
Severance Liability	21,275	29,304	(8,029)
<b>Total</b>	<b>\$ 45,199,489</b>	<b>\$ 5,125,650</b>	<b>\$ 40,073,839</b>

The District's total debt increased by \$40,073,839 during the current fiscal year, not including the change in the noncurrent net OPEB liability and noncurrent net pension liability recorded by the District. This increase is primarily due to the issuance of the School Building Bonds. Additional information on the District's long-term debt can be found in Note 2.C. on page 35 of this report.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2020**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The District's appointed and elected officials considered many factors when setting the fiscal year 2021 budget. These factors included the following:

- The District has experienced an increase in enrollment in recent years but is now experiencing fluctuating enrollment due to the Coronavirus. Some students are lost to homeschooling and online schools and then return as well.
- Budgets include normal inflationary increases in expenditures, with more significant increases expected in utility and food costs and operational costs due to the Coronavirus.
- Coronavirus/Hybrid and Distance Learning Models costs and loss of revenue in Food Service and Community Education.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with 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, please contact the Business Manager, Kim Sandry, Independent School District No. 2180, P.O. Box 690, 711 Wolverine Drive, Clara City, MN 56222.

## **BASIC FINANCIAL STATEMENTS**

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and Temporary Investments	\$ 5,013,335
Cash with Fiscal Agent	39,948,796
Property Taxes Receivable	2,900,584
Accounts Receivable	1,847
Due from Minnesota Department of Education	1,104,215
Inventory	9,709
Capital Assets not Being Depreciated	1,130,332
Capital Assets Being Depreciated (Net)	<u>14,020,898</u>
<b>TOTAL ASSETS</b>	<b>64,129,716</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
OPEB	53,429
Pensions	<u>4,250,149</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>4,303,578</b>
<b>LIABILITIES</b>	
Accounts Payable	366,061
Due to Other Governments	130,064
Salaries Payable	339,267
Payroll Deductions and Employer Contributions	210,331
Accrued Interest Payable	448,229
Unearned Revenue	5,927
Noncurrent Liabilities:	
Debt Due Within One Year	1,823,466
Debt Due After One Year	43,376,023
Net OPEB Liability	526,851
Net Pension Liability	<u>5,442,138</u>
<b>TOTAL LIABILITIES</b>	<b>52,668,357</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes Levied for Subsequent Years	4,614,154
OPEB	194,912
Pensions	<u>6,060,881</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>10,869,947</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	9,647,374
Restricted:	
General Fund Operating Capital	11,148
General Fund State-Mandated Restrictions	165,454
Food Service	9,709
Community Service	18,481
Unrestricted	<u>(4,957,176)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 4,894,990</u></b>

See Accompanying Notes.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Program Revenues		Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Administration	\$ 779,581	\$ -	\$ -	\$ (779,581)
District Support Services	296,190	1,638	-	(294,552)
Regular Instruction	4,349,078	101,886	183,644	(4,063,548)
Vocational Instruction	164,075	-	-	(164,075)
Exceptional Instruction	1,625,127	23,218	951,018	(650,891)
Community Education and Services	502,585	168,368	34,725	(299,492)
Instructional Support Services	601,094	-	-	(601,094)
Pupil Support Services	1,490,704	142,757	381,517	(966,430)
Sites and Buildings	1,869,452	-	-	(1,869,452)
Fiscal and Other Fixed Cost Programs	49,950	-	-	(49,950)
Interest and Other Fiscal Charges	792,843	-	-	(792,843)
Total Governmental Activities	<u>\$ 12,520,679</u>	<u>\$ 437,867</u>	<u>\$ 1,550,904</u>	<u>(10,531,908)</u>
General Revenues:				
Property Taxes				2,256,627
State Aid Not Restricted to Specific Programs				7,157,655
Earnings on Investments				397,734
Gifts and Donations				3,349
Miscellaneous				225,105
Total General Revenues				<u>10,040,470</u>
<b>CHANGE IN NET POSITION</b>				<u>(491,438)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>				<u>5,386,428</u>
<b>NET POSITION - END OF YEAR</b>				<u>\$ 4,894,990</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and Temporary Investments	\$ 3,690,221	\$ 1,245,930	\$ 200	\$ 76,984	\$ 5,013,335
Cash with Fiscal Agent	-	-	39,948,796	-	39,948,796
Property Taxes Receivable:					
Current	1,105,089	1,738,040	-	28,031	2,871,160
Delinquent	20,983	7,784	-	657	29,424
Accounts Receivable	1,847	-	-	-	1,847
Due from Other Funds	20,610	-	-	-	20,610
Due from Minnesota					
Department of Education	1,050,226	22,247	-	31,742	1,104,215
Inventory	-	-	-	9,709	9,709
<b>TOTAL ASSETS</b>	<u>\$ 5,888,976</u>	<u>\$ 3,014,001</u>	<u>\$ 39,948,996</u>	<u>\$ 147,123</u>	<u>\$ 48,999,096</u>
<b>LIABILITIES</b>					
Accounts Payable	\$ 90,437	\$ -	\$ 274,638	\$ 986	\$ 366,061
Due to Other Governments	130,064	-	-	-	130,064
Salaries Payable	295,833	-	-	43,434	339,267
Payroll Deductions and Employer Contributions	210,331	-	-	-	210,331
Due to Other Funds	-	-	-	20,610	20,610
Unearned Revenue	-	-	-	5,927	5,927
Total Liabilities	726,665	-	274,638	70,957	1,072,260
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue:					
Delinquent Property Taxes	20,983	7,784	-	657	29,424
Property Taxes Levied for Subsequent Years	1,632,834	2,934,001	-	47,319	4,614,154
Total Deferred Inflows of Resources	1,653,817	2,941,785	-	47,976	4,643,578
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	9,709	9,709
Restricted	176,602	72,216	39,674,358	18,481	39,941,657
Assigned	6,224	-	-	-	6,224
Unassigned	3,325,668	-	-	-	3,325,668
Total Fund Balances	3,508,494	72,216	39,674,358	28,190	43,283,258
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 5,888,976</u>	<u>\$ 3,014,001</u>	<u>\$ 39,948,996</u>	<u>\$ 147,123</u>	<u>\$ 48,999,096</u>



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

Total Fund Balances - Governmental Funds		\$ 43,283,258
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds:		
Capital Assets	\$ 31,306,122	
Accumulated Depreciation	<u>(16,154,892)</u>	
Capital Assets (Net)		15,151,230
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds:		
Bond Principal Payable	(42,135,000)	
Bond Premium, Net of Accumulated Amortization	(2,017,239)	
Capital Lease Payable	(1,025,975)	
Severance Payable	<u>(21,275)</u>	
		(45,199,489)
The net OPEB liability represents the present value of projected unfunded future postemployment benefits other than pensions, as determined by an actuary as of the most recent measurement date. Such liability and related balances do not represent the impending use of current financial resources and, therefore, are not reported in the funds:		
Net OPEB Liability	(526,851)	
Deferred Outflows - OPEB	53,429	
Deferred Inflows - OPEB	<u>(194,912)</u>	
		(668,334)
The net pension liability and related deferred outflows/inflows represent the allocation of the pension obligations of the statewide plans to the District. Such balances are not reported in the governmental funds:		
Net Pension Liability	(5,442,138)	
Deferred Outflows - Pensions	4,250,149	
Deferred Inflows - Pensions	<u>(6,060,881)</u>	
		(7,252,870)
Interest on long-term debt is recognized as an expenditure when due and payable in the governmental funds. Therefore, interest is not accrued in the governmental funds Balance Sheet, but is accrued in the Statement of Net Position:		
		(448,229)
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 governmental funds:		
		<u>29,424</u>
<b>TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b><u>\$ 4,894,990</u></b>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Local Property Tax Levies	\$ 1,808,169	\$ 409,879	\$ -	\$ 46,567	\$ 2,264,615
Other Local and County Revenues	364,008	-	381,262	168,458	913,728
State Sources	7,903,612	222,482	-	72,119	8,198,213
Federal Sources	205,500	-	-	268,531	474,031
Sales and Other Conversions of Assets	12,639	-	-	142,757	155,396
<b>TOTAL REVENUES</b>	<b>10,293,928</b>	<b>632,361</b>	<b>381,262</b>	<b>698,432</b>	<b>12,005,983</b>
<b>EXPENDITURES</b>					
Current:					
Administration	750,204	-	-	-	750,204
District Support Services	283,427	-	-	-	283,427
Regular Instruction	4,072,475	-	-	-	4,072,475
Vocational Instruction	153,579	-	-	-	153,579
Exceptional Instruction	1,545,950	-	-	-	1,545,950
Community Education and Services	-	-	-	476,776	476,776
Instructional Support Services	523,675	-	-	-	523,675
Pupil Support Services	925,212	-	-	520,122	1,445,334
Sites and Buildings	847,826	-	9,938	-	857,764
Fiscal and Other Fixed Cost Programs	49,950	-	-	-	49,950
Capital Outlay	306,656	-	1,130,333	1,261	1,438,250
Debt Service:					
Principal	102,348	525,000	-	-	627,348
Interest and Other Charges	37,828	77,574	325,372	-	440,774
<b>TOTAL EXPENDITURES</b>	<b>9,599,130</b>	<b>602,574</b>	<b>1,465,643</b>	<b>998,159</b>	<b>12,665,506</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>694,798</b>	<b>29,787</b>	<b>(1,084,381)</b>	<b>(299,727)</b>	<b>(659,523)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Bond Issuance	-	-	38,790,000	-	38,790,000
Premium on Bond Issuance	-	-	1,968,739	-	1,968,739
Transfers In	-	-	-	479,373	479,373
Transfers Out	(479,373)	-	-	-	(479,373)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(479,373)</b>	<b>-</b>	<b>40,758,739</b>	<b>479,373</b>	<b>40,758,739</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>215,425</b>	<b>29,787</b>	<b>39,674,358</b>	<b>179,646</b>	<b>40,099,216</b>
<b>FUND BALANCES - BEGINNING</b>	<b>3,293,069</b>	<b>42,429</b>	<b>-</b>	<b>(151,456)</b>	<b>3,184,042</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 3,508,494</b>	<b>\$ 72,216</b>	<b>\$ 39,674,358</b>	<b>\$ 28,190</b>	<b>\$ 43,283,258</b>

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 40,099,216

Amounts reported for governmental activities in the Statement of Activities are different due to the following:

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

Capital Outlay Capitalized	\$ 1,323,532	
Depreciation Expense	<u>(1,009,711)</u>	313,821

The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The amounts below detail the effects of these differences in the treatment of long-term debt and related items:

Capital Lease Principal Repayments	102,348	
Bond Principal Repayments	525,000	
Issuance of Long-Term Debt	(38,790,000)	
Premium on Long-Term Debt Issued	(1,968,739)	
Amortization of Bond Premium	<u>49,523</u>	(40,081,868)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due:

(401,591)

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period:

Property Taxes - Delinquent	(7,988)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in Severance Payable	8,029
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Certain liabilities do not represent the impending use of current resources. Therefore, the change in such liabilities and related deferrals are not reported in the governmental funds:

Net OPEB Liability and Deferred Outflows/Inflows of Resources	37,573	
Net Pension Liability and Deferred Outflows/Inflows of Resources	<u>(458,630)</u>	(421,057)

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (491,438)**

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1.A. FINANCIAL REPORTING ENTITY**

Independent School District No. 2180 (the District) is an educational entity established by the State of Minnesota. The government of the District is directed by an elected six member Board of Education (the Board). The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the District. The accompanying financial statements present the government entities for which the District is considered to be financially accountable.

The District has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on these criteria, there are currently no entities considered to be component units of the District.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside school hours. However, the Board does have administrative control over student activity funds, as well as responsibility for establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Accordingly, the student activity accounts are included in the basic financial statements as part of the General Fund.

**1.B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary activities of the primary government. For the most part, interfund activities have been removed from these statements.

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 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operations or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements of Independent School District No. 2180 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to severance and claims and judgments, are recorded only when payment is due. In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	Current (further classified by function)
	Capital Outlay
	Debt Service

Property taxes, intergovernmental revenue, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

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

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

The District reports the following major governmental funds:

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

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

The *Building Construction Fund* is a capital project fund used to account for the District's building construction project funded through bond proceeds.

The District reports the following nonmajor governmental fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources (other than expendable trust and major capital projects) that are legally restricted to expenditures for specified purposes.

**1.D. 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, liabilities, and deferred inflows, and disclosure of contingent balances at the date of the financial statements. Estimates also affect reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**

**Deposits and Investments**

Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota Statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable participation by each of the funds. Temporary cash investments are stated at cost which approximates fair value. Investments in external investment pools are valued at the pool's share price.

**Cash with Fiscal Agent**

Cash with fiscal agent represents deposits with fiscal agents to be used for the payment of building construction costs.

**Property Taxes Receivable**

The majority of District revenue is determined annually by statutory funding formulas. The total revenue allowed by these formulas is then allocated between property taxes and state aids by the Legislature based on education funding priorities.

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District.

Property tax levies are certified to the County in December of each year for collection from taxpayers in May and October of 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 an enforceable lien on property on the following January 1. The County generally remits taxes to the District at periodic intervals as they are collected. A portion of property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is deferred in the fund financial statements because it is not known to be available to finance the operation of the District in the current year. For government-wide financial statements, no allowance for uncollectible taxes is considered necessary.

**Accounts Receivable**

Accounts receivable include amounts billed for services provided before year end. No substantial losses are anticipated from present receivable balances; therefore, no allowance for uncollectible accounts is deemed necessary.

**Due from Other Governments**

Amounts due from the Minnesota Department of Education, from the federal government through the Department of Education and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, and may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period.

**Inventory**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Capital Assets**

Capital assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more for capitalizing equipment and \$25,000 or more for buildings and improvements. The system for accumulation of capital asset cost data does not provide the means for determining the percentage of assets valued at actual and those valued at estimated cost.

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

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

The District does not possess any material amounts of infrastructure capital assets, such as sidewalks and parking lots. Such items are considered to be part of the cost of buildings or other improvable property.

**Accrued Payroll Liabilities**

Salaries pertaining to the school year ended June 30, 2020, which are payable in July and August 2020, are accrued as of June 30, 2020, and are shown as a liability on the accompanying financial statements. Liabilities for payroll taxes, amounts withheld from payroll checks and benefits accrued are also included.

**Severance Payable**

Per employment agreements, teachers who have completed 15 years of allowable service with the District and are at least 55 years of age are eligible for severance. Eligible teachers, upon retirement will receive pay in the amount obtained by multiplying 10 percent of the unused number of sick leave days times the teacher's daily rate of pay (not to exceed 100 days).

**Long-Term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line 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.

**Postemployment Benefits Other Than Pensions (OPEB)**

Under the provisions of the various employee and union contracts, the District provides health insurance coverage for varying lengths of time if certain age and minimum years of service requirements are met.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY (Continued)**

**Net Pension Liability**

The net pension liability represents the District's allocation of their pro-rata share of the Statewide General Employees Retirement Fund and Teachers Retirement Association net pension liabilities.

PERA

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

TRA

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

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association 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.

**Interfund Transactions and Balances**

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. If short-term in nature or incurred through goods and service type transactions, such interfund balances are reported as "due to/from other funds." Long-term interfund loans are reported as "advances to/from other funds." Interfund transactions and balances between governmental funds are eliminated in the Statement of Net Position. See Note 2.E. for additional information pertaining to interfund balances and transfers.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The District reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The District reports property taxes levied for subsequent years as deferred inflows of resources in both the government-wide and governmental fund financial statements. The District reports delinquent property tax receivables as deferred inflows of resources in the governmental funds, in accordance with the modified accrual basis of accounting. In addition, the District reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of the pension funds and OPEB plan in which District employees participate.

See Notes 3 and 4 for additional information pertaining to the deferred outflows and deferred inflows recorded to account for OPEB and pension activities, respectively.



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1.E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND EQUITY**  
(Continued)

**Fund Balance**

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

Nonspendable – Includes amounts that cannot be spent because they are either not in spendable form, or they are legally or contractually required to be maintained intact. The nonspendable fund balance at June 30, 2020 consists of inventory.

Restricted – Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

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

Assigned – Amounts that are neither restricted or committed but are constrained by the District’s intent to be used for specific purposes. The Board has delegated the authority to assign fund balance to the District’s Superintendent and Business Manager.

Unassigned – The residual classification for the General Fund and also negative residual amounts in other funds, if any. The District has formally adopted a policy under which it strives to maintain a minimum unassigned General Fund balance equal to approximately 20% of the annual budget.

When both restricted and unrestricted resources are available for use, it is the District’s practice to first use restricted resources, and then use unrestricted resources as they are needed. If resources from more than one fund balance classification could be spent, the District will spend the resources from fund balance classifications in the following order: committed, assigned, and unassigned, in accordance with the District’s policy.

See Note. 2.D. for additional disclosures.

**Net Position**

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

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquiring the capital assets.

Restricted Net Position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Unrestricted Net Position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS**

**2.A. DEPOSITS AND INVESTMENTS**

**Deposits**

In accordance with applicable Minnesota Statutes, the District maintains deposits in financial institutions designated by the School Board. Minnesota Statutes require that all District deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds (100% if collateral pledged is irrevocable standby letters of credit issued by the Federal Home Loan Bank). The District complies with such laws.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- A general obligation of a state or local government, with taxing powers, rated “A” or better;
- A revenue obligation of a state or local government, with taxing powers, rated “AA” or better;
- Unrated general obligation securities of a local government, with taxing powers, pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letter of credit issued by a Federal Home Loan Bank accompanied by written evidence that the Federal Home Loan Bank’s public debt is rated “AA” or better by Moody’s or Standard and Poor’s; or
- Time deposits insured by any federal agency.

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

At June 30, 2020, the District's deposits were not exposed to custodial credit risk. The District's deposits were sufficiently covered by federal depository insurance or by collateral held by the District’s agent in the District's name.

**Investments**

The District may also invest idle funds as authorized by Minnesota Statutes as follows: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The District does not have any investment policies that would further limit investment choices.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pool shares. The investment in the Minnesota School District Liquid Asset Fund is not subject to the credit risk classifications as noted in GASB Statement No. 72.

Investment balances at June 30, 2020 are as follows:

Type of Investments	Credit Rating	Segmented Time Distribution	Fair Value
Minnesota School District Liquid Asset Fund	N/A	Less than 1 year	\$ <u>3,622</u>

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

- Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota Statutes limit the District’s investments.
- Custodial credit risk is the risk that in the event of a failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District does not have a formal investment policy to address custodial credit risk but typically limits its exposure by purchasing insured or registered investments.
- Concentration of Credit Risk is the risk associated with the magnitude of the District’s investments (considered five percent or more) in the investments of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The District has no formal policy limiting the amounts that may be invested in any one issuer. At June 30, 2020, the District does not have a significant concentration of credit risk.
- Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District has no formal policy to address interest rate risk.

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 has the following recurring fair value measurements as of June 30, 2020:

- Minnesota District Liquid Asset Fund valued at \$3,622 is valued using quoted market prices (Level 1).

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.A. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits and Temporary Investments Summary**

The following is a summary of total deposits and temporary investments:

Carrying Amount of Deposits	\$ 5,009,713
Investments (see Investments section)	3,622
Cash with Fiscal Agent	<u>39,948,796</u>
 Total Cash and Temporary Investments	 <u>\$ 44,962,131</u>

Cash and temporary investments are included on the basic financial statements as follows:

District-Wide:	
Cash and Temporary Investments	\$ 5,013,335
Cash with Fiscal Agent	<u>39,948,796</u>
 Total Cash and Temporary Investments	 <u>\$ 44,962,131</u>

**2.B. CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not Being Depreciated				
Construction in Progress	\$ -	\$ 1,130,332	\$ -	\$ 1,130,332
Capital Assets, Being Depreciated				
Buildings and Improvements	29,147,435	193,200	-	29,340,635
Equipment	<u>850,455</u>	<u>-</u>	<u>15,300</u>	<u>835,155</u>
Total Capital Assets				
Being Depreciated	29,997,890	193,200	15,300	30,175,790
Less Accumulated Depreciation for				
Buildings and Improvements	14,565,003	954,128	-	15,519,131
Equipment	<u>595,478</u>	<u>55,583</u>	<u>15,300</u>	<u>635,761</u>
Total Accumulated Depreciation	<u>15,160,481</u>	<u>1,009,711</u>	<u>15,300</u>	<u>16,154,892</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 14,837,409</u>	<u>\$ 313,821</u>	<u>\$ -</u>	<u>\$ 15,151,230</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.B. CAPITAL ASSETS (Continued)**

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

Governmental Activities		
Administration	\$	6,154
District Support Services		8,088
Regular Instruction		5,025
Pupil Support Services		22,266
Sites and Buildings		<u>968,178</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u>1,009,711</u>

**2.C. NONCURRENT LIABILITIES**

**General Obligation (G.O.) Bonds**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. Assets of the Debt Service Fund, together with scheduled future tax levies, are dedicated for the retirement of these obligations. The annual future debt service levies authorized are equal to 105 percent of the principal and interest due each year. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

There are a number of limitations and restrictions contained in the general obligation bond indentures.

The interest rates are fixed rates that increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2020 total \$516,994. Fund financial statement interest and fiscal charges for the year ended June 30, 2020 total \$115,402, excluding bond issuance costs in the Building Construction Fund. Interest expenses included in direct program expenses total \$0; all bond interest and fees are included in interest and other charges.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. General obligation bonds currently outstanding are as follows:

Description	Original Issue Amount	Interest Rates	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i>				
G.O. Alternative and Capital Facilities Bonds, Series 2013A	\$ 5,960,000	1.00-3.00%	2/1/2026	\$ 3,345,000
G.O. School Building Bonds, Series 2020A	<u>38,790,000</u>	2.00-4.00%	2/1/2040	<u>38,790,000</u>
Total	<u>\$ 44,750,000</u>			<u>\$ 42,135,000</u>

**Capital Lease**

In February 2013, the District signed a lease/purchase agreement to finance energy conservation upgrades. Additional information, including the outstanding balance on the lease/purchase agreement at June 30, 2020, is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
<i>Governmental Activities</i> Equipment Lease	<u>\$ 1,605,507</u>	3.43%	8/15/2028	<u>\$ 1,025,975</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES (Continued)**

The carrying value of the assets acquired by the Equipment Lease is estimated to approximate the outstanding balance on the lease at June 30, 2020.

**Debt Service Requirements**

At June 30, 2020, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities		
	G.O. Bonds		
	Principal	Interest	Total
2021	\$ 1,705,000	\$ 1,101,445	\$ 2,806,445
2022	1,540,000	1,103,863	2,643,863
2023	1,585,000	1,055,763	2,640,763
2024	1,725,000	1,006,113	2,731,113
2025	1,780,000	946,913	2,726,913
2026-2030	9,815,000	3,693,513	13,508,513
2031-2035	11,355,000	2,149,813	13,504,813
2036-2040	<u>12,630,000</u>	<u>878,603</u>	<u>13,508,603</u>
Total	<u>\$ 42,135,000</u>	<u>\$ 11,936,026</u>	<u>\$ 54,071,026</u>

At June 30, 2020, estimated annual debt service requirements to maturity for the capital lease are as follows:

Years Ending June 30,	Governmental Activities		
	Capital Lease		
	Principal	Interest	Total
2021	\$ 105,887	\$ 34,289	\$ 140,176
2022	109,550	30,626	140,176
2023	113,340	26,836	140,176
2024	117,260	22,916	140,176
2025	121,317	18,859	140,176
2026-2029	<u>458,621</u>	<u>31,995</u>	<u>490,616</u>
Total	<u>\$ 1,025,975</u>	<u>\$ 165,521</u>	<u>\$ 1,191,496</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.C. NONCURRENT LIABILITIES (Continued)**

**Changes in Noncurrent Liabilities**

Noncurrent liability activity for the year ended June 30, 2020 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
General Obligation Bonds	\$ 3,870,000	\$ 38,790,000	\$ (525,000)	\$ 42,135,000	\$ 1,705,000
Unamortized Premium	98,023	1,968,739	(49,523)	2,017,239	-
Capital Leases	1,128,323	-	(102,348)	1,025,975	105,887
Severance Payable	29,304	260	(8,289)	21,275	12,579
	<u>5,125,650</u>	<u>40,758,999</u>	<u>(685,160)</u>	<u>45,199,489</u>	<u>1,823,466</u>
Long-Term Liabilities	<u>\$ 5,125,650</u>	<u>\$ 40,758,999</u>	<u>\$ (685,160)</u>	<u>\$ 45,199,489</u>	<u>\$ 1,823,466</u>

Bonds payable are typically funded through the Debt Service Fund. Capital leases and severance payable are typically funded through the General Fund.

**2.D. FUND BALANCE CLASSIFICATIONS**

At June 30, 2020, governmental fund equity includes the following:

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
<i>Nonspendable:</i>					
Inventory	\$ -	\$ -	\$ -	\$ 9,709	\$ 9,709
<i>Restricted for:</i>					
Student Activities	\$ 105,108	\$ -	\$ -	\$ -	\$ 105,108
Staff Development	28,838	-	-	-	28,838
Operating Capital	11,148	-	-	-	11,148
Disabled Accessibility	2,273	-	-	-	2,273
Learning and Development	4,617	-	-	-	4,617
Gifted and Talent	450	-	-	-	450
Achievement and Integration	3,827	-	-	-	3,827
Long-Term Facility Maintenance	20,229	-	-	-	20,229
Medical Assistance	112	-	-	-	112
Debt Service	-	72,216	-	-	72,216
Building Construction	-	-	39,674,358	-	39,674,358
Community Education	-	-	-	1,107	1,107
School Readiness	-	-	-	17,374	17,374
	<u>176,602</u>	<u>72,216</u>	<u>39,674,358</u>	<u>18,481</u>	<u>39,941,657</u>
Total Restricted	<u>\$ 176,602</u>	<u>\$ 72,216</u>	<u>\$ 39,674,358</u>	<u>\$ 18,481</u>	<u>\$ 39,941,657</u>
<i>Assigned for:</i>					
Technology Repairs	\$ 6,224	\$ -	\$ -	\$ -	\$ 6,224

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.D. FUND BALANCE CLASSIFICATIONS (Continued)**

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Deficit UFARS Restrictions:					
Safe Schools Levy	\$ (1,749)	\$ -	\$ -	\$ -	\$ (1,749)

Restricted for Student Activities - This amount represents resources available for extracurricular student activities, from funds raised by students.

Restricted for Staff Development - This amount represents available resources restricted for professional growth of instructional staff members during their service to the school district.

Restricted for Operating Capital - This amount represents funds to be used for the purchase, lease and maintenance of school facilities and equipment.

Restricted for Disabled Accessibility - This amount represents restricted resources for improving the accessibility of the school for disabled individuals.

Restricted for Learning and Development - This amount represents restricted resources for learning and development, which is mainly for reducing the pupil-to-staff ratio.

Restricted for Gifted and Talented - This amount represents the unspent portion of general education aid revenue at year end restricted for programs for the gifted and talented.

Restricted for Achievement and Integration - This amount represents restricted resources for achievement and integration expenses.

Restricted for Long-Term Facility Maintenance - This amount represents restricted resources for long-term facility maintenance stipulated by the District's long-term facility maintenance plan. This restricted fund balance is allowed to be negative.

Restricted for Medical Assistance - This amount represents the unspent resources available from medical assistance.

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

Restricted for Building Construction - This amount represents resources to be used for building construction.

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

Restricted for School Readiness - This amount represents the resources available to provide for services for school readiness programs, which includes aids, fees, grants and all other revenues received by the District for the program. Deficits can be eliminated through state aids and program revenues.

Restricted for Safe Schools Levy - This amount represents restricted resources for funding programs designed to increase school safety and awareness. Amount also represents resources restricted to pay for the salaries of student counselors, security, and other personnel employed for the purpose of providing early responses to problems. This restricted fund balance is allowed to be negative.



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 2 DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (Continued)**

**2.E. INTERFUND TRANSACTIONS AND BALANCES**

Operating transfers consist of the following for the year ended June 30, 2020:

	<u>Transfers In</u>	<u>Transfers Out</u>
Nonmajor Governmental Funds	\$ 479,373	\$ -
General Fund	-	479,373
Total Transfers	\$ 479,373	\$ 479,373

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget require to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund balances at June 30, 2020 are as follows:

Due To Fund	Due From Fund	Amount	Reason
General	Food Service	\$ 20,610	Eliminate negative cash balance
Governmental Fund Elimination		(20,610)	
Government-wide Internal Balances		\$ -	

The interfund balances above are to be repaid as cash flows become available in each respective fund.

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**Plan Description**

The District operates a single-employer defined benefit healthcare plan (the Plan), through which the District provides postemployment benefits to eligible retirees and their families. As of the most recent valuation date, there are 134 active employees, 7 retirees and 1 spouse eligible to participate. The Plan does not issue a publicly available financial report.

**Benefits Provided**

The District offers continuing group health insurance coverage after retirement for qualifying District employees. Teachers and certain other District personnel who retire from active service may continue their single or family coverage, at their expense, through the District plan if they retire after reaching the age of 55 with at least 3 years of uninterrupted service in the District. Benefits and eligibility provisions have been established through negotiations between the District and the union representing the District’s teachers and are renegotiated every two-year bargaining period.

The District is legally required to include any retirees for who it provides health insurance coverage in the same insurance pool as its active employees until the retiree reaches Medicare eligibility, regardless of whether the premiums are paid by the District or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit arises from the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the District’s younger and statistically healthier active employees.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

**Contributions**

The District has historically funded these liabilities on a pay-as-you-go basis, in amounts contractually required to satisfy the benefit terms discussed above. For the year ended June 30, 2020, the District contributed \$53,429, which includes an implicit subsidy of \$47,229 resulting from the arrangement described above.

**Net OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources**

At June 30, 2020, the District reported a net OPEB liability of \$526,851 for the District's plan. The net OPEB liability was measured as of July 1, 2019, as determined by an actuarial valuation as of that date.

For the year ended June 30, 2020, the District recognized OPEB expense of \$15,855. At June 30, 2020, the District reported deferred outflows of resources of \$53,429 related to OPEB, for District contributions to the Plan paid subsequent to the measurement date. Such contributions will be recognized in OPEB expense during the reporting period ending June 30, 2021.

**Changes in the Net OPEB Liability**

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2020:

Changes in Total OPEB Liability (TOL)	
Balance at July 1st	\$ 778,647
Service Cost	28,617
Interest Cost	26,221
Changes in Assumptions	(5,777)
Differences between Expected and Actual Experience	(228,117)
Benefit Payments	<u>(72,740)</u>
Net OPEB Liability - June 30th	<u>\$ 526,851</u>

**Actuarial Assumptions**

The following is a summary of pertinent actuarial assumptions and methods utilized, applied to all periods included in the measurement, unless otherwise specified:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
<u>Actuarial Information:</u>	
Valuation Date	July 1, 2019
Measurement Date	July 1, 2019
Actuarial Cost Method	Entry Age, level percentage of pay
<u>Actuarial Assumptions:</u>	
Discount Rate	3.10%
Inflation Rate	2.50%
Investment Rate of Return	3.10%
Healthcare Trend Rate	6.50% (grading to 5.00% over 6 years)

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)**

Changes in assumptions, benefit terms, and other inputs since the prior measurement date:

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.40% to 3.10%.

**Net OPEB Liability Sensitivity**

The following presents the net OPEB liability, calculated using the discount rate disclosed in the preceding section, as well as what the District’s net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
	Rates	Amounts
1% Increase in Discount Rate	4.10%	\$503,978
Current Discount Rate	3.10%	\$526,851
1% Decrease in Discount Rate	2.10%	\$550,290

The following presents the net OPEB liability, calculated using the healthcare cost trend rates disclosed in the preceding section, as well as what the District’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

Sensitivity of Net OPEB Liability at Current Healthcare Trend Rates	
	Amounts
1% Increase in Healthcare Trend Rates	\$567,429
Current Healthcare Trend Rates	\$526,851
1% Decrease in Healthcare Trend Rates	\$492,087

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE**

**4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**Plan Description**

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

General Employees Retirement Plan

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

**Benefits Provided**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

General Employees Plan Benefits

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

**Contributions**

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020 were \$123,151. The District's contributions were equal to the required contributions as set by State Statute.

**Pension Costs**

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of \$1,217,437 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 \$37,838. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportionate share of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. The District’s proportionate share was 0.0220 percent at the end of the measurement period and 0.0222 percent for the beginning of the period.

District’s proportionate share of the net pension liability:	\$1,217,437
State of Minnesota’s proportionate share of the net pension liability associated with the District	<u>37,838</u>
Total	<u>\$1,255,275</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

For the year ended June 30, 2020 the District recognized pension expense of \$105,744 for its proportionate share of the General Employees Plan’s pension expense. In addition, the District recognized an additional \$2,839 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 the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 32,337	\$ -
Changes in actuarial assumptions	-	91,581
Differences between projected and actual investment earnings	-	119,690
Changes in proportion	71,833	5,409
Contributions paid to PERA subsequent to the measurement date	123,151	-
<b>Total Deferred Outflows/Inflows</b>	<b>\$ 227,321</b>	<b>\$ 216,680</b>

The \$123,151 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense
2021	\$ (27,654)
2022	\$ (60,492)
2023	\$ (26,326)
2024	\$ 1,962

**Actuarial Assumptions**

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

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent six-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.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

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

General Employees Fund

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	<u>2.0%</u>	0.00%
Total	<u>100%</u>	

**Discount Rate**

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.

**Pension Liability Sensitivity**

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

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
	<u>Rates</u>	<u>Amounts</u>
1% Lower	6.50%	\$2,001,400
Current Discount Rate	7.50%	\$1,217,437
1% Higher	8.50%	\$570,119

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.A.    PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)**

**Pension Plan Fiduciary Net Position**

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

**4.B.    TEACHERS RETIREMENT ASSOCIATION**

**Plan Description**

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

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

**Benefits Provided**

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

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

*Tier I Benefits*

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

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction 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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

*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.

**Contribution Rate**

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>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

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.

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

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



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4    DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B.    TEACHERS RETIREMENT ASSOCIATION (Continued)**

**Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
<u>Actuarial Information:</u>	
Valuation date	July 1, 2019
Experience study	June 5, 2015
Actuarial cost method	November 6, 2017 (economic assumptions) Entry Age Normal
<u>Actuarial Assumptions:</u>	
Investment rate of return	7.5%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 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.
<u>Mortality Assumptions:</u>	
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 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 (Geometric Mean)
Domestic Equity	35.5%	5.10%
International Equity	17.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	20%	0.75%
Unallocated Cash	<u>2%</u>	0.00%
Total	<u>100%</u>	

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 NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

There have been no changes in actuarial assumptions since the prior valuation.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the fiscal year 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).

**Net Pension Liability**

At June 30, 2020, the District reported a liability of \$4,224,701 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. The District’s proportionate share was 0.0663 percent at the end of the measurement period and 0.0635 percent for the beginning of the period.

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	\$4,224,701
State’s proportionate share of the net pension liability associated with the District	\$373,718

For the year ended June 30, 2020, the District recognized pension expense of \$389,646. It also recognized \$28,407 as pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 577	\$ 98,974
Changes in actuarial assumptions	3,366,527	5,348,569
Differences between projected and actual investment earnings	-	330,384
Changes in proportion	297,030	66,274
Contributions paid to TRA subsequent to the measurement date	<u>358,694</u>	<u>-</u>
Total Deferred Outflows/Inflows	<u>\$ 4,022,828</u>	<u>\$ 5,844,201</u>

Deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)**

**4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)**

Year Ended	Pension Expense
<u>June 30,</u>	<u></u>
2021	\$ 264,213
2022	\$ 13,554
2023	\$ (1,468,924)
2024	\$ (1,010,494)
2025	\$ 21,584

**Pension Liability Sensitivity**

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

Sensitivity of Net Pension Liability (NPL) to changes in the discount rate

<u>1 percent decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 percent increase (8.50%)</u>
\$6,735,207	\$4,224,701	\$2,154,826

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

**Pension Plan Fiduciary Net Position**

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

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

The United States and global markets experienced declines in values resulting from uncertainty caused by COVID-19. The resulting declines are expected to have a negative impact on TRA’s discount rate as well as the value of the Plan’s investments. Any impact caused by the resulting declines have not been included in the Schedules as of June 30, 2019.

**NOTE 5 OTHER INFORMATION**

**5.A. COMMITMENTS AND CONTINGENCIES**

**Federal and State Programs**

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

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 OTHER INFORMATION** (Continued)

**5.B. RISK MANAGEMENT**

**Claims and Judgements**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage these risks, the District purchases commercial insurance. The District retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the previous year settlements in excess of insurance for any of the past two years. The District is also self-insured for state reemployment compensation insurance.

**Public Health Emergency**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the District, to date, the District has not experienced any significant negative effects on its operations.

**5.C. OTHER EMPLOYEE BENEFITS**

**Health Insurance**

The District has joined together with other school districts in Minnesota in the South Central - West Central Service Cooperative Gross Self-Insured Health Insurance Plan, a public entity risk pool currently operating as common risk management and insurance program for member districts. The District pays an annual premium 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.

**Defined Contribution Plan**

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District's contributions to the plan total \$74,767 for the year ended June 30, 2020.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final	Budgetary Basis	
<b>REVENUES</b>				
Local Property Tax Levies	\$ 1,816,635	\$ 1,830,516	\$ 1,808,169	\$ (22,347)
Other Local and County Revenues	287,910	352,257	364,008	11,751
State Sources	7,361,015	7,417,328	7,903,612	486,284
Federal Sources	132,000	207,671	205,500	(2,171)
Sales and Other Conversions of Assets	50	12,600	12,639	39
<b>TOTAL REVENUES</b>	9,597,610	9,820,372	10,293,928	473,556
<b>EXPENDITURES</b>				
Current:				
Administration	685,790	662,610	750,204	87,594
District Support Services	289,005	293,451	283,427	(10,024)
Regular Instruction	4,098,569	4,069,782	4,072,475	2,693
Vocational Instruction	93,600	152,500	153,579	1,079
Exceptional Instruction	1,555,734	1,625,022	1,545,950	(79,072)
Instructional Support Services	404,468	469,006	523,675	54,669
Pupil Support Services	938,163	918,393	925,212	6,819
Sites and Buildings	1,014,662	796,403	847,826	51,423
Fiscal and Other Fixed Cost Programs	120,000	95,361	49,950	(45,411)
Capital Outlay	104,989	206,560	306,656	100,096
Debt Service:				
Principal	106,010	104,613	102,348	(2,265)
Interest and Other Charges	34,166	35,563	37,828	2,265
<b>TOTAL EXPENDITURES</b>	9,445,156	9,429,264	9,599,130	169,866
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	152,454	391,108	694,798	303,690
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(479,373)	(479,373)
<b>NET CHANGE IN FUND BALANCE</b>	\$ 152,454	\$ 391,108	215,425	\$ (175,683)
<b>FUND BALANCE - BEGINNING</b>			3,293,069	
<b>FUND BALANCE - ENDING</b>			\$ 3,508,494	

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF CHANGES IN DISTRICT'S NET OPEB LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

	<u>Measurement Period Ending June 30,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Changes in Total OPEB Liability (TOL)</b>			
Balance at July 1st	\$ 778,647	\$ 796,025	\$ 796,230
Service Cost	28,617	35,982	34,934
Interest Cost	26,221	26,935	27,208
Differences between Expected and Actual Experience	(228,117)	-	-
Changes in Actuarial Assumptions	(5,777)	-	-
Benefit Payments	<u>(72,740)</u>	<u>(80,295)</u>	<u>(62,347)</u>
Net OPEB Liability - June 30th	<u>\$ 526,851</u>	<u>\$ 778,647</u>	<u>\$ 796,025</u>
Covered Payroll for Active Members	<u>\$ 5,272,770</u>	<u>\$ 4,471,500</u>	<u>\$ 4,341,262</u>
Net OPEB Liability / Covered Payroll	10.0%	17.4%	18.3%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 (June 30, 2017 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Year Ended June 30	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contribution as a Percentage of Covered Payroll
2020	\$ 53,429	\$ 53,429	\$ -	\$ 3,476,139	1.5%
2019	\$ 72,740	\$ 72,740	\$ -	\$ 3,831,780	1.9%
2018	\$ 148,440	\$ 148,440	\$ -	\$ 4,471,500	3.4%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2018 and is intended to show a ten year trend. Additional years will be reported as they become available.



**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE**  
**SHARE OF NET PENSION LIABILITY**  
**LAST TEN YEARS (Presented Prospectively)**

For the Measurement Year Ended June 30	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the District (b)	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<b><i>Public Employees Retirement Association</i></b>							
2019	0.0220%	\$ 1,217,437	\$ 37,838	\$ 1,255,275	\$ 1,560,600	80.4%	80.2%
2018	0.0222%	\$ 1,228,791	\$ 40,302	\$ 1,269,093	\$ 1,488,440	85.3%	79.5%
2017	0.0200%	\$ 1,277,630	\$ 16,044	\$ 1,293,674	\$ 1,276,880	101.3%	75.9%
2016	0.0197%	\$ 1,602,072	\$ 20,840	\$ 1,622,912	\$ 1,182,803	137.2%	68.9%
2015	0.0198%	\$ 1,026,139	\$ -	\$ 1,026,139	\$ 1,169,792	87.7%	78.2%
2014	0.0208%	\$ 977,080	\$ -	\$ 977,080	\$ 1,097,613	89.0%	78.7%
<b><i>Teachers Retirement Association</i></b>							
2019	0.0663%	\$ 4,224,701	\$ 373,718	\$ 4,598,419	\$ 3,762,594	122.2%	78.2%
2018	0.0635%	\$ 3,986,482	\$ 374,325	\$ 4,360,807	\$ 3,411,115	127.8%	78.1%
2017	0.0624%	\$ 12,450,826	\$ 1,203,314	\$ 13,654,140	\$ 3,560,200	383.5%	51.6%
2016	0.0627%	\$ 14,966,994	\$ 1,502,418	\$ 16,469,412	\$ 3,281,731	501.9%	44.9%
2015	0.0637%	\$ 3,940,475	\$ 483,746	\$ 4,424,221	\$ 3,245,051	136.3%	76.8%
2014	0.0652%	\$ 3,004,369	\$ 211,135	\$ 3,215,504	\$ 3,053,730	105.3%	81.5%

Note: The schedule is provided prospectively with the District's fiscal year ended June 30, 2015 (June 30, 2014 measurement date) and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**LAST TEN YEARS (Presented Prospectively)**

For the Fiscal Year Ended June 30	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
<b><i>Public Employees Retirement Association</i></b>					
2020	\$ 123,151	\$ 123,151	\$ -	\$ 1,642,013	7.5%
2019	\$ 116,221	\$ 116,221	\$ -	\$ 1,549,613	7.5%
2018	\$ 110,928	\$ 110,928	\$ -	\$ 1,479,040	7.5%
2017	\$ 95,766	\$ 95,766	\$ -	\$ 1,276,880	7.5%
2016	\$ 88,624	\$ 88,624	\$ -	\$ 1,182,803	7.5%
2015	\$ 86,523	\$ 86,523	\$ -	\$ 1,169,792	7.4%
<b><i>Teachers Retirement Association</i></b>					
2020	\$ 358,694	\$ 358,694	\$ -	\$ 4,528,965	7.9%
2019	\$ 294,202	\$ 294,202	\$ -	\$ 3,815,850	7.7%
2018	\$ 267,015	\$ 267,015	\$ -	\$ 3,560,200	7.5%
2017	\$ 254,895	\$ 254,895	\$ -	\$ 3,398,600	7.5%
2016	\$ 245,806	\$ 245,806	\$ -	\$ 3,281,731	7.5%
2015	\$ 243,379	\$ 243,379	\$ -	\$ 3,245,051	7.5%

Note: The schedule is provided prospectively beginning with the District's fiscal year ended June 30, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 1 EXPENDITURES IN EXCESS OF BUDGET**

Actual expenditures in the General Fund of \$9,599,130 exceeded the final budgeted expenditures by \$169,866 for the current year end. This is primarily due to the increased costs of additional staffing for regular instruction, as well as unbudgeted capital outlay costs.

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND**

**2019 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2018 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

**2017 Changes**

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND (Continued)**

Changes in Plan Provisions

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

**2016 Changes**

Changes in Actuarial Assumptions

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

**2015 Changes**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State’s contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION**

**2019 Changes**

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

**2018 Changes**

Changes in Actuarial Assumptions

- The COLA was reduced from 2.00 percent each January 1 to 1.00 percent, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.10 percent each year until reaching the ultimate rate of 1.50 percent 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 2.50 percent 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 4.00 percent to 3.00 percent, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50 percent to 7.50 percent, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 6 years, (7.71 percent in 2018, 7.92 percent in 2019, 8.13 percent in 2020, 8.34 percent in 2021, 8.55 percent in 2022, and 8.75 percent in 2023). In addition, the employee contribution rate will increase from 7.50 percent to 7.75 percent on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.00 percent annually to 2.50 percent annually on July 1, 2045.
- The COLA was not assumed to increase to 2.50 percent, but remain at 2.00 percent for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.40 percent to 0.00 percent, the vested inactive load increased from 4.00 percent to 7.00 percent and the non-vested inactive load increased from 4.00 percent to 9.00 percent.
- The investment return assumption was changed from 8.00 percent to 7.50 percent.
- The price inflation assumption was lowered from 2.75 percent to 2.50 percent.
- The payroll growth assumption was lowered from 3.50 percent to 3.00 percent.
- The general wage growth assumption was lowered from 3.50 percent to 2.85 percent for ten years followed by 3.25 percent thereafter.
- The salary increase assumption was adjusted to reflect the changes in the general wage growth assumption.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)**

**2016 Changes**

Changes in Actuarial Assumptions

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00 percent for all future years.
- The price inflation assumption was lowered from 3.00 percent to 2.75 percent.
- The general wage growth and payroll growth assumptions were lowered from 3.75 percent to 3.50 percent.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made.

**2015 Changes**

Changes in Plan Provisions

- The DTRFA was merged into TRA on June 30, 2015.

Changes in Actuarial Assumptions

- The annual COLA for the June 30, 2015, valuation assumed 2.00 percent. The prior year valuation used 2.00 percent with an increase to 2.50 percent commencing in 2034.
- The discount rate used to measure the total pension liability was 8.00 percent. This is a decrease from the discount rate at the prior measurement date of 8.25 percent.

**NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN**

**2020 Changes**

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The discount rate was changed from 3.40 percent to 3.10 percent.

**2019 Changes**

There have been no significant changes in assumptions, benefit terms, and other inputs since the prior measurement date.

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN (Continued)**

**2018 Changes**

Changes in Plan Provisions

- A post-employment subsidized retirement benefit for Teachers hired prior to July 1, 1989 was added. The subsidy is a lump sum equal to years of service multiplied by \$200 paid to a HCSP.

Changes in Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.
- The discount rate was changed from 3.50 percent to 3.40 percent.

**SUPPLEMENTARY INFORMATION**



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2020**

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and Temporary Investments	\$ -	\$ 76,984	\$ 76,984
Property Taxes Receivable:			
Current	-	28,031	28,031
Delinquent	-	657	657
Due from Minnesota			
Department of Education	28,177	3,565	31,742
Inventory	9,709	-	9,709
<b>TOTAL ASSETS</b>	<b>\$ 37,886</b>	<b>\$ 109,237</b>	<b>\$ 147,123</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 619	\$ 367	\$ 986
Salaries Payable	1,021	42,413	43,434
Due to Other Funds	20,610	-	20,610
Unearned Revenue	5,927	-	5,927
Total Liabilities	28,177	42,780	70,957
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue:			
Delinquent Property Taxes	-	657	657
Property Taxes Levied for			
Subsequent Years	-	47,319	47,319
Total Deferred Inflows of Resources	-	47,976	47,976
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	9,709	-	9,709
Restricted for:			
Community Education	-	1,107	1,107
School Readiness	-	17,374	17,374
Total Fund Balances	9,709	18,481	28,190
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 37,886</b>	<b>\$ 109,237</b>	<b>\$ 147,123</b>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Local Property Tax Levies	\$ -	\$ 46,567	\$ 46,567
Other Local and County Revenues	-	168,458	168,458
State Sources	35,789	36,330	72,119
Federal Sources	268,531	-	268,531
Sales and Other Conversions of Assets	<u>142,757</u>	<u>-</u>	<u>142,757</u>
<b>TOTAL REVENUES</b>	<b>447,077</b>	<b>251,355</b>	<b>698,432</b>
<b>EXPENDITURES</b>			
Current:			
Community Education and Services	-	476,776	476,776
Pupil Support Services	520,122	-	520,122
Capital Outlay	<u>1,261</u>	<u>-</u>	<u>1,261</u>
<b>TOTAL EXPENDITURES</b>	<b><u>521,383</u></b>	<b><u>476,776</u></b>	<b><u>998,159</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(74,306)</b>	<b>(225,421)</b>	<b>(299,727)</b>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	<u>77,296</u>	<u>402,077</u>	<u>479,373</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,990</b>	<b>176,656</b>	<b>179,646</b>
<b>FUND BALANCES - BEGINNING</b>	<u>6,719</u>	<u>(158,175)</u>	<u>(151,456)</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 9,709</u></u>	<u><u>\$ 18,481</u></u>	<u><u>\$ 28,190</u></u>

**INDEPENDENT SCHOOL DISTRICT NO. 2180**  
**UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS**  
**COMPLIANCE TABLE**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>01 GENERAL FUND</u>	<u>Audited</u>	<u>UFARS</u>	<u>Difference</u>	<u>06 BUILDING CONSTRUCTION</u>	<u>Audited</u>	<u>UFARS</u>	<u>Difference</u>
Total Revenue	10,293,928	10,293,929	(1)	Total Revenue	381,262	381,262	-
Total Expenditures	9,599,130	9,599,133	(3)	Total Expenditures	1,465,643	1,465,642	1
Non Spendable:				Non Spendable:			
460 Non Spendable Fund Balance	-	-	-	460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:				Restricted/Reserve:			
401 Student Activities	105,108	105,108	-	407 Capital Projects Levy	-	-	-
402 Scholarships	-	-	-	413 Projects Funded by COP	-	-	-
403 Staff Development	28,838	28,838	-	467 LTFM	-	-	-
407 Capital Projects Levy	-	-	-	Restricted:			
408 Cooperative Revenue	-	-	-	464 Restricted Fund Balance	39,674,358	39,674,358	-
413 Project Funded by COP	-	-	-	Unassigned:			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-	<u>07 DEBT SERVICE</u>			
417 Taconite Building Maint	-	-	-	Total Revenue	632,361	632,362	(1)
424 Operating Capital	11,148	11,148	-	Total Expenditures	602,574	602,575	(1)
426 \$25 Taconite	-	-	-	Non Spendable:			
427 Disabled Accessibility	2,273	2,273	-	460 Non Spendable Fund Balance	-	-	-
428 Learning & Development	4,617	4,617	-	Restricted/Reserve:			
434 Area Learning Center	-	-	-	425 Bond Refundings	-	-	-
435 Contracted Alt. Programs	-	-	-	433 Max Effort Loan	-	-	-
436 St. Approved Alt. Program	-	-	-	451 QZAB Payments	-	-	-
438 Gifted & Talented	450	450	-	467 LTFM	-	-	-
440 Teacher Development & Eval	-	-	-	Restricted:			
441 Basic Skills Programs	-	-	-	464 Restricted Fund Balance	72,216	72,216	-
448 Achievement & Integration	3,827	3,827	-	Unassigned:			
449 Safe Schools Levy	(1,749)	(1,749)	-	463 Unassigned Fund Balance	-	-	-
451 QZAB Payments	-	-	-	<u>08 TRUST</u>			
452 OPEB Liab Not in Trust	-	-	-	Total Revenue	-	-	-
453 Unfunded Sev. & Retirement	-	-	-	Total Expenditures	-	-	-
459 Basic Skills Ext Time	-	-	-	401 Student Activities	-	-	-
467 LTFM	20,229	20,229	-	402 Scholarships	-	-	-
472 Medical Assistance	112	112	-	422 Net Assets	-	-	-
473 PPP Loans	-	-	-	<u>18 CUSTODIAL FUND</u>			
474 EIDL Loans	-	-	-	Total Revenue	-	-	-
Restricted:				Total Expenditures	-	-	-
464 Restricted Fund Balance	-	-	-	401 Student Activities	-	-	-
475 Title VII - Impact Aid	-	-	-	402 Scholarships	-	-	-
476 PILT	-	-	-	448 Achievement & Integration	-	-	-
Committed:				464 Restricted Fund Balance	-	-	-
418 Committed for Separation	-	-	-	<u>20 INTERNAL SERVICE</u>			
461 Committed Fund Balance	-	-	-	Total Revenue	-	-	-
Assigned:				Total Expenditures	-	-	-
462 Assigned Fund Balance	6,224	6,224	-	422 Net Assets	-	-	-
Unassigned:				<u>25 OPEB REVOCABLE TRUST FUND</u>			
422 Unassigned Fund Balance	3,327,417	3,327,420	(3)	Total Revenue	-	-	-
<u>02 FOOD SERVICE</u>				Total Expenditures	-	-	-
Total Revenue	447,077	447,075	2	422 Net Assets	-	-	-
Total Expenditures	521,383	521,381	2	<u>45 OPEB IRREVOCABLE TRUST FUND</u>			
Non Spendable:				Total Revenue	-	-	-
460 Non Spendable Fund Balance	9,709	9,709	-	Total Expenditures	-	-	-
Restricted/Reserve:				422 Net Assets	-	-	-
452 OPEB Liab. Not in Trust	-	-	-	<u>47 OPEB DEBT SERVICE FUND</u>			
474 EIDL Loans	-	-	-	Total Revenue	-	-	-
Restricted:				Total Expenditures	-	-	-
464 Restricted Fund Balance	-	-	-	422 Net Assets	-	-	-
Unassigned:				<u>04 COMMUNITY SERVICE</u>			
463 Unassigned Fund Balance	-	-	-	Total Revenue	251,355	251,356	(1)
<u>04 COMMUNITY SERVICE</u>				Total Expenditures	476,776	476,778	(2)
Total Revenue	251,355	251,356	(1)	Non Spendable:			
Total Expenditures	476,776	476,778	(2)	460 Non Spendable Fund Balance	-	-	-
Non Spendable:				Restricted:			
460 Non Spendable Fund Balance	-	-	-	425 Bond Refundings	-	-	-
Restricted/Reserve:				464 Restricted Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	Unassigned:			
431 Community Education	1,107	1,105	2	463 Unassigned Fund Balance	-	-	-
432 E.C.F.E.	-	-	-				
440 Teacher Development & Eval	-	-	-				
444 School Readiness	17,374	17,374	-				
447 Adult Basic Education	-	-	-				
452 OPEB Liab. Not in Trust	-	-	-				
473 PPP Loans	-	-	-				
474 EIDL Loans	-	-	-				
Restricted:							
464 Restricted Fund Balance	-	-	-				
Unassigned:							
463 Unassigned Fund Balance	-	-	-				

**OTHER REQUIRED  
REPORTS**

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

Members of the Board of Education  
Independent School District No. 2180  
Clara City, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2180 (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Independent School District No. 2180'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 Independent School District No. 2180's internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of *Findings and Responses*, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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. We consider the following deficiencies described in the accompanying *Schedule of Findings and Responses* to be material weaknesses: 2016-001 and 2016-003.

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. We consider the following deficiency described in the accompanying *Schedule of Findings and Responses* to be a significant deficiency: 2016-002.

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**St. Cloud**  
320.251.0286

**Little Falls**  
320.632.6311

**Albany**  
320.845.2940

**Maple Lake**  
320.963.5414

**Monticello**  
763.295.5070

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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*.

## **District's Response to Findings**

Independent School District No. 2180's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Responses* and *Corrective Action Plans*. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**SCHLENNER WENNER & CO.**

St. Cloud, Minnesota

December 14, 2020

**INDEPENDENT AUDITOR'S REPORT ON  
MINNESOTA LEGAL COMPLIANCE**

Members of the Board of Education  
Independent School District No. 2180  
Clara City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2180, Clara City, Minnesota (the District) 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.

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 sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minnesota Statute Section 6.65, except as described in the *Schedule of Findings and Responses* as finding 2020-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The 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.



**SCHLENNER WENNER & CO.**  
St. Cloud, Minnesota  
December 14, 2020

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001      Limited Segregation of Duties**

*Condition:*                      During our audit we reviewed procedures over cash receipts, cash disbursements, payroll and financial reporting and found the District to have limited segregation of duties over those transaction cycles.

*Criteria:*                        Internal control that supports the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties. In other words, no one person had control over two or more of these responsibilities.

*Cause:*                            Limited number of staff members.

*Effect:*                            The existence of limited segregation of duties could adversely affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:*            Although the number of staff members may not be large enough to eliminate this deficiency, we recommend that the District evaluate current procedures and segregate where possible and implement compensating controls. It is important that the Board is aware of this condition and monitor all financial information.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*            Management agrees with our recommendation. See corresponding Corrective Action Plan.

**Finding 2016-002      Financial Statement Preparation**

*Condition:*                        Schlenner Wenner & Co. drafted the audited financial statements and related footnote disclosures for the District. It is management's responsibility to provide for the preparation of financial statements and the auditor's responsibility to determine the fairness of the presentation. This deficiency could result in a misstatement that could have been prevented or detected by management.

*Criteria:*                        Internal controls over financial reporting should be in place to provide for the preparation of financial statements on an annual basis.

*Cause:*                            The District's staff does not possess the expertise to prepare financial statements internally. This is not unusual for an organization of your size.

*Effect:*                            The inability to internally prepare the District's financial statements can result in undetected errors in financial reporting.

*Recommendation:*            We recommend that management review a draft of the financial statements in detail for accuracy. During review we recommend a disclosure checklist be utilized to ensure all required disclosures are presented and the District should agree the financial statement numbers to their accounting software. The District may not have the ability to eliminate this finding.



**INDEPENDENT SCHOOL DISTRICT NO. 2180  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2016-002      Financial Statement Preparation (Continued)**

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

The District will continue to have the auditor assist in preparation of the financial statements. The District will continue to document an annual review of the audited financial statements by having the auditor meet with the District personnel to review the financial statements and related footnote disclosures.

**Finding 2016-003      Material Audit Adjustments**

*Condition:*                      Audit adjustments were required to correct material misstatements identified in the trial balance presented for the audit.

*Criteria:*                         The District is required to report financial information under the basis of accounting prescribed by Generally Accepted Accounting Principles.

*Cause:*                             The District failed to adjust various accounts to their proper year-end balances.

*Effect:*                            The misstatements in the trial balance presented for the audit resulted in the need to record audit adjustments to achieve fair financial statement presentation under accounting principles generally accepted in the United States of America.

*Recommendation:*            We recommend management perform a thorough review of the trial balance prior to the audit and ensure all transactions and year-end balances have been properly recorded.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*

Management agrees with the recommendation. See corresponding Corrective Action Plan.

**LEGAL COMPLIANCE FINDINGS**

**Finding 2020-001      Withholding Affidavit for Contractors**

*Condition:*                         The District failed to obtain certification from contractors that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue.

*Criteria:*                         Under Minnesota Statute 270C.66, the District is required to obtain certification from contractors that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to making final payment to each contractor.

*Cause:*                             The District failed to obtain certification before making final payments to contractors.

*Effect:*                            The failure to obtain such certification resulted in the District's noncompliance with Minnesota Statutes.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2020**

**LEGAL COMPLIANCE FINDINGS (Continued)**

**Finding 2020-001            Withholding Affidavit for Contractors (Continued)**

*Recommendation:*            We recommend management adopt a policy under which it requires contractors to provide documentation that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to the District making final payment for new construction.

*Views of Responsible  
Officials and Planned  
Corrective Actions:*            Management agrees with the recommendation. See corresponding Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2016-001      Limited Segregation of Duties**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District currently has the following procedures in place:
  - The Board of Education reviews the monthly invoices and approves the expenditures.
  - A Region accountant assists the business manager with journal entries and the coding of receipts and disbursements.The District will review current procedures and implement additional controls where possible.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The Board of Education will be monitoring this Corrective Action Plan.

**Finding 2016-002      Financial Statement Preparation**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will continue to have the auditor prepare the financial statements; however, the District will document the annual review of the financial statements and related footnote disclosures.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
The Corrective Action Plan will be reviewed on an ongoing basis with no anticipated completion date.
5. Plan to Monitor Completion  
The Board of Education will be monitoring this Corrective Action Plan.

**INDEPENDENT SCHOOL DISTRICT NO. 2180  
CORRECTIVE ACTION PLANS  
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 2018-001      Material Audit Adjustments**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will perform a thorough review of the trial balance and year-end adjustments to ensure their accuracy and completeness prior to the audit.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2021.
5. Plan to Monitor Completion  
The Board of Education will be monitoring this Corrective Action Plan.

**LEGAL COMPLIANCE FINDINGS**

**Finding 2020-001      Withholding Affidavit for Contractors**

1. Explanation of Disagreement with Audit Finding  
There is no disagreement with the audit finding.
2. Actions Planned in Response to Finding  
The District will adopt a policy under which it requires contractors to provide documentation that a *Withholding Affidavit for Contractors* was submitted to the Department of Revenue prior to the District making final payment on a contract for new construction.
3. Official Responsible  
Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.
4. Planned Completion Date  
June 30, 2021.
5. Plan to Monitor Completion  
The Board of Education will be monitoring the Corrective Action Plan.