Independent School District No. 2180

Clara City, Minnesota

Audited Financial Statements

June 30, 2021

SCHLENNER WENNER & CO.
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CLARA CITY, MINNESOTA
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INTRODUCTORY SECTION

INDEPENDENT SCHOOL DISTRICT NO. 2180
BOARD OF EDUCATION AND ADMINISTRATION
FOR THE YEAR ENDED JUNE 30, 2021

BOARD OF EDUCATION

Name	Title	Term Expires
Lane Schwitters	Chairperson	December 31, 2022
Julie Alsum	Vice-Chairperson	December 31, 2024
Carmel Thein	Clerk	December 31, 2024
Scott Ruiter	Treasurer	December 31, 2024
Debra Brandt	Director	December 31, 2022
Tate Mueller	Director	December 31, 2022

ADMINISTRATION

Name	Title
Sherri 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, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2021, 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.

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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

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2021 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.

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 9, 2021

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2180
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $6,550,002. Of this amount, negative $5,066,121 is considered unrestricted.

- The District's total net position increased $1,655,012 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 $37,861,171, a decrease of $5,422,087 in comparison with the prior year. Approximately 9 percent of this amount, $3,495,236, 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 $3,731,712, or 36 percent of total General Fund expenditures.

- The District's total long-term debt decreased by $1,935,154 (4 percent) in the current fiscal year, excluding the change in the net OPEB liability and net pension liability.

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.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

	Government-Wide	Fund Financial Statements
		Governmental Funds
Scope	Entire District	The activities of the District, such as regular instruction, special education, support services, building maintenance, food service, and community education
Required financial statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus
Type of asset/deferred outflows/liability/ deferred inflows information	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
Type of outflow/inflow information	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 19 of this report.

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 of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds 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 funds Balance Sheet and in the governmental funds 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 21 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 25 of this report.

Supplementary Information
The combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information. Combining fund statements start on page 64 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 $6,550,002 at the close of the most recent fiscal year.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

A significant portion of the District's net position reflects its investment in capital assets (e.g., land, buildings and improvements, 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 students; 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		
	2021	2020	Increase (Decrease)
Assets			
Current and Other Assets	$ 43,199,010	$ 48,978,486	$ (5,779,476)
Capital Assets	20,743,470	15,151,230	5,592,240
Total Assets	63,942,480	64,129,716	(187,236)
Deferred Outflows of Resources	2,921,914	4,303,578	(1,381,664)
Liabilities			
Current and Other Liabilities	1,670,311	1,499,879	170,432
Noncurrent Liabilities	50,282,181	51,168,478	(886,297)
Total Liabilities	51,952,492	52,668,357	(715,865)
Deferred Inflows of Resources	8,361,900	10,869,947	(2,508,047)
Net Position			
Net Investment in Capital Assets	10,901,832	9,647,374	1,254,458
Restricted	714,291	204,792	509,499
Unrestricted	(5,066,121)	(4,957,176)	(108,945)
Total Net Position	$ 6,550,002	$ 4,894,990	$ 1,655,012

An additional portion of the District's net position ($714,291) represents resources that are subject to external restrictions on how they may be used. The remaining balance (unrestricted net position) is negative $5,066,121 at year end. This unrestricted balance has been reduced by a total of $7,738,361 as a result of recording the District's proportionate share of net pension liability and related balances for the statewide pension plans in which District employees participate.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Changes in Net Position
The District's net position increased $1,655,012 during the most recent fiscal year. Key elements of this increase are as follows:

Changes in Net Position
Table 2

	Governmental Activities		
	2021	2020	Increase (Decrease)
Revenues			
Program Revenues			
Charges for Services	$ 331,372	$ 437,867	$ (106,495)
Operating Grants and Contributions	2,608,195	1,550,904	1,057,291
Capital Grants and Contributions	16,708	-	16,708
General Revenues			
Property Taxes	3,676,247	2,256,627	1,419,620
State Aid Not Restricted to Specific Programs	8,038,355	7,157,655	880,700
Earnings on Investments	257,711	397,734	(140,023)
Gifts and Donations	18,491	3,349	15,142
Gain (Loss) on Sale of Assets	(2,574)	-	(2,574)
Miscellaneous	229,985	225,105	4,880
Total Revenues	15,174,490	12,029,241	3,145,249
Expenses			
Administration	792,784	779,581	13,203
District Support Services	310,156	296,190	13,966
Regular Instruction	4,464,114	4,349,078	115,036
Vocational Instruction	241,306	164,075	77,231
Exceptional Instruction	1,814,210	1,625,127	189,083
Community Education and Services	556,188	502,585	53,603
Instructional Support Services	827,093	601,094	225,999
Pupil Support Services	1,563,097	1,490,704	72,393
Sites and Buildings	1,847,583	1,869,452	(21,869)
Fiscal and Other Fixed Cost Programs	55,154	49,950	5,204
Interest and Other Fiscal Charges	1,047,793	792,843	254,950
Total Expenses	13,519,478	12,520,679	998,799
Change in Net Position	1,655,012	(491,438)	2,146,450
Net Position - Beginning of Year	4,894,990	5,386,428	(491,438)
Net Position - End of Year	$ 6,550,002	$ 4,894,990	$ 1,655,012

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

- The current year change in net position is an increase of $1,655,012, compared to a decrease of $491,438 in the prior year. This is a result of a 26.1 percent increase in revenues and an 8.0 percent increase in expenses during fiscal year 2021.

- Property taxes increased $1,419,620, due to the recent bond referendum. Operating Grants and Contributions increased $1,057,291 due to an increase in Federal funding related to the COVID-19 pandemic. This funding included Coronavirus Relief grants, Governor's Emergency Education Relief (GEER) grants, Elementary and Secondary School Emergency Relief (ESSER) grants, and funding under the Child Nutrition program to support free meals for students.

- Expenses related to Instructional Support Services increased $225,999, primarily due to costs incurred in response to the COVID-19 pandemic. A number of these costs were eligible for reimbursement under the Federal grants noted above. Expenses related to Exceptional Instruction increased $189,083 due to fluctuations in participating students State funding for this program increased correspondingly.

- Interest and Other Fiscal Charges increased $254,950 primarily due to interest expense for the new debt issued in the prior 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		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Administration	$ 792,784	$ 779,581	$ 13,203	$ 792,784	$ 779,581	$ 13,203
District Support Services	310,156	296,190	13,966	309,236	294,552	14,684
Regular Instruction	4,464,114	4,349,078	115,036	3,984,537	4,063,548	(79,011)
Vocational Instruction	241,306	164,075	77,231	241,306	164,075	77,231
Exceptional Instruction	1,814,210	1,625,127	189,083	557,072	650,891	(93,819)
Community Education and Services	556,188	502,585	53,603	266,626	299,492	(32,866)
Instructional Support Services	827,093	601,094	225,999	486,098	601,094	(114,996)
Pupil Support Services	1,563,097	1,490,704	72,393	1,038,637	966,430	72,207
Sites and Buildings	1,847,583	1,869,452	(21,869)	1,783,960	1,869,452	(85,492)
Fiscal and Other Fixed Cost Programs	55,154	49,950	5,204	55,154	49,950	5,204
Interest and Other Fiscal Charges	1,047,793	792,843	254,950	1,047,793	792,843	254,950
Totals	$ 13,519,478	$ 12,520,679	$ 998,799	$ 10,563,203	$ 10,531,908	$ 31,295

Some significant items to note include the following:

- The net cost of services related to Instructional Support Services decreased $114,996 due to the reasons outlined previously.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

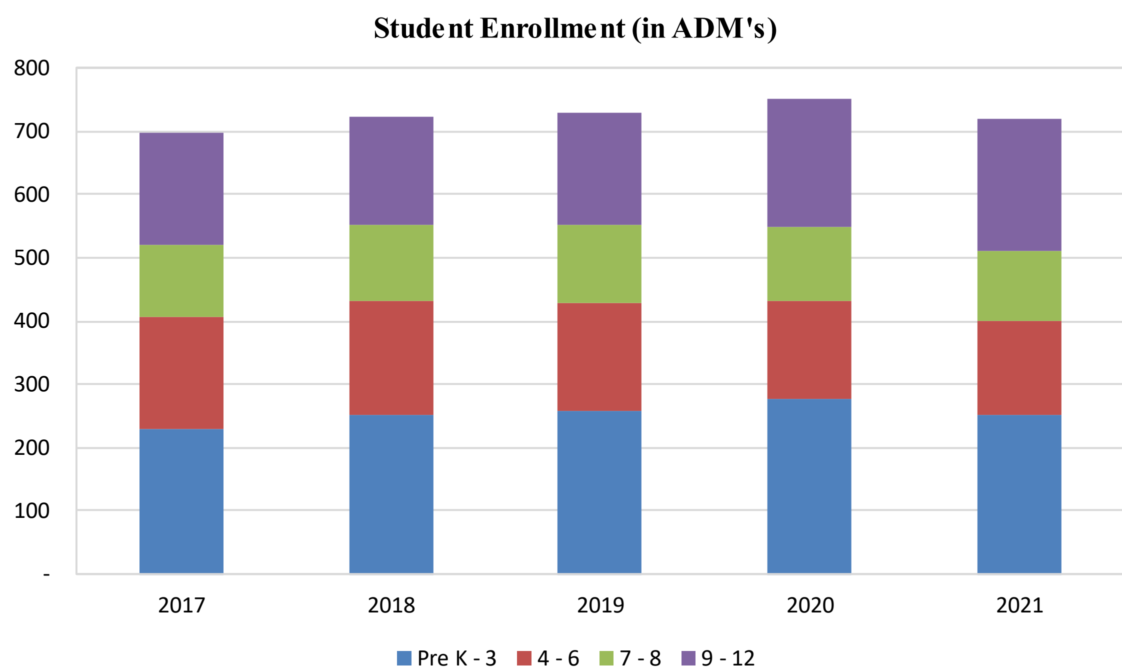
- The total and net cost of services for Interest and Other Fiscal Charges increased $254,950 due to the reasons outlined previously.

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)

	2017	2018	2019	2020	2021
Pre K - 3	231	251	258	276	250
4 - 6	174	180	170	155	149
7 - 8	116	121	123	119	113
9 - 12	175	170	179	202	209
Total Student for Aid	696	722	730	752	721
Percentage Change	4.50%	3.74%	1.11%	3.01%	-4.12%



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.

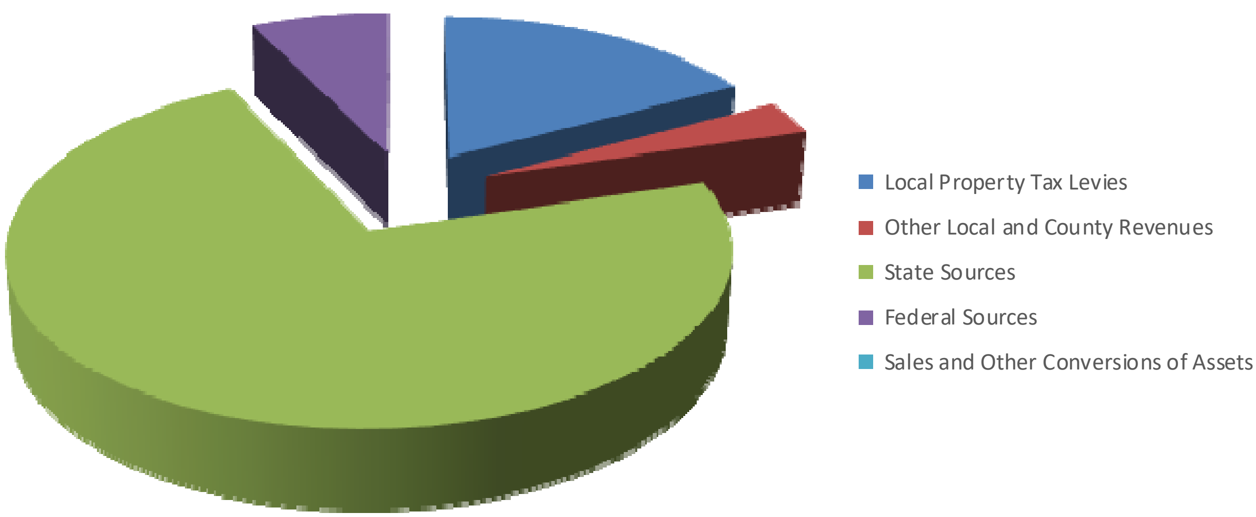
FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (Continued)

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $37,861,171, a decrease of $5,422,087 in comparison with the prior year. The following is a summary of the District's major funds:

	Fund Balance June 30,		
Major Funds	2021	2020	Increase (Decrease)
General	$ 4,385,279	$ 3,508,494	$ 876,785

The fund balance of the General Fund increased by $876,785. Revenues increased approximately 8.0 percent from the prior year, while expenditures increased approximately 6.7 percent.

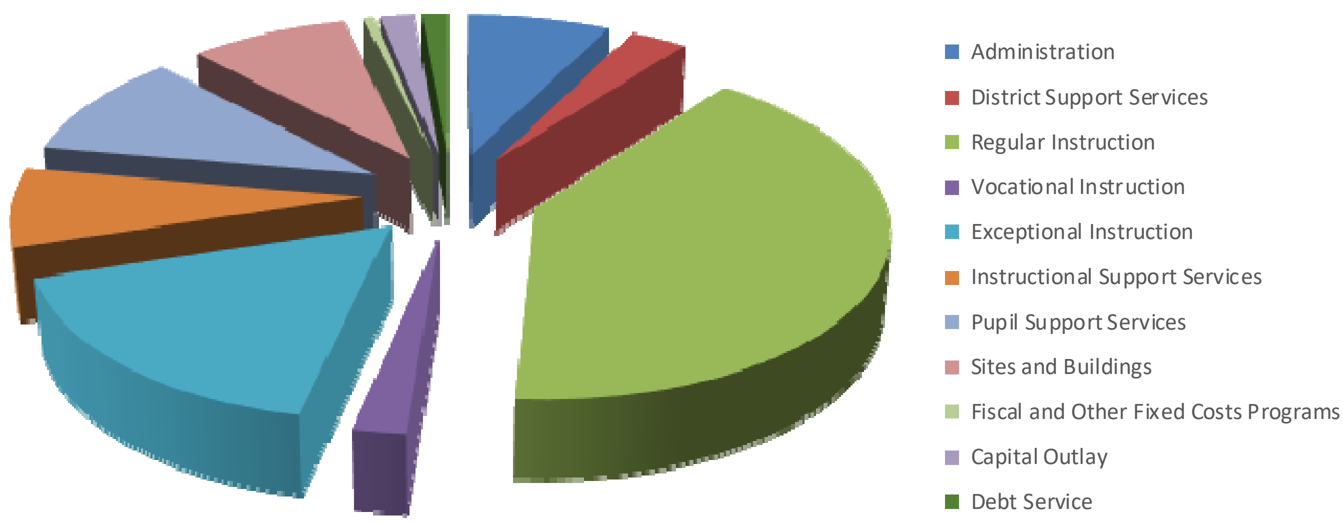
General Fund Revenue



The District receives the vast majority of its funding in the General Fund from the State of Minnesota (72 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 17 percent of its General Fund revenues from local property tax levies and 7 percent from the Federal Government.

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 21 percent, and the remaining 19 percent consists of expenditures for administration, sites and buildings, and other items.

Major Funds	Fund Balance June 30, 2021	Fund Balance June 30, 2020	Increase (Decrease)
Debt Service	$ 215,516	$ 72,216	$ 143,300

The Debt Service Fund balance increased $143,300 during the year. Operations were comparable to that of the prior year.

Major Funds	Fund Balance June 30, 2021	Fund Balance June 30, 2020	Increase (Decrease)
Building Construction	$ 33,413,249	$ 39,674,358	$ (6,261,109)

The Building Construction Fund balance decreased $6,261,109 during the year due to expenditures for the building construction project.

General Fund Budgetary Highlights

The District's General Fund budget was amended during the year. The revenues budget was increased by $762,515, and the expenditures budget was revised in several functions for an overall increase of $155,615 from original to final. The final budget called for expenditures of $9,337,986 and an overall increase in fund balance of $804,571. Actual revenues recognized during the year exceeded budgeted amounts by $977,919. Expenditures exceeded budgeted amounts by $906,705. Therefore, the current year increase in fund balance was $72,214 more than budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to $20,743,470 (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 36.9 percent.

Major capital asset events during the current fiscal year included the following:

- The District incurred extensive costs for construction on the 2020 School Facilities Building Project.

Capital Assets Net of Depreciation
Table 4

	Governmental Activities		
	2021	2020	Increase (Decrease)
Construction in Progress	$ 7,639,346	$ 1,130,332	$ 6,509,014
Buildings and Improvements	12,866,007	13,821,504	(955,497)
Equipment and Vehicles	238,117	199,394	38,723
Total	$ 20,743,470	$ 15,151,230	$ 5,592,240

Additional information on the District's capital assets can be found in Note 2.B. on page 33 of this report.

Long-Term Debt

At the end of the current fiscal year, the District had total long-term debt outstanding of $43,264,335, excluding the District long-term net OPEB liability and net pension liability of $535,767 and $6,482,079, respectively. A summary of long-term debt activity for the year ended June 30, 2021 follows:

Long-Term Debt
Table 5

	Governmental Activities		
	2021	2020	Increase (Decrease)
G.O. Alternative and Capital Facilities Bonds	$ 2,815,000	$ 3,345,000	$ (530,000)
G.O. School Building Bonds	37,615,000	38,790,000	(1,175,000)
Unamortized Premium	1,904,799	2,017,239	(112,440)
Capital Leases	920,088	1,025,975	(105,887)
Severance Liability	9,448	21,275	(11,827)
Total	$ 43,264,335	$ 45,199,489	$ (1,935,154)

The District's total debt decreased by $1,935,154 during the current fiscal year, not including the change in the noncurrent net OPEB liability and noncurrent net pension liability recorded by the District. Additional information on the District's long-term debt can be found in Note 2.C. on page 34 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The District's appointed and elected officials considered many factors when setting the fiscal year 2022 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, 2021

	Governmental Activities
ASSETS	
Cash and Temporary Investments	$ 5,327,696
Cash with Fiscal Agent	33,976,299
Property Taxes Receivable	2,658,533
Accounts Receivable	8,210
Due from Other Minnesota School Districts	32,862
Due from Minnesota Department of Education	809,811
Due from Federal Government through Minnesota Department of Education	360,269
Due from Other Governments	16,816
Inventory	8,514
Capital Assets not Being Depreciated	7,639,346
Capital Assets Being Depreciated (Net)	13,104,124
TOTAL ASSETS	63,942,480
DEFERRED OUTFLOWS OF RESOURCES	
OPEB	82,547
Pensions	2,839,367
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,921,914
LIABILITIES	
Accounts Payable	249,530
Construction Contracts Payable	319,325
Salaries Payable	367,272
Payroll Deductions and Employer Contributions	231,454
Accrued Interest Payable	471,777
Unearned Revenue	30,953
Noncurrent Liabilities:	
Amount Due Within One Year	1,650,327
Amount Due After One Year	41,614,008
Net OPEB Liability	535,767
Net Pension Liability	6,482,079
TOTAL LIABILITIES	51,952,492
DEFERRED INFLOWS OF RESOURCES	
Property Taxes Levied for Subsequent Years	4,110,322
OPEB	155,929
Pensions	4,095,649
TOTAL DEFERRED INFLOWS OF RESOURCES	8,361,900
NET POSITION	
Net Investment in Capital Assets	10,901,832
Restricted:	
General Fund State-Mandated Restrictions	639,202
Food Service	7,963
Community Service	67,126
Unrestricted	(5,066,121)
TOTAL NET POSITION	$ 6,550,002

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2180
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense)/ Revenue
Governmental Activities:					
Administration	$ 792,784	$ -	$ -	$ -	$ (792,784)
District Support Services	310,156	920	-	-	(309,236)
Regular Instruction	4,464,114	46,281	433,296	-	(3,984,537)
Vocational Instruction	241,306	-	-	-	(241,306)
Exceptional Instruction	1,814,210	53,571	1,203,567	-	(557,072)
Community Education and Services	556,188	208,960	80,602	-	(266,626)
Instructional Support Services	827,093	-	340,995	-	(486,098)
Pupil Support Services	1,563,097	21,640	502,820	-	(1,038,637)
Sites and Buildings	1,847,583	-	46,915	16,708	(1,783,960)
Fiscal and Other Fixed Cost Programs	55,154	-	-	-	(55,154)
Interest and Other Fiscal Charges	1,047,793	-	-	-	(1,047,793)
Total Governmental Activities	$ 13,519,478	$ 331,372	$ 2,608,195	$ 16,708	(10,563,203)
General Revenues:					
Property Taxes					3,676,247
State Aid Not Restricted to Specific Programs					8,038,355
Earnings on Investments					257,711
Gifts and Donations					18,491
Gain (Loss) on Sale of Assets					(2,574)
Miscellaneous					229,985
Total General Revenues					12,218,215
CHANGE IN NET POSITION					1,655,012
NET POSITION - BEGINNING OF YEAR					4,894,990
NET POSITION - END OF YEAR					$ 6,550,002

INDEPENDENT SCHOOL DISTRICT NO. 2180
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Temporary Investments	$ 4,114,121	$ 1,187,621	$ -	$ 25,954	$ 5,327,696
Cash with Fiscal Agent	-	-	33,976,299	-	33,976,299
Property Taxes Receivable:					
Current	931,118	1,668,793	-	29,639	2,629,550
Delinquent	15,633	12,900	-	450	28,983
Accounts Receivable	8,210	-	-	-	8,210
Due from Other Minnesota School Districts	32,862	-	-	-	32,862
Due from Minnesota Department of Education	682,944	123,005	-	3,862	809,811
Due from Federal Government through Minnesota Department of Education	346,947	-	-	13,322	360,269
Due from Other Governments	16,816	-	-	-	16,816
Due from Other Funds	160,295	-	-	-	160,295
Inventory	-	-	-	8,514	8,514
TOTAL ASSETS	$ 6,308,946	$ 2,992,319	$ 33,976,299	$ 81,741	$ 43,359,305
LIABILITIES					
Accounts Payable	$ 58,588	$ -	$ 183,817	$ 7,125	$ 249,530
Construction Contracts Payable	-	-	319,325	-	319,325
Salaries Payable	320,662	-	-	46,610	367,272
Payroll Deductions and Employer Contributions	231,454	-	-	-	231,454
Due to Other Funds	-	-	59,908	100,387	160,295
Unearned Revenue	-	-	-	30,953	30,953
Total Liabilities	610,704	-	563,050	185,075	1,358,829
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue:					
Delinquent Property Taxes	15,633	12,900	-	450	28,983
Property Taxes Levied for Subsequent Years	1,297,330	2,763,903	-	49,089	4,110,322
Total Deferred Inflows of Resources	1,312,963	2,776,803	-	49,539	4,139,305
FUND BALANCES					
Nonspendable	-	-	-	8,514	8,514
Restricted	639,202	215,516	33,413,249	75,089	34,343,056
Assigned	14,365	-	-	-	14,365
Unassigned	3,731,712	-	-	(236,476)	3,495,236
Total Fund Balances	4,385,279	215,516	33,413,249	(152,873)	37,861,171
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 6,308,946	$ 2,992,319	$ 33,976,299	$ 81,741	$ 43,359,305

See Accompanying Notes.

INDEPENDENT SCHOOL DISTRICT NO. 2180
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balances - Governmental Funds		$ 37,861,171
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	$ 37,842,753	
Accumulated Depreciation	(17,099,283)	
Capital Assets (Net)		20,743,470
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	(40,430,000)	
Bond Premium, Net of Accumulated Amortization	(1,904,799)	
Capital Lease Payable	(920,088)	
Severance Payable	(9,448)	
		(43,264,335)
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 governmental funds:		
Net OPEB Liability	(535,767)	
Deferred Outflows - OPEB	82,547	
Deferred Inflows - OPEB	(155,929)	
		(609,149)
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	(6,482,079)	
Deferred Outflows - Pensions	2,839,367	
Deferred Inflows - Pensions	(4,095,649)	
		(7,738,361)
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:		(471,777)
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:		28,983
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 6,550,002

INDEPENDENT SCHOOL DISTRICT NO. 2180
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Local Property Tax Levies	$ 1,909,685	$ 1,720,655	$ -	$ 46,348	$ 3,676,688
Other Local and County Revenues	358,534	-	247,904	209,000	815,438
State Sources	8,053,712	1,230,041	-	49,200	9,332,953
Federal Sources	796,699	-	-	489,373	1,286,072
Sales and Other Conversions of Assets	1,846	-	-	21,640	23,486
TOTAL REVENUES	11,120,476	2,950,696	247,904	815,561	15,134,637
EXPENDITURES					
Current:					
Administration	762,572	-	-	-	762,572
District Support Services	306,442	-	-	-	306,442
Regular Instruction	4,172,677	-	-	-	4,172,677
Vocational Instruction	222,102	-	-	-	222,102
Exceptional Instruction	1,729,796	-	-	-	1,729,796
Community Education and Services	-	-	-	524,669	524,669
Instructional Support Services	776,256	-	-	-	776,256
Pupil Support Services	1,041,750	-	-	471,955	1,513,705
Sites and Buildings	851,910	-	-	-	851,910
Fiscal and Other Fixed Cost Programs	55,154	-	-	-	55,154
Capital Outlay	185,856	-	6,509,013	-	6,694,869
Debt Service:					
Principal	105,887	1,705,000	-	-	1,810,887
Interest and Other Charges	34,289	1,102,396	-	-	1,136,685
TOTAL EXPENDITURES	10,244,691	2,807,396	6,509,013	996,624	20,557,724
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	875,785	143,300	(6,261,109)	(181,063)	(5,423,087)
OTHER FINANCING SOURCES (USES)					
Sale of Equipment	1,000	-	-	-	1,000
NET CHANGE IN FUND BALANCES	876,785	143,300	(6,261,109)	(181,063)	(5,422,087)
FUND BALANCES - BEGINNING	3,508,494	72,216	39,674,358	28,190	43,283,258
FUND BALANCES - ENDING	$ 4,385,279	$ 215,516	$ 33,413,249	$ (152,873)	$ 37,861,171

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, 2021

Net Change in Fund Balances - Total Governmental Funds		$ (5,422,087)
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	$ 6,611,447	
Depreciation Expense	(1,015,633)	
Loss on Disposal of Assets	(3,574)	
		5,592,240
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	105,887	
Bond Principal Repayments	1,705,000	
Amortization of Bond Premium	112,440	
		1,923,327
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:		(23,548)
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		(441)
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		11,827
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	59,185	
Net Pension Liability and Deferred Outflows/Inflows of Resources	(485,491)	
		(426,306)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 1,655,012

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.

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 G*eneral 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 assets and liabilities 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.

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. See Note 2.A. for additional information related to Deposits and Investments.

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.

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, 2021, which are payable in July and August 2021, are accrued as of June 30, 2021, 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.

Unearned Revenue

Unearned revenue consists of local revenue received but not yet earned. Such amounts typically consist of grants and entitlements received before eligibility requirements are met and prepaid pupil lunch balances.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions

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.

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, 2021 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. The District has no committed fund balances at June 30, 2021.

Assigned – Amounts that are neither restricted nor 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.

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, 2021, 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.

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

2.A. DEPOSITS AND INVESTMENTS (Continued)

Investment balances at June 30, 2021 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	$ 3,622

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, 2021, 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 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 and, therefore, is not subject to the fair value measurements noted in the previous paragraph.

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	$ 5,324,074
Investments (see Investments section)	3,622
Cash with Fiscal Agent	33,976,299
Total Cash and Temporary Investments	$ 39,303,995

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

District-Wide:	
Cash and Temporary Investments	$ 5,327,696
Cash with Fiscal Agent	33,976,299
Total Cash and Temporary Investments	$ 39,303,995

2.B. CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, not Being Depreciated				
Construction in Progress	$ 1,130,332	$ 6,509,014	$ -	$ 7,639,346
Capital Assets, Being Depreciated				
Buildings and Improvements	29,340,635	-	-	29,340,635
Equipment	835,155	102,433	74,816	862,772
Total Capital Assets Being Depreciated	30,175,790	102,433	74,816	30,203,407
Less Accumulated Depreciation for				
Buildings and Improvements	15,519,131	955,497	-	16,474,628
Equipment	635,761	60,136	71,242	624,655
Total Accumulated Depreciation	16,154,892	1,015,633	71,242	17,099,283
Total Capital Assets Being Depreciated, Net	14,020,898	(913,200)	3,574	13,104,124
Governmental Activities Capital Assets, Net	$ 15,151,230	$ 5,595,814	$ 3,574	$ 20,743,470

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	$ 5,653
District Support Services	4,896
Regular Instruction	4,604
Pupil Support Services	26,539
Sites and Buildings	973,941
Total Depreciation Expense - Governmental Activities	$ 1,015,633

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 may increase a predetermined amount each year. District-wide interest and other fiscal charges for the year ended June 30, 2021 total $1,160,233. Fund financial statement interest and fiscal charges for the year ended June 30, 2021 total $1,136,685. 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
Governmental Activities				
G.O. Alternative and Capital Facilities Bonds, Series 2013A	$ 5,960,000	1.00-3.00%	2/1/2026	$ 2,815,000
G.O. School Building Bonds, Series 2020A	38,790,000	2.00-4.00%	2/1/2040	37,615,000
Total	$ 44,750,000			$ 40,430,000

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, 2021, is as follows:

Description	Original Issue Amount	Interest Rate	Final Maturity Date	Balance Outstanding
Governmental Activities				
Equipment Lease	$ 1,605,507	3.43%	8/15/2028	$ 920,088

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, 2021.

Debt Service Requirements

At June 30, 2021, estimated annual debt service requirements to maturity for the general obligation bonds are as follows:

Governmental Activities			
Years Ending	G.O. Bonds		
June 30,	Principal	Interest	Total
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	1,845,000	881,463	2,726,463
2027-2031	10,135,000	3,348,213	13,483,213
2032-2036	11,605,000	1,898,106	13,503,106
2037-2040	10,215,000	594,147	10,809,147
Total	$ 40,430,000	$ 10,834,581	$ 51,264,581

At June 30, 2021, estimated annual debt service requirements to maturity for the capital lease are as follows:

Governmental Activities			
Years Ending	Capital Lease		
June 30,	Principal	Interest	Total
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	125,513	14,663	140,176
2027-2029	333,108	17,332	350,440
Total	$ 920,088	$ 131,232	$ 1,051,320

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

2.C. NONCURRENT LIABILITIES (Continued)

Changes in Noncurrent Liabilities

Noncurrent liability activity (excluding the net OPEB liability and net pension liability) for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds	$ 42,135,000	$ -	$ (1,705,000)	$ 40,430,000	$ 1,540,000
Unamortized Premium	2,017,239	-	(112,440)	1,904,799	-
Capital Leases	1,025,975	-	(105,887)	920,088	109,550
Severance Payable	21,275	753	(12,580)	9,448	777
Long-Term Liabilities	$ 45,199,489	$ 753	$ (1,935,907)	$ 43,264,335	$ 1,650,327

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, 2021, governmental fund equity includes the following:

	General Fund	Debt Service Fund	Building Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Inventory	$ -	$ -	$ -	$ 8,514	$ 8,514
Restricted for:					
Student Activities	$ 130,556	$ -	$ -	$ -	$ 130,556
Staff Development	81,023	-	-	-	81,023
Disabled Accessibility	2,273	-	-	-	2,273
Basic Skills	118,534	-	-	-	118,534
Achievement & Integration	6,075	-	-	-	6,075
Safe Schools Levy	27,906	-	-	-	27,906
Long-Term Facility Maintenance	271,087	16,708	-	-	287,795
Medical Assistance	1,748	-	-	-	1,748
Debt Service	-	198,808	-	-	198,808
Building Construction	-	-	33,413,249	-	33,413,249
Food Service	-	-	-	7,963	7,963
School Readiness	-	-	-	67,126	67,126
Total Restricted	$ 639,202	$ 215,516	$ 33,413,249	$ 75,089	$ 34,343,056
Assigned for:					
Technology Repairs	$ 14,365	$ -	$ -	$ -	$ 14,365

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:					
Community Education	$ -	$ -	$ -	$ (54,279)	$ (54,279)
Early Childhood and Family Education	-	-	-	(941)	(941)
Total Deficit UFARS Restrictions	$ -	$ -	$ -	$ (55,220)	$ (55,220)

Additionally, nonmajor funds with deficit fund balances at June 30, 2021 are as follows:

Fund	Deficit
Nonmajor Governmental Funds	
Community Service	$ 169,350

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

Restricted for Basic Skills - This amount represents resources available for basic skills uses.

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

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.

Restricted for Long-Term Facility Maintenance - This amount represents available 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 Building Construction - This amount represents resources to be used for building construction.

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

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

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.

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

2.D. FUND BALANCE CLASSIFICATIONS (Continued)

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

Restricted for Early Childhood Family Education (ECFE) - This amount represents available resources for ECFE classes. Revenues are derived from local tax levies and state aids and expenditures are for salaries, benefits, and supplies. Any deficits can be eliminated by future tax levies, state aids and program revenues.

2.E. INTERFUND TRANSACTIONS AND BALANCES

Interfund balances at June 30, 2021 are as follows:

Due To Fund	Due From Fund	Amount	Reason
General	Building Construction	$ 59,908	Eliminate negative cash balance
General	Community Service	100,387	Eliminate negative cash balance
Total Interfund Balances		160,295	
Governmental Fund Elimination		(160,295)	
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.

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, 2021, the District contributed $71,696, which includes an implicit subsidy of $57,496 resulting from the arrangement described above.

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

At June 30, 2021, the District reported a net OPEB liability of $535,767 for the District's plan. The net OPEB liability was measured as of July 1, 2020, as determined by an actuarial valuation as of that date.

For the year ended June 30, 2021, the District recognized OPEB expense of $12,512. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 10,851	$ 3,851
Differences between projected and actual investment earnings	-	152,078
District contributions subsequent to the measurement date	71,696	-
Total Deferred Outflows/Inflows	$ 82,547	$ 155,929

Deferred outflows and inflows of resources related to the Plan will be recognized in the District's OPEB expense as follows:

Year Ended June 30,	Annual OPEB Cost
2022	$ (36,812)
2023	(36,812)
2024	(36,812)
2025	(36,812)
2026	2,170

A total of $71,696 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022.

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Changes in the Net OPEB Liability

The following table summarizes changes in the net OPEB liability for the year ended June 30, 2021:

Changes in Total OPEB Liability (TOL)		
Balance at July 1st	$	526,851
Service Cost		32,797
Interest Cost		16,527
Changes in Assumptions		13,021
Benefit Payments		(53,429)
Net OPEB Liability - June 30th	$	535,767

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	
Actuarial Information:	
Valuation Date	July 1, 2019
Measurement Date	July 1, 2020
Actuarial Cost Method	Entry Age, level percentage of pay
Actuarial Assumptions:	
Discount Rate	2.40%
Inflation Rate	2.50%
Investment Rate of Return	2.40%
Healthcare Trend Rate	6.25% (grading to 5.00% over 5 years)

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

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

- The discount rate was changed from 3.10 percent to 2.40 percent.

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	3.40%	$512,364
Current Discount Rate	2.40%	$535,767
1% Decrease in Discount Rate	1.40%	$559,633

The table on the following page 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:

NOTE 3 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Sensitivity of Net OPEB Liability at Current Healthcare Trend Rates	Amounts
1% Increase in Healthcare Trend Rates	$586,601
Current Healthcare Trend Rates	$535,767
1% Decrease in Healthcare Trend Rates	$492,820

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

The General Employees Retirement Plan covers certain full-time and part-time employees of the District. 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.

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 for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

Contributions

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021 were $126,786. 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, 2021, the District reported a liability of $1,378,356 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $42,505. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0230 percent at the end of the measurement period and 0.0220 percent for the beginning of the period.

District's proportionate share of the net pension liability:	$1,378,356
State of Minnesota's proportionate share of the net pension liability associated with the District	42,505
Total	$1,420,861

For the year ended June 30, 2021 the District recognized pension expense of $136,086 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $3,702 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, 2021, 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	$ 12,040	$ 5,215
Changes in actuarial assumptions	-	49,968
Differences between projected and actual investment earnings	33,565	-
Changes in proportion	75,154	3,606
Contributions paid to PERA subsequent to the measurement date	126,786	-
Total Deferred Outflows/Inflows	$ 247,545	$ 58,789

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

The $126,786 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Pension Expense	
2022	$	(22,651)
2023	$	11,515
2024	$	39,803
2025	$	33,303

Actuarial Assumptions

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

Inflation	2.25 percent per year
Active Member Payroll Growth	3.00 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 disabilitants were based on Pub-2010 General Employee Mortality 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, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

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

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.A. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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

Changes in Plan Provisions:

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

Discount Rate

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

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

	Rates	Amounts
1% Lower	6.50%	$2,209,026
Current Discount Rate	7.50%	$1,378,356
1% Higher	8.50%	$693,119

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

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

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

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, 2019, June 30, 2020, and June 30, 2021 were:

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

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

	in thousands
Employer contributions reported in TRA's ACFR, Statement of Changes in Fiduciary Net Position	$425,223
Add employer contributions not related to future contribution efforts	(56)
Deduct TRA's contributions not included in allocation	(508)
Total employer contributions	$424,659
Total non-employer contributions	35,587
Total contributions reported in *Schedule of Employer and Non-Employer Allocations*	$460,246

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

Actuarial Assumptions

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

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information:	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial Assumptions:	
Investment rate of return	7.0%
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	1.00% for January 2020 through January 2023, then increasing by 0.10% each year up to 1.50% annually
Mortality Assumptions:	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

The 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%	0.75%
Unallocated Cash	2.0%	0.00%
Total	100%	

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.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

Changes in actuarial assumptions since the 2018 valuation:

- 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 90.00 percent 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.

Discount Rate

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

Net Pension Liability

At June 30, 2021, the District reported a liability of $5,103,723 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.0691 percent at the end of the measurement period and 0.0663 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	$5,103,723
State's proportionate share of the net pension liability associated with the District	$427,883

For the year ended June 30, 2021, the District recognized pension expense of $534,832. It also recognized $39,166 as an increase to pension expense for the support provided by direct aid.

NOTE 4 DEFINED BENEFIT PENSION PLANS – STATEWIDE (Continued)

4.B. TEACHERS RETIREMENT ASSOCIATION (Continued)

On June 30, 2021, 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	$ 102,350	$ 71,792
Changes in actuarial assumptions	1,663,730	3,924,219
Differences between projected and actual investment earnings	109,600	-
Changes in proportion	377,790	40,849
Contributions paid to TRA subsequent to the measurement date	338,352	-
Total Deferred Outflows/Inflows	$ 2,591,822	$ 4,036,860

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

Year Ended June 30,	Pension Expense
2022	$ 166,084
2023	$ (1,316,395)
2024	$ (857,964)
2025	$ 174,114
2026	$ 50,771

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

1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
$7,813,746	$5,103,723	$2,870,801

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, by writing to TRA at 60 Empire Drive, Suite 400, St. Paul, MN, 55103-4000; or by calling 651-296-2409 or 800-657-3669.

NOTE 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.

Construction Contracts

The District has entered into contracts for construction and engineering services related to a building addition and remodeling project. Remaining commitments under these contracts at June 30, 2021, not including retainage accrued in these financial statements, total $18,990,422.

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). The District has contracted with a private brokerage firm to establish the Plan, and plan assets are not held in a formal trust meeting the criteria defined by GASB No. 73, par 4. The District's Board of Education acts as the plan administrator, but the District is not involved with the investment decisions for plan assets. Contributions are invested in tax deferred annuities selected and owned by Plan participants. 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. The District's contributions to the plan total $85,460 for the year ended June 30, 2021.

NOTE 5 OTHER INFORMATION (Continued)

5.D NEW ACCOUNTING STANDARDS

In June 2017, the Government Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. GASB Statement No. 87 (GASB 87) increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset. GASB 87 will be effective for the District's fiscal year ended June 30, 2022. The effect on net position will likely be significant.

5.E SUBSEQUENT EVENTS

Subsequent to year end but prior to the issuance of these financial statements, the District approved the issuance of General Obligation Alternative Facilities and Capital Facilities Refunding Bonds, Series 2021A, in the amount of $2,085,000 for the purpose of refinancing the remaining balance outstanding on the Series 2013A bonds. Expected total savings of this refunding are $64,748.

REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2180
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Local Property Tax Levies	$ 2,135,670	$ 1,493,725	$ 1,909,685	$ 415,960
Other Local and County Revenues	115,100	184,298	358,534	174,236
State Sources	6,957,572	7,978,764	8,053,712	74,948
Federal Sources	171,500	484,323	796,699	312,376
Sales and Other Conversions of Assets	200	1,447	1,846	399
TOTAL REVENUES	9,380,042	10,142,557	11,120,476	977,919
EXPENDITURES				
Current:				
Administration	668,583	669,458	762,572	93,114
District Support Services	292,865	292,115	306,442	14,327
Regular Instruction	4,201,440	3,963,314	4,172,677	209,363
Vocational Instruction	210,757	222,157	222,102	(55)
Exceptional Instruction	1,662,398	1,686,313	1,729,796	43,483
Instructional Support Services	356,138	548,180	776,256	228,076
Pupil Support Services	948,870	987,483	1,041,750	54,267
Sites and Buildings	720,320	771,776	851,910	80,134
Fiscal and Other Fixed Cost Programs	96,000	102,000	55,154	(46,846)
Capital Outlay	25,000	95,190	185,856	90,666
Debt Service:				
Principal	-	-	105,887	105,887
Interest and Other Charges	-	-	34,289	34,289
TOTAL EXPENDITURES	9,182,371	9,337,986	10,244,691	906,705
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	197,671	804,571	875,785	71,214
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	1,000	1,000
NET CHANGE IN FUND BALANCE	$ 197,671	$ 804,571	876,785	$ 72,214
FUND BALANCE - BEGINNING			3,508,494	
FUND BALANCE - ENDING			$ 4,385,279	

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

	Measurement Period Ending June 30,			
	2020	2019	2018	2017
Changes in Total OPEB Liability (TOL)				
Balance at July 1st	$ 526,851	$ 778,647	$ 796,025	$ 796,230
Service Cost	32,797	28,617	35,982	34,934
Interest Cost	16,527	26,221	26,935	27,208
Differences between Expected and Actual Experience	-	(228,117)	-	-
Changes in Actuarial Assumptions	13,021	(5,777)	-	-
Benefit Payments	(53,429)	(72,740)	(80,295)	(62,347)
Net OPEB Liability - June 30th	$ 535,767	$ 526,851	$ 778,647	$ 796,025
Covered Payroll for Active Members	$ 5,430,953	$ 5,272,770	$ 4,471,500	$ 4,341,262
Net OPEB Liability / Covered Payroll	9.9%	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
2021	$ 71,696	$ 71,696	$ -	$ 4,427,092	1.6%
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
Public Employees Retirement Association							
2020	0.0230%	$ 1,378,356	$ 42,505	$ 1,420,861	$ 1,639,333	86.7%	79.1%
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%
Teachers Retirement Association							
2020	0.0691%	$ 5,103,723	$ 427,883	$ 5,531,606	$ 4,011,881	137.9%	75.5%
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
Public Employees Retirement Association					
2021	$ 126,786	$ 126,786	$ -	$ 1,690,480	7.5%
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%
Teachers Retirement Association					
2021	$ 338,352	$ 338,352	$ -	$ 4,161,771	8.1%
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, 2021

NOTE 1 EXPENDITURES IN EXCESS OF BUDGET

Actual expenditures in the General Fund of $10,244,691 exceeded the final budgeted expenditures by $906,705 for the current year end. This is primarily due to unbudgeted COVID-19 related expenditures, most of which were reimbursed by Federal funding.

NOTE 2 PUBLIC EMPLOYEES RETIREMENT PLAN – GENERAL EMPLOYEES FUND

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100.00 percent Joint & Survivor option changed from 35.00 percent to 45.00 percent. The assumed number of married female new retirees electing the 100.00 percent Joint & Survivor option changed from 15.00 percent to 30.00 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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.

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

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The Combined Service Annuity (CSA) loads were changed from 0.80 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 postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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 postretirement 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 years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate 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, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

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

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 $6.0 million, which meets the special funding situation definition, is due September 2015.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION

2020 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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 on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50 percent if the funded ratio was at least 90 percent 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

NOTE 3 TEACHERS RETIREMENT ASSOCIATION (Continued)

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

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.

Changes in Plan Provisions

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

NOTE 4 OTHER POSTEMPLOYMENT BENEFIT PLAN

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 3.10 percent to 2.40 percent.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

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.

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.

SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2180
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2021

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and Temporary Investments	$ 25,954	$ -	$ 25,954
Property Taxes Receivable:			
Current	-	29,639	29,639
Delinquent	-	450	450
Due from Minnesota			
Department of Education	-	3,862	3,862
Due from Federal Government through Minnesota			
Department of Education	13,322	-	13,322
Inventory	8,514	-	8,514
TOTAL ASSETS	$ 47,790	$ 33,951	$ 81,741
LIABILITIES			
Accounts Payable	$ -	$ 7,125	$ 7,125
Salaries Payable	360	46,250	46,610
Due to Other Funds	-	100,387	100,387
Unearned Revenue	30,953	-	30,953
Total Liabilities	31,313	153,762	185,075
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue:			
Delinquent Property Taxes	-	450	450
Property Taxes Levied for			
Subsequent Years	-	49,089	49,089
Total Deferred Inflows of Resources	-	49,539	49,539
FUND BALANCES			
Nonspendable:			
Inventory	8,514	-	8,514
Restricted for:			
Food Service	7,963	-	7,963
School Readiness	-	67,126	67,126
Unassigned	-	(236,476)	(236,476)
Total Fund Balances	16,477	(169,350)	(152,873)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 47,790	$ 33,951	$ 81,741

INDEPENDENT SCHOOL DISTRICT NO. 2180
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	Food Service Fund	Community Service Fund	Total Nonmajor Governmental Funds
REVENUES			
Local Property Tax Levies	$ -	$ 46,348	$ 46,348
Other Local and County Revenues	40	208,960	209,000
State Sources	9,730	39,470	49,200
Federal Sources	447,313	42,060	489,373
Sales and Other Conversions of Assets	21,640	-	21,640
TOTAL REVENUES	478,723	336,838	815,561
EXPENDITURES			
Current:			
Community Education and Services	-	524,669	524,669
Pupil Support Services	471,955	-	471,955
TOTAL EXPENDITURES	471,955	524,669	996,624
NET CHANGE IN FUND BALANCES	6,768	(187,831)	(181,063)
FUND BALANCES - BEGINNING	9,709	18,481	28,190
FUND BALANCES - ENDING	$ 16,477	$ (169,350)	$ (152,873)

INDEPENDENT SCHOOL DISTRICT NO. 2180
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2021

01 GENERAL FUND	Audited	UFARS	Difference
Total Revenue	11,120,476	11,120,476	-
Total Expenditures	10,244,691	10,244,693	(2)
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
401 Student Activities	130,556	130,556	-
402 Scholarships	-	-	-
403 Staff Development	81,023	81,023	-
407 Capital Projects Levy	-	-	-
408 Cooperative Revenue	-	-	-
413 Project Funded by COP	-	-	-
414 Operating Debt	-	-	-
416 Levy Reduction	-	-	-
417 Taconite Building Maint	-	-	-
424 Operating Capital	-	-	-
426 $25 Taconite	-	-	-
427 Disabled Accessibility	2,273	2,273	-
428 Learning & Development	-	-	-
434 Area Learning Center	-	-	-
435 Contracted Alt. Programs	-	-	-
436 St. Approved Alt. Program	-	-	-
438 Gifted & Talented	-	-	-
440 Teacher Development & Eval	-	-	-
441 Basic Skills Programs	118,534	118,534	-
448 Achievement & Integration	6,075	6,075	-
449 Safe Schools Levy	27,906	27,906	-
451 QZAB Payments	-	-	-
452 OPEB Liab Not in Trust	-	-	-
453 Unfunded Sev. & Retirement	-	-	-
459 Basic Skills Ext Time	-	-	-
467 LTFM	271,087	271,087	-
472 Medical Assistance	1,748	1,748	-
473 PPP Loans	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	-	-	-
475 Title VII - Impact Aid	-	-	-
476 PILT	-	-	-
Committed:			
418 Committed for Separation	-	-	-
461 Committed Fund Balance	-	-	-
Assigned:			
462 Assigned Fund Balance	14,365	14,365	-
Unassigned:			
422 Unassigned Fund Balance	3,731,712	3,731,710	2

02 FOOD SERVICE	Audited	UFARS	Difference
Total Revenue	478,723	478,723	-
Total Expenditures	471,955	471,956	(1)
Non Spendable:			
460 Non Spendable Fund Balance	8,514	8,514	-
Restricted/Reserve:			
452 OPEB Liab. Not in Trust	-	-	-
474 EIDL Loans	-	-	-
Restricted:			
464 Restricted Fund Balance	7,963	7,962	1
Unassigned:			
463 Unassigned Fund Balance	-	-	-

04 COMMUNITY SERVICE	Audited	UFARS	Difference
Total Revenue	336,838	336,838	-
Total Expenditures	524,669	524,668	1
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
426 $25 Taconite	-	-	-
431 Community Education	(54,279)	(54,279)	-
432 E.C.F.E.	(941)	(941)	-
440 Teacher Development & Eval	-	-	-
444 School Readiness	67,126	67,126	-
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	(181,256)	(181,257)	1

06 BUILDING CONSTRUCTION	Audited	UFARS	Difference
Total Revenue	247,904	247,904	-
Total Expenditures	6,509,013	6,509,013	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
407 Capital Projects Levy	-	-	-
413 Projects Funded by COP	-	-	-
467 LTFM	-	-	-
Restricted:			
464 Restricted Fund Balance	33,413,249	33,413,249	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

07 DEBT SERVICE	Audited	UFARS	Difference
Total Revenue	2,950,696	2,950,695	1
Total Expenditures	2,807,396	2,807,395	1
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted/Reserve:			
425 Bond Refundings	-	-	-
433 Max Effort Loan	-	-	-
451 QZAB Payments	-	-	-
467 LTFM	16,708	16,708	-
Restricted:			
464 Restricted Fund Balance	198,808	198,808	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

08 TRUST	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
422 Net Assets	-	-	-

18 CUSTODIAL FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
401 Student Activities	-	-	-
402 Scholarships	-	-	-
448 Achievement & Integration	-	-	-
464 Restricted Fund Balance	-	-	-

20 INTERNAL SERVICE	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

25 OPEB REVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

45 OPEB IRREVOCABLE TRUST FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
422 Net Assets	-	-	-

47 OPEB DEBT SERVICE FUND	Audited	UFARS	Difference
Total Revenue	-	-	-
Total Expenditures	-	-	-
Non Spendable:			
460 Non Spendable Fund Balance	-	-	-
Restricted:			
425 Bond Refundings	-	-	-
464 Restricted Fund Balance	-	-	-
Unassigned:			
463 Unassigned Fund Balance	-	-	-

INDEPENDENT SCHOOL DISTRICT NO. 2180
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal ALN	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE		
Pass-through Programs from Minnesota Department of Education		
Child Nutrition Cluster:		
National School Breakfast Program	10.553	
Cash Assistance		$ 7,184
National School Lunch Program	10.555	
Cash Assistance		14,195
Non-Cash Assistance (Commodities)		33,234
National Summer Food Service Program for Children	10.559	
Cash Assistance		379,379
Child Nutrition Discretionary Grants Limited Availability	10.579	
Cash Assistance		1,399
Child Nutrition Cluster Subtotal - 10.553, 10.555, 10.559, 10.579		435,391
Total U.S. DEPARTMENT OF AGRICULTURE		$ 435,391
U.S. DEPARTMENT OF EDUCATION		
Pass-through Programs from Minnesota Department of Education		
Title I, Part A - Grants to Local Education Agencies	84.010	$ 130,764
Education Stabilization Fund:		
Governor's Emergency Education Relief (GEER) Fund	84.425C	17,874
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	424,249
Education Stabilization Fund Subtotal		442,123
Pass-through Programs from Southwest West Central Service Cooperative		
Special Education Cluster:		
Grants to States (IDEA, Part B)	84.027	32,719
Total U.S. DEPARTMENT OF EDUCATION		$ 605,606
U.S. DEPARTMENT OF THE TREASURY		
Pass-through Programs from Minnesota Department of Education		
Coronavirus Relief Fund	21.019	$ 199,225
Pass-through Programs from Kandiyohi County		
Coronavirus Relief Fund	21.019	20,000
Pass-through Programs from Chippewa County		
Coronavirus Relief Fund	21.019	20,000
Pass-through Programs from Rheiderland Township		
Coronavirus Relief Fund	21.019	5,850
Coronavirus Relief Fund Subtotal		245,075
Total U.S. DEPARTMENT OF THE TREASURY		$ 245,075
TOTAL FEDERAL EXPENDITURES		$ 1,286,072

INDEPENDENT SCHOOL DISTRICT NO. 2180
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Independent School District No. 2180 (the District) under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a select portion of the operations of Independent School District No. 2180, it is not intended to and does not present the financial position or changes in financial position of Independent School District No. 2180.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INVENTORY

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed for the USDA National School Lunch Program Commodities (ALN # 10.555). Revenue and expenditures are recorded when commodities are received.

NOTE 4 SUBRECIPIENTS

The District did not pass any federal funds to subrecipients during the year ended June 30, 2021.

NOTE 5 PASS-THROUGH IDENTIFIER

The District's pass-through identifying numbers assigned by each pass-through entity above are unknown.

NOTE 6 INDIRECT COST RATE

The District did not use an indirect cost rate when calculating federal expenditures.

OTHER REQUIRED REPORTS

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS
Professional Association

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, 2021, 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 9, 2021.

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 Questioned Costs*, 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 Questioned Costs* 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 Questioned Costs* to be a significant deficiency: 2016-002.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2180 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 Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 Questioned Costs* 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.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 9, 2021

SCHLENNER WENNER & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 2180's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 2180's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Independent School District No. 2180 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent School District No. 2180's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Schlenner Wenner & Co.

SCHLENNER WENNER & CO.
St. Cloud, Minnesota
December 9, 2021

INDEPENDENT SCHOOL DISTRICT NO. 2180
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified			
* Material weakness(es) identified?	X	Yes		No
* Significant deficiencies identified that are not considered to be material weaknesses?	X	Yes		No
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:

* Material weakness(es) identified?		Yes	X	No
* Significant deficiencies identified that are not considered to be material weakness(es)?	X	Yes		No
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?		Yes	X	No

Identification of major programs:

ALN(s)	Name of Federal Program or Cluster
10.553, 10.555, 10.559, 10.579	Child Nutrition Cluster
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?		Yes	X	No

INDEPENDENT SCHOOL DISTRICT NO. 2180
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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.

SECTION II: FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (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.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2021-001 Internal Controls Over Cash Management

Federal Program: Child Nutrition (ALN's 10.555 and 10.559)

Condition: Independent School District No. 2180 (the District) failed to obtain a signature on the Minnesota Department of Education daily meal count forms required under the Seamless Summer Option of the Child Nutrition program.

Criteria: The District is required to maintain a clear audit trail evidencing the specific expenditures applied to the Federal Program and controls in place to verify the accuracy of such expenditures.

Cause: Because the Seamless Summer Option and the daily meal count forms were new for the current fiscal year, the District was not fully aware of the program's requirements.

Effect: The failure to obtain noted signatures caused the District to not be in compliance with the program's requirements.

Context: This is a control requirement required by the Minnesota Department of Education to assure that expenditures submitted under the program are complete and accurate.

SECTION III: FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

Questioned Costs: None identified.

Recommendation: We recommend the District assess internal controls related to the Child Nutrition program and implement signatures on all required forms to assure submitted information is complete and accurate.

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

SECTION IV: MINNESOTA LEGAL COMPLIANCE FINDINGS

None.

MACCRAY Public Schools

ISD 2180 Maynard – Clara City - Raymond

711 Wolverine Drive, Clara City, MN, 56222

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2021

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.

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CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED JUNE 30, 2021

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, 2022.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

FEDERAL AWARDS FINDINGS

Finding 2021-001 Internal Controls Over Cash Management

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 assess internal controls over its Federal programs and make changes in order to be in compliance with the requirements. To date, the District has already started utilizing its point of sale system to track all meals. This will avoid the need for the daily meal count forms.

3. Official Responsible
   Sherri Broderius, Superintendent, is the official responsible for ensuring corrective action.

4. Planned Completion Date
   June 30, 2022.

5. Plan to Monitor Completion
   The Board of Education will be monitoring this Corrective Action Plan.

MACCRAY Public Schools

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

No federal awards findings were reported in the prior year.

Financial statement findings in accordance with *Government Auditing Standards* that were reported in the prior year have been reported again in the current year as findings 2016-001, 2016-002, and 2018-001.