

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

<b>INTRODUCTORY SECTION</b>	
<b>BOARD OF EDUCATION AND ADMINISTRATION</b>	<b>1</b>
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>2</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>5</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>STATEMENT OF NET POSITION</b>	<b>15</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>16</b>
<b>BALANCE SHEET – GOVERNMENTAL FUNDS</b>	<b>17</b>
<b>RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL             FUNDS TO THE STATEMENT OF NET POSITION</b>	<b>18</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND             BALANCES – GOVERNMENTAL FUNDS</b>	<b>19</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES,             EXPENDITURES, AND CHANGES IN FUND BALANCES OF             GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>	<b>20</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND             BALANCES – BUDGET AND ACTUAL – GENERAL FUND</b>	<b>21</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND             BALANCES – BUDGET AND ACTUAL – FOOD SERVICE FUND</b>	<b>22</b>
<b>STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND             BALANCES – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND</b>	<b>23</b>
<b>STATEMENT OF NET POSITION – PROPRIETARY FUND</b>	<b>24</b>
<b>STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET             POSITION – PROPRIETARY FUND</b>	<b>25</b>
<b>STATEMENT OF CASH FLOWS – PROPRIETARY FUND</b>	<b>26</b>
<b>STATEMENT OF FIDUCIARY NET POSITION</b>	<b>27</b>
<b>STATEMENT OF CHANGES IN FIDUCIARY NET POSITION</b>	<b>27</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>28</b>

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
TABLE OF CONTENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2020**

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF OPEB MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS</b>	<b>71</b>
<b>SCHEDULE OF CHANGES IN EMPLOYER NET OPEB LIABILITY AND RELATED RATIOS</b>	<b>72</b>
<b>SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>	<b>74</b>
<b>SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS</b>	<b>75</b>
<b>NOTES TO PENSIONS REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>76</b>
<b>SUPPLEMENTARY INFORMATION</b>	
<b>SCHEDULE OF CHANGES IN FUND EQUITIES</b>	<b>81</b>
<b>OTHER REQUIRED REPORTS</b>	
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i></b>	<b>82</b>
<b>INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE</b>	<b>84</b>
<b>SCHEDULE OF FINDINGS AND RECOMMENDATIONS</b>	<b>85</b>
<b>UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE</b>	<b>86</b>

## **INTRODUCTORY SECTION**



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
BOARD OF EDUCATION AND ADMINISTRATION  
YEAR ENDED JUNE 30, 2020**

**BOARD OF EDUCATION**

Darren Wacker	Chairperson
Jodi Sapp	Vice Chairperson
Judi Brandon	Treasurer
Sara Hansen	Clerk
Ann Hendricks	Director
Kristi Schuck	Director
Abdi Sabrie	Director

**ADMINISTRATION**

Paul Peterson	Superintendent
Tom Sager	Director of Business Services

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Independent School District No. 77  
Mankato, 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. 77, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditors' 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 77 as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, and budgetary comparison for General Fund, Food Service Fund, and Community Service Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

During fiscal year ended June 30, 2020, Independent School District No. 77 adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 14). Our auditors' opinion was not modified with respect to this restatement.

### **Report on Summarized Comparative Information**

We have previously audited the District's 2019 financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, and we expressed unmodified opinions on respective financial statements in our report dated October 29, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

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

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

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Independent School District No. 77's basic financial statements. The Schedule of Changes in Fund Equities and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 on our consideration of Independent School District No. 77's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 77's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 77's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 24, 2020

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

This section of Independent School District No. 77's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follows this section.

**FINANCIAL HIGHLIGHTS**

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

- Net Position of governmental activities decreased a total of \$5,533,543, excluding the \$515,148 increase related to the implementation of GASB Statement No. 84. Most of the decrease in net position was primarily due to the net effect of the large changes in District's proportionate share of the net pension liability, deferred inflows in addition to the decrease in the General Fund Balance noted below.
- The General Fund Balance decreased from \$9,539,031 on June 30, 2019 to \$6,970,629 on June 30, 2020. The ending fund balance within the general fund represents 5.92% of annual expenditures. This represents 22 days of operations.
- Total K-12 Average Daily Membership increased 157 students, up 1.82% from 2018-19.
- The Community Service Fund Balance experienced a decrease in fund balance totaling \$173,587 to \$999,627 as of June 30, 2020. This decrease is attributed to the Community Service Fund not receiving as much revenue as projected during the fiscal year ending June 30, 2020. The revenue shortfall was a result of the COVID-19 pandemic and its effect on the District's ability to facilitate and charge for community service events. In addition to this the expenditures within the Community Service Fund were not decreased proportionately as the need for the District to incur expenditures to continue to provide community programs/support still existed.
- The Debt Service Fund Balance increased from \$1,434,449 as of June 30, 2019 to \$1,802,744 as of June 30, 2020. The majority of this increase is due to the earnings on investments and state sources of revenue allocated to this fund during the fiscal year ending June 30, 2020.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more detail* than the district-wide statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

- The *governmental funds statements* tell how basic services such as regular and special education were financed in the *short term* as well as what remains for future spending.
- Proprietary funds statements offer short- and long-term financial information about the activities the district operates like businesses.
- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others to whom the resources belong.

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

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

**Net Position**

The District's combined net position from Governmental activities was negative \$62,719,737 on June 30, 2020 (see Table A-1). This negative position is due to GASB 68 and GASB 75 that require the District to place its share of net pension liabilities and net OPEB liabilities, in their financial statements.

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

	Governmental Activities as of June 30,		Percentage Change
	2020	2019	
Current and Other Assets	\$ 49,548,939	\$ 49,182,378	0.75 %
Capital Assets	113,856,302	113,305,376	0.49
Total Assets	<u>163,405,241</u>	<u>162,487,754</u>	0.56
Deferred Outflows of Resources	61,778,329	84,315,698	(26.73)
Current Liabilities	11,348,057	9,881,307	14.84
Long-Term Liabilities	87,351,815	92,059,113	(5.11)
Net Pension Liability	68,877,794	66,306,827	3.88
Net OPEB Liability	8,888,029	8,219,667	8.13
Total Liabilities	<u>176,465,695</u>	<u>176,466,914</u>	(0.00)
Deferred Inflows of Resources	<u>111,437,612</u>	<u>128,037,880</u>	(12.97)
Net Position:			
Net Investment in Capital Assets	37,803,945	34,373,008	9.98
Restricted	6,919,907	7,116,426	(2.76)
Unrestricted	(107,443,589)	(99,190,776)	8.32
Total Net Position	<u>\$ (62,719,737)</u>	<u>\$ (57,701,342)</u>	8.70

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percentage Change
	2020	2019	
<b>Revenues</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 5,753,437	\$ 5,989,074	(3.93)%
Operating Grants and Contributions	34,486,699	28,793,631	19.77
Capital Grants and Contributions	1,482,898	1,504,786	(1.45)
<u>General Revenues</u>			
Property Taxes	27,832,286	26,982,782	3.15
Unrestricted State Aid	62,541,259	59,297,496	5.47
Investment Earnings	262,622	630,553	(58.35)
Other	349,386	95,655	265.26
Total Revenues	<u>132,708,587</u>	<u>123,293,977</u>	7.64
<b>Expenses</b>			
Administration	4,200,180	2,754,657	52.48
District Support Services	2,245,996	1,939,143	15.82
Regular Instruction	61,847,842	41,257,541	49.91
Vocational Education Instruction	1,953,579	1,103,878	76.97
Special Education Instruction	24,799,391	16,009,407	54.91
Instructional Support Services	10,037,687	5,232,628	91.83
Pupil Support Services	9,202,496	7,365,680	24.94
Sites and Buildings	10,410,023	10,036,066	3.73
Fiscal and Other Fixed Cost Programs	307,685	273,087	12.67
Food Service	4,606,376	4,539,108	1.48
Community Service	6,021,646	6,108,949	(1.43)
Interest and Fiscal Charges on Long-Term Liabilities	2,609,229	3,226,854	(19.14)
Total Expenses	<u>138,242,130</u>	<u>99,846,998</u>	38.45
<b>Change in Net Position</b>	(5,533,543)	23,446,979	
Beginning Net Position	(57,701,342)	(81,148,321)	
Change in Accounting Principle	515,148	-	
Beginning Net Position, as Restated	<u>(57,186,194)</u>	<u>(81,148,321)</u>	
Ending Net Position	<u>\$ (62,719,737)</u>	<u>\$ (57,701,342)</u>	

**Changes in Net Position**

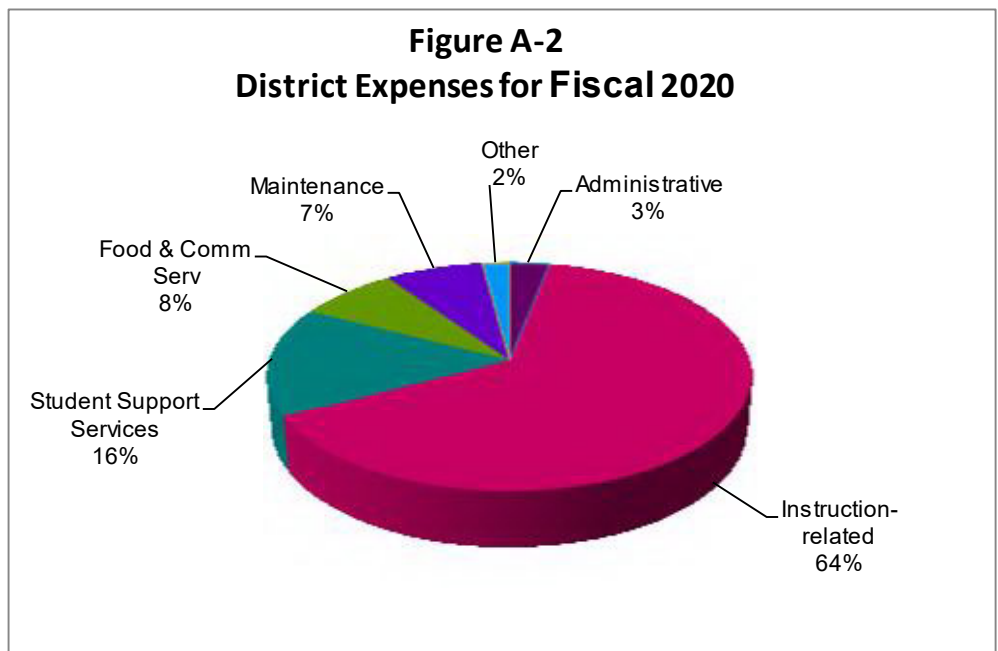
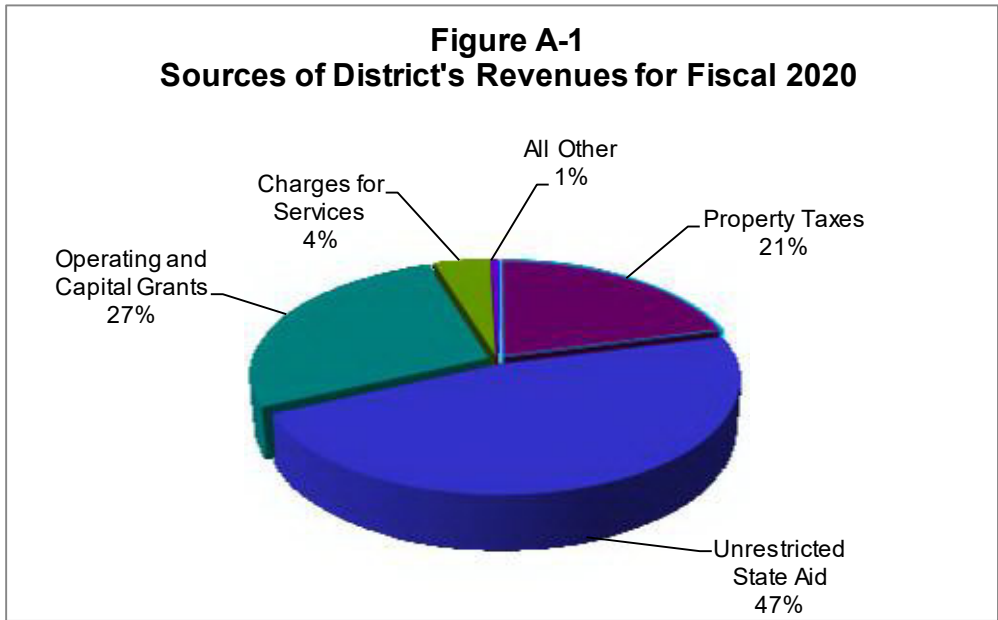
The District's total revenues were \$132,708,587 for the year ended June 30, 2020. Unrestricted state aid accounted for 47%, property taxes accounted for 21%, operating and capital grants accounted for 27%, and charges for services accounted for 4% (see Figure A-1).

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

The total cost of all programs and services was \$138,242,130. Direct instruction related costs accounted for 64%, student support services accounted for 16%, buildings and equipment costs accounted for 7%, community education services and food service accounted for 8%, administration 3%, and other expenses accounted for 2% of the total (see Figure A-2).

In summary, the District has a stable overall financial position with which to continue operations.



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

Typically the District does not include in an analysis of all governmental funds a breakout of expenditures as depicted in Figure A-2 above. To do so distorts the latitude available to the District to allocate resources to instruction. All governmental funds include not only funds received for the general operation of the district, which are used for classroom instruction, but also includes resources from the Food Service and Community Education Funds, and from resources for fiscal service transactions. Funding for the general operation of the District is controlled by the state and the District does not have the latitude to allocate money received in Food Service or Community Education or for fiscal services to enhance classroom instruction resources. The District cannot take funds from these restricted areas and use the funds to hire teachers to enhance instruction. The previous graph, by pooling all expenditures, implies that the District does have equal access to all funds to impact classroom instruction. In Minnesota, that is simply not an option. Therefore, a more accurate analysis of resources allocated to instruction should be limited to an analysis of resources received for the general operation of the District.

**Table A-3  
Program Expenses and Net Cost of Services**

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2020	2019		2020	2019	
Administration	\$ 4,200,180	\$ 2,754,657	52.48 %	\$ 4,136,007	\$ 2,876,547	43.78 %
District Support Services	2,245,996	1,939,143	15.82	2,209,171	1,924,800	14.77
Regular Instruction	61,847,842	41,257,541	49.91	50,397,503	33,370,821	51.02
Vocational Education Instruction	1,953,579	1,103,878	76.97	1,732,758	1,023,949	69.22
Special Education Instruction	24,799,391	16,009,407	54.91	8,053,242	514,109	1466.45
Instructional Support Services	10,037,687	5,232,628	91.83	7,714,016	3,728,707	106.88
Pupil Support Services	9,202,496	7,365,680	24.94	9,043,390	7,286,397	24.11
Sites and Buildings	10,410,023	10,036,066	3.73	9,337,011	8,811,528	5.96
Fiscal and Other Fixed Cost Programs	307,685	273,087	12.67	307,685	273,087	12.67
Food Service	4,606,376	4,539,108	1.48	34,169	(22,025)	(255.14)
Community Service	6,021,646	6,108,949	(1.43)	944,915	544,733	73.46
Interest and Fiscal Charges on Long-Term Liabilities	2,609,229	3,226,854	(19.14)	2,609,229	3,226,854	(19.14)
Total	<u>\$ 138,242,130</u>	<u>\$ 99,846,998</u>	38.45	<u>\$ 96,519,096</u>	<u>\$ 63,559,507</u>	51.86

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

The District's financial position is the product of many factors. The District continues to budget revenues conservatively and implements tight expenditure controls. Board of Education Policy establishes an unassigned fund balance level that equals a one-month operating reserve.

Overall the District's total governmental fund balances decreased by \$2,251,073 for the year ended June 30, 2020 excluding the \$515,148 increase related to the implementation of GASB Statement No. 84. This is primarily the result of increased expenditures to serve students and families during the COVID-19 pandemic.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND**

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

Approximately 97% of General Fund operational revenue is controlled by a complex set of state funding formulas resulting in the local Board of Education having no meaningful authority to determine the level of resources. Other state formulas then determine what portion of the revenue will be provided by property taxes and what portion will come from state aid.

**ENROLLMENT**

Enrollment is a critical factor in determining revenue, with approximately 90% of General Fund revenue being determined by enrollment. The following chart shows that the number of students in each of the last five years.

**Table A-4  
Five-Year Enrollment Trend  
Average Daily Membership (ADM)**

<b>Grade</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
EC	135	144	136	149	150
HK	96	103	121	123	128
Kdgt.	582	556	559	557	549
1-3	2,068	2,097	2,062	2,032	2,012
4-6	1,859	2,001	2,077	2,111	2,122
7-12	3,422	3,604	3,613	3,681	3,851
Total E-12 ADM	8,162	8,505	8,568	8,654	8,811
ADM Change	303	343	63	86	157
Percent Change	3.86%	4.20%	0.74%	1.00%	1.82%

As depicted in Table A-4, average daily membership has increased steadily over the last five years. Current space limitations at many of the school sites, coupled with continued growth in the enrollment forecast, has the District evaluating future space expansion.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Revenues.

**Table A-5  
General Fund Revenues**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 17,897,050	\$ 16,712,099	\$ 1,184,951	7.1 %
Earnings on Investments	146,357	268,224	(121,867)	(45.4)
Other	3,231,510	2,854,139	377,371	13.2
State Sources	86,346,642	82,568,444	3,778,198	4.6
Federal Sources	4,887,728	3,617,731	1,269,997	35.1
Total General Fund Revenue	<u>\$ 112,509,287</u>	<u>\$ 106,020,637</u>	<u>\$ 6,488,650</u>	6.1

Total General Fund Revenue increased by \$6,488,650 or 6.1% from the previous year. Basic general education revenue is determined by multiple state formulas, largely enrollment driven, and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue including operating levy referendum and the property tax shift also involve an equalized mix of property tax and state aid revenue. The mix of property tax and state aid can change significantly from year to year without any net change on total revenue.

The following schedule presents a summary of General Fund Expenditures.

**Table A-6  
General Fund Expenditures**

	Year Ended		Change	
	June 30, 2020	June 30, 2019	Increase (Decrease)	Percent Change
Salaries	\$ 65,907,911	\$ 63,191,188	\$ 2,716,723	4.3 %
Employee Benefits	27,331,779	24,691,296	2,640,483	10.7
Purchased Services	10,346,658	10,584,894	(238,236)	(2.3)
Supplies and Materials	4,080,034	3,756,164	323,870	8.6
Capital Expenditures	8,349,237	3,041,800	5,307,437	174.5
Other Expenditures	1,780,938	1,296,451	484,487	37.4
Total Expenditures	<u>\$ 117,796,557</u>	<u>\$ 106,561,793</u>	<u>\$ 11,234,764</u>	10.5

Total General Fund Expenditures increased \$11,234,764 or 10.5% from the previous year.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**GENERAL FUND (CONTINUED)**

The total fund balance at June 30, 2020, is \$6,970,929. Of this amount \$4,084,160 is restricted for specific purposes by state requirements; \$690,000 is assigned for severance.

In our analysis of significant variances between original and final budget amounts and between final budget amounts and actual results in the General Fund, there are no variances in revenues or expenditures that will have a significant effect on future services or liquidity. The positive budgetary fluctuation in federal aid revenues is due to the District receiving significant funding through the CARES act. This funding along with the increased need to provide services to families and student during the COVID-19 pandemic is also the reason for the increased expenditures as well.

**Food Service Fund**

The Food Service Fund accounts for the activities related to providing child nutrition services to support the K-12 academic program. The fund operates with the goal that revenues exceed expenditures on day-to-day school breakfast and lunch operations so that the excess can be used to systematically replace and upgrade kitchen equipment at all school kitchen locations. By operating in this manner, the child nutrition services program is self-supporting and does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Food Service Fund Balance at June 30, 2020 is \$1,825,902, an increase of \$138,545 from June 30, 2019.

Food Service Fund Revenues for the year ended June 30, 2020 totaled \$4,590,852. This was an increase of \$1,907 or 0.04% from the year ended June 30, 2019.

Food Service Fund Expenditures for the year ended June 30, 2020 totaled \$4,452,307. This was an increase of \$34,333 or 0.78% from the year ended June 30, 2019.

**Community Service Fund**

The Community Service Fund accounts for the activities related to providing education and recreation programs for Pre-Kindergarten and Post-Grade 12 students. The fund operates on the goal of breaking even on a yearly basis so that it does not rely upon resources from K-12 instruction programs other than for use of school facilities.

The Community Service Fund Balance at June 30, 2020 is \$999,627, a decrease of \$173,587 from June 30, 2019.

Community Service Fund Revenues and Other Financing Sources for the year ended June 30, 2020 totaled \$5,941,607. This was a decrease of \$636,748 or 9.7% from the year ended June 30, 2019. This decrease is largely due to the District being shut down for the last quarter of the fiscal year ended June 30, 2020 and not being able to take in revenues as usual throughout the year for the various Community Service Fund programs.

Community Service Fund Expenditures for the year ended June 30, 2020 totaled \$6,115,194. This was a decrease of \$646,435 or 9.6% from the year ended June 30, 2019. This decrease is directly the result of the decreased programming that the District was able to provide with the District needing to shut down many of its operations as noted above.



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of fiscal 2020, the District had invested over \$181.2 million in a broad range of capital assets, including school buildings, athletic facilities, computer, and audio-visual equipment. (See Table A-7.) (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$5,940,697.

**Table A-7  
Capital Assets**

	2020	2019	Percentage Change
Land	\$ 6,710,561	\$ 6,710,561	-
Construction in Progress	1,651,981	-	-
Land Improvements	11,395,089	11,234,912	1.4
Buildings and Improvements	144,700,673	143,302,659	1.0
Equipment	16,787,628	13,547,047	23.9
Less: Accumulated Depreciation	<u>(67,389,630)</u>	<u>(61,489,803)</u>	9.6
Total District Capital Assets	<u>\$ 113,856,302</u>	<u>\$ 113,305,376</u>	0.5

**Debt Service Fund**

The Debt Service Fund exists to service the principal and interest payments on long-term debt issued by the District to construct school facilities or acquire school equipment. Annual levies will provide revenue at a rate of 105% of pending debt service payments for a fiscal year. This rate is specified in statute to ensure that principal and interest payments can be made as scheduled even if there are late property tax payments or delinquencies that may arise.

The fund balance of \$1,802,744 as of June 30, 2020 was an increase of \$368,295 from fund balance as of June 30, 2019 because of the additional 5% built into the tax levy along with the allocated portions of earnings on investments and state sources during the year ended June 30, 2020. The fund balance amount along with the payable 2019 levy and state aid is sufficient to make pending principal and interest payments.

**Bond Rating**

The District's general obligation bonds carry ratings of Aa2.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2020**

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

**Long-Term Liabilities**

At year-end, the District had \$83,018,930 in general obligation bonds, bond premium/discount and lease purchase agreements. The District's long-term liabilities also include severance and wellness benefits payable, compensated absences payable, the District's net pension liability, and the District's net OPEB liability.

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

	2020	2019	Percentage Change
General Obligation Bonds	\$ 76,855,000	\$ 82,945,000	(7.3)%
Net Bond Premium and Discount	3,172,402	3,431,657	(7.6)
Capital Leases Payable	2,991,528	1,293,889	131.2
Severance and Wellness Benefits Payable	3,608,825	3,730,124	(3.3)
Compensated Absences Payable	724,060	658,443	10.0
Net Pension Liability	68,877,794	66,306,827	3.9
Net OPEB Liability	8,888,029	8,219,667	8.1
Total Long-Term Liabilities	<u>\$ 165,117,638</u>	<u>\$ 166,585,607</u>	(0.9)
Long-Term Liabilities:			
Due Within One Year	\$ 8,290,622	\$ 7,405,400	
Due in More Than One Year	79,061,193	84,653,713	
Net Pension Liability	68,877,794	66,306,827	
Net OPEB Liability	8,888,029	8,219,667	
Total	<u>\$ 165,117,638</u>	<u>\$ 166,585,607</u>	

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

With the exception of the voter-approved excess operating referendum, the District is dependent on the state of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Independent School District No. 77, 10 Civic Center Plaza, Suite One, Mankato, Minnesota 56001.

## **BASIC FINANCIAL STATEMENTS**

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**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
<b>ASSETS</b>		
Cash and Investments	\$ 22,006,115	\$ 22,010,490
Receivables:		
Property Taxes	14,166,910	14,139,903
Other Governments	12,665,776	12,794,360
Other	461,053	157,493
Prepaid Items	30,918	-
Inventories	218,167	80,132
Capital Assets:		
Land and Construction in Progress	8,362,542	6,710,561
Other Capital Assets, Net of Depreciation	105,493,760	106,594,815
Total Assets	163,405,241	162,487,754
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Losses on Debt Refunding	29,737	38,029
Pension Related	60,674,604	83,308,206
Other Postemployment Benefits Related	1,073,988	969,463
Total Deferred Outflows	61,778,329	84,315,698
<b>LIABILITIES</b>		
Salaries Payable	7,058,790	6,040,602
Accounts and Contracts Payable	2,793,749	2,305,938
Accrued Interest	1,120,576	1,207,931
Unearned Revenue	374,942	326,836
Long-Term Liabilities:		
Other Long-Term Liabilities Due Within One Year	8,290,622	7,405,400
Other Long-Term Liabilities Due in More Than One Year	79,061,193	84,653,713
Net Pension Liability	68,877,794	66,306,827
Net OPEB Liability	8,888,029	8,219,667
Total Liabilities	176,465,695	176,466,914
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes Levied for Subsequent Year	26,981,247	26,724,764
Gains on Debt Refunding	79,218	86,791
OPEB Related	935,186	991,244
Pension Related	83,441,961	100,235,081
Total Deferred Inflows of Resources	111,437,612	128,037,880
<b>NET POSITION</b>		
Net Investment in Capital Assets	37,803,945	34,373,008
Restricted for:		
Operating Capital Purposes	81,573	20,421
State-Mandated Reserves	4,002,587	4,225,263
Food Service	1,825,902	1,687,357
Community Service	1,009,845	1,183,385
Unrestricted	(107,443,589)	(99,190,776)
Total Net Position	\$ (62,719,737)	\$ (57,701,342)

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

Functions	2020				Net (Expense)	2019
	Expenses	Program Revenues		Capital Grants and Contributions	Revenue and	Net (Expense)
		Charges for Services	Operating Grants and Contributions		Change in Net Position	Revenue and Change in Net Position
				Total Governmental Activities	Total Governmental Activities	
<b>GOVERNMENTAL ACTIVITIES</b>						
Administration	\$ 4,200,180	\$ 48,428	\$ 14,827	\$ 918	\$ (4,136,007)	\$ (2,876,547)
District Support Services	2,245,996	3,512	2,668	30,645	(2,209,171)	(1,924,800)
Regular Instruction	61,847,842	1,321,873	9,965,336	163,130	(50,397,503)	(33,370,821)
Vocational Education Instruction	1,953,579	6,307	214,514	-	(1,732,758)	(1,023,949)
Special Education Instruction	24,799,391	57,362	16,688,787	-	(8,053,242)	(514,109)
Instructional Support Services	10,037,687	63,065	1,262,854	997,752	(7,714,016)	(3,728,707)
Pupil Support Services	9,202,496	10,861	145,252	2,993	(9,043,390)	(7,286,397)
Sites and Buildings	10,410,023	55,555	729,997	287,460	(9,337,011)	(8,811,528)
Fiscal and Other Fixed Cost Programs	307,685	-	-	-	(307,685)	(273,087)
Food Service	4,606,376	1,469,076	3,103,131	-	(34,169)	22,025
Community Service	6,021,646	2,717,398	2,359,333	-	(944,915)	(544,733)
Interest and Fiscal Charges on Long-Term Liabilities	2,609,229	-	-	-	(2,609,229)	(3,226,854)
Total School District	<u>\$ 138,242,130</u>	<u>\$ 5,753,437</u>	<u>\$ 34,486,699</u>	<u>\$ 1,482,898</u>	<u>(96,519,096)</u>	<u>(63,559,507)</u>
<b>GENERAL REVENUES</b>						
Property Taxes Levied for:						
General Purposes					17,908,889	16,748,719
Community Service					821,998	814,024
Debt Service					9,101,399	9,420,039
State Aid Not Restricted to Specific Purposes					62,541,259	59,297,496
Earnings on Investments					262,622	630,553
Miscellaneous					349,146	95,655
Gain on Sale of Capital Assets					240	-
Total General Revenues					<u>90,985,553</u>	<u>87,006,486</u>
<b>CHANGE IN NET POSITION</b>					(5,533,543)	23,446,979
Net Position - Beginning					(57,701,342)	(81,148,321)
Restatement - Implementation of New Standard - See Note 14					515,148	-
Net Position - Beginning, as Restated					<u>(57,186,194)</u>	<u>(81,148,321)</u>
<b>NET POSITION - ENDING</b>					<u>\$ (62,719,737)</u>	<u>\$ (57,701,342)</u>

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	OPEB Debt Service	2020	2019
<b>ASSETS</b>							
Cash and Investments	\$ 12,208,459	\$ 1,568,568	\$ 1,229,436	\$ 5,824,145	\$ 714,715	\$ 21,545,323	\$ 21,692,006
Receivables:							
Current Property Taxes	8,930,856	-	413,641	4,043,080	469,509	13,857,086	13,847,137
Delinquent Property Taxes	186,487	-	10,218	99,280	13,839	309,824	292,766
Accounts and Interest Receivable	254,333	154,404	52,316	-	-	461,053	157,493
Due from Minnesota Department of Education	8,821,934	-	136,444	17,187	469	8,976,034	8,991,287
Due from Federal through Minnesota Department of Education	3,223,028	284,015	164,847	-	-	3,671,890	3,803,073
Due from Other Governmental Units	17,852	-	-	-	-	17,852	-
Inventory	-	218,167	-	-	-	218,167	80,132
Prepays	30,918	-	-	-	-	30,918	-
<b>Total Assets</b>	<b>\$ 33,673,867</b>	<b>\$ 2,225,154</b>	<b>\$ 2,006,902</b>	<b>\$ 9,983,692</b>	<b>\$ 1,198,532</b>	<b>\$ 49,088,147</b>	<b>\$ 48,863,894</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>							
Liabilities:							
Salaries and Compensated Absences Payable	\$ 2,594,663	\$ 41,792	\$ 127,928	\$ -	\$ -	\$ 2,764,383	\$ 2,284,883
Payroll Deductions and Employer Contributions Payable	4,294,407	-	-	-	-	4,294,407	3,755,719
Accounts and Contracts Payable	2,383,088	131,943	22,027	-	-	2,537,058	1,916,715
Unearned Revenue	145,719	225,517	3,706	-	-	374,942	326,836
<b>Total Liabilities</b>	<b>9,417,877</b>	<b>399,252</b>	<b>153,661</b>	<b>-</b>	<b>-</b>	<b>9,970,790</b>	<b>8,284,153</b>
Deferred Inflows of Resources:							
Unavailable Revenue - Property Taxes Levied for Subsequent Year	17,098,875	-	843,396	8,081,668	957,308	26,981,247	26,724,764
Unavailable Revenue - Delinquent Property Taxes	186,486	-	10,218	99,280	13,839	309,823	292,765
<b>Total Deferred Inflows of Resources</b>	<b>17,285,361</b>	<b>-</b>	<b>853,614</b>	<b>8,180,948</b>	<b>971,147</b>	<b>27,291,070</b>	<b>27,017,529</b>
Fund Balance:							
Nonspendable:							
Inventory	-	218,167	-	-	-	218,167	80,132
Prepays	30,918	-	-	-	-	30,918	-
Restricted for:							
Student Activities	435,139	-	-	-	-	435,139	-
Scholarships	50,133	-	-	-	-	50,133	-
Staff Development	381,846	-	-	-	-	381,846	455,299
Operating Capital	81,573	-	-	-	-	81,573	20,421
Learning and Development	-	-	-	-	-	-	5,927
Early Childhood and Family Education	-	-	475,683	-	-	475,683	857,386
Teacher Development and Evaluation	-	-	-	-	-	-	25,842
School Readiness	-	-	481,828	-	-	481,828	589,177
Adult Basic Education	-	-	182,026	-	-	182,026	142,511
LTFM	-	-	-	-	-	-	520,300
Medical Assistance	3,135,469	-	-	-	-	3,135,469	3,217,895
Restricted for Other Purposes:							
Food Service	-	1,607,735	-	-	-	1,607,735	1,607,225
Debt Service	-	-	-	1,802,744	-	1,802,744	1,434,449
OPEB Debt Service	-	-	-	-	227,385	227,385	243,309
Assigned for:							
Separation/Retirement Benefits	690,000	-	-	-	-	690,000	690,000
Unassigned	2,165,551	-	(139,910)	-	-	2,025,641	3,672,339
<b>Total Fund Balance</b>	<b>6,970,629</b>	<b>1,825,902</b>	<b>999,627</b>	<b>1,802,744</b>	<b>227,385</b>	<b>11,826,287</b>	<b>13,562,212</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 33,673,867</b>	<b>\$ 2,225,154</b>	<b>\$ 2,006,902</b>	<b>\$ 9,983,692</b>	<b>\$ 1,198,532</b>	<b>\$ 49,088,147</b>	<b>\$ 48,863,894</b>

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
<b>Total Fund Balance for Governmental Funds</b>	<b>\$ 11,826,287</b>	<b>\$ 13,562,212</b>
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	6,710,561	6,710,561
Construction in Progress	1,651,981	-
Land Improvements, Net of Accumulated Depreciation	7,147,015	7,519,879
Buildings and Improvements, Net of Accumulated Depreciation	90,171,417	92,654,321
Equipment, Net of Accumulated Depreciation	8,175,328	6,420,615
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 unearned revenue in the funds.		
	309,823	292,765
When a bond defeasance occurs the difference between the amount paid to the refunded bond escrow and the principal of the defeased debt is expensed in the governmental funds. These expenditures are capitalized on the statement of net position as deferred charges.		
Losses on Debt Refunding	29,737	38,029
Gains on Debt Refunding	(79,218)	(86,791)
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.		
	(1,120,576)	(1,207,931)
The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net OPEB Liability	(8,888,029)	(8,219,667)
Deferred Inflows of Resources - Other Post Employment Benefits	(935,186)	(991,244)
Deferred Outflows of Resources - Other Post Employment Benefits	1,073,988	969,463
The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:		
Net Pension Liability	(68,877,794)	(66,306,827)
Deferred Inflows of Resources - Pensions	(83,441,961)	(100,235,081)
Deferred Outflows of Resources - Pensions	60,674,604	83,308,206
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:		
Bonds Payable	(76,855,000)	(82,945,000)
Unamortized Premiums	(3,172,402)	(3,431,657)
Capital Leases Payable	(2,991,528)	(1,293,889)
Severance and Health Benefits Payable	(3,608,825)	(3,730,124)
Compensated Absences Payable	(724,060)	(658,443)
Internal service funds are used by management to charge the costs of health and dental insurance services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. Internal service fund net position at year-end is:		
	204,101	(70,739)
<b>Total Net Position of Governmental Activities</b>	<b>\$ (62,719,737)</b>	<b>\$ (57,701,342)</b>

See accompanying Notes to Financial Statements.



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Debt Service	OPEB Debt Service	2020	2019
<b>REVENUES</b>							
Local Sources:							
Property Taxes	\$ 17,897,050	\$ -	\$ 821,951	\$ 8,163,758	\$ 932,469	\$ 27,815,228	\$ 26,934,495
Earnings and Investments	146,357	24,991	21,936	60,753	8,525	262,562	630,426
Other	3,231,510	1,467,824	3,166,490	-	-	7,865,824	8,419,022
State Sources	86,346,642	166,458	1,699,193	171,878	4,694	88,388,865	84,643,137
Federal Sources	4,887,728	2,931,579	206,980	-	-	8,026,287	6,386,645
Total Revenues	<u>112,509,287</u>	<u>4,590,852</u>	<u>5,916,550</u>	<u>8,396,389</u>	<u>945,688</u>	<u>132,358,766</u>	<u>127,013,725</u>
<b>EXPENDITURES</b>							
Current:							
Administration	3,834,941	-	-	-	-	3,834,941	3,625,972
District Support Services	2,111,508	-	-	-	-	2,111,508	1,977,926
Elementary and Secondary Regular Instruction	53,517,948	-	-	-	-	53,517,948	51,541,333
Vocational Education Instruction	1,824,232	-	-	-	-	1,824,232	1,566,580
Special Education Instruction	22,846,692	-	-	-	-	22,846,692	21,411,230
Instructional Support Services	6,451,099	-	-	-	-	6,451,099	5,712,035
Pupil Support Services	8,758,289	-	-	-	-	8,758,289	7,992,523
Sites and Buildings	8,704,004	-	-	-	-	8,704,004	8,662,300
Fiscal and Other Fixed Cost Programs	307,685	-	-	-	-	307,685	273,087
Food Service	-	4,342,472	-	-	-	4,342,472	4,349,676
Community Service	-	-	6,096,016	-	-	6,096,016	6,736,551
Capital Outlay	8,349,237	109,835	16,705	-	-	8,475,777	3,137,908
Debt Service:							
Principal	1,043,573	-	2,473	5,205,000	885,000	7,136,046	6,424,177
Interest and Fiscal Charges	47,349	-	-	2,823,094	76,612	2,947,055	3,856,422
Total Expenditures	<u>117,796,557</u>	<u>4,452,307</u>	<u>6,115,194</u>	<u>8,028,094</u>	<u>961,612</u>	<u>137,353,764</u>	<u>127,267,720</u>
<b>EXCESS( DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(5,287,270)	138,545	(198,644)	368,295	(15,924)	(4,994,998)	(253,995)
<b>OTHER FINANCING SOURCES (USES)</b>							
Sale of Equipment	40	-	200	-	-	240	-
Proceeds from Capital Lease	2,743,685	-	-	-	-	2,743,685	131,975
Payment to Refunded Bond Escrow Agent	-	-	-	-	-	-	(15,380,000)
Transfers In	-	-	24,857	-	-	24,857	405,914
Transfers Out	(24,857)	-	-	-	-	(24,857)	(405,914)
Total Other Financing Sources (Uses)	<u>2,718,868</u>	<u>-</u>	<u>25,057</u>	<u>-</u>	<u>-</u>	<u>2,743,925</u>	<u>(15,248,025)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(2,568,402)	138,545	(173,587)	368,295	(15,924)	(2,251,073)	(15,502,020)
<b>FUND BALANCE</b>							
Beginning of Year	9,023,883	1,687,357	1,173,214	1,434,449	243,309	13,562,212	29,064,232
Restatement - Implementation of New Standard	515,148	-	-	-	-	515,148	-
Fund Balance - Beginning, as Restated	<u>9,539,031</u>	<u>1,687,357</u>	<u>1,173,214</u>	<u>1,434,449</u>	<u>243,309</u>	<u>14,077,360</u>	<u>29,064,232</u>
End of Year	<u>\$ 6,970,629</u>	<u>\$ 1,825,902</u>	<u>\$ 999,627</u>	<u>\$ 1,802,744</u>	<u>\$ 227,385</u>	<u>\$ 11,826,287</u>	<u>\$ 13,562,212</u>

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	2020	2019
<b>Net Change in Fund Balance - Total Governmental Funds</b>	<b>\$ (2,251,073)</b>	<b>\$ (15,502,020)</b>
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:		
Capital Outlays	6,558,885	1,287,571
Loss on Disposal of Capital Assets	(67,262)	-
Depreciation Expense	(5,940,697)	(5,609,384)
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduced the lease obligation in the statement of net position.		
Other Financing Source - Capital Lease	(2,743,685)	(131,975)
Change in Accrued Interest Expense - Capital Lease	1,490	265
Principal Payments - Capital Leases	1,046,046	689,177
Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unearned in the governmental funds.		
	17,058	48,287
Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.		
	(8,411,449)	21,927,579
In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).		
	55,682	95,958
In the statement of activities, OPEB expenses are measured by the change in the net OPEB asset or liability. In the governmental funds, however, expenditures for this obligation are measured by the amount of financial resources paid to the District's irrevocable OPEB trust.		
	(507,779)	(1,038,161)
The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:		
Payment to Refunded Bond Escrow Agent	-	15,380,000
Repayment of Bond Principal	6,090,000	5,735,000
Change in Accrued Interest - General Obligation Bonds	85,865	368,244
Amortization of Bond Premium	259,255	264,963
Amortization of Deferred Charges on Refunding Bonds	(719)	(3,904)
Internal service funds are used by the District to charge the costs of employee health and dental benefits to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
	274,840	(64,621)
Total	<b>\$ (5,533,543)</b>	<b>\$ 23,446,979</b>

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 17,902,345	\$ 17,836,021	\$ 17,897,050	\$ 61,029
Earnings and Investments	270,000	270,000	146,357	(123,643)
Other	1,958,600	2,883,042	3,231,510	348,468
State Sources	84,799,920	86,931,276	86,346,642	(584,634)
Federal Sources	3,502,934	3,493,867	4,887,728	1,393,861
Total Revenues	<u>108,433,799</u>	<u>111,414,206</u>	<u>112,509,287</u>	<u>1,095,081</u>
<b>EXPENDITURES</b>				
Current:				
Administration	3,661,346	3,939,495	3,834,941	(104,554)
District Support Services	1,985,571	2,166,215	2,111,508	(54,707)
Elementary and Secondary Regular Instruction	50,180,484	52,899,118	53,517,948	618,830
Vocational Education Instruction	1,561,657	1,488,132	1,824,232	336,100
Special Education Instruction	22,084,018	22,691,430	22,846,692	155,262
Instructional Support Services	6,226,568	6,316,387	6,451,099	134,712
Pupil Support Services	8,657,197	8,845,193	8,758,289	(86,904)
Sites and Buildings	7,916,340	8,773,978	8,704,004	(69,974)
Fiscal and Other Fixed Cost Programs	1,276,534	842,127	307,685	(534,442)
Capital Outlay	4,828,419	8,069,464	8,349,237	279,773
Debt Service:				
Principal	-	-	1,043,573	1,043,573
Interest and Fiscal Charges	-	-	47,349	47,349
Total Expenditures	<u>108,378,134</u>	<u>116,031,539</u>	<u>117,796,557</u>	<u>1,765,018</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>55,665</b>	<b>(4,617,333)</b>	<b>(5,287,270)</b>	<b>(669,937)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of Equipment	-	-	40	40
Issuance of Capital Loans	-	2,785,545	2,743,685	(41,860)
Transfers Out	-	(40,000)	(24,857)	15,143
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,745,545</u>	<u>2,718,868</u>	<u>(26,677)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ 55,665</u></b>	<b><u>\$ (1,871,788)</u></b>	<b><u>(2,568,402)</u></b>	<b><u>\$ (696,614)</u></b>
<b>FUND BALANCE</b>				
Beginning of Year			9,023,883	
Restatement - Implementation of New Standard			515,148	
Beginning of Year, Restated			<u>9,539,031</u>	
End of Year			<u><u>\$ 6,970,629</u></u>	

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
FOOD SERVICE FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local Sources:				
Earnings and Investments	\$ 10,000	\$ 10,000	\$ 24,991	\$ 14,991
Other - Primarily Meal Sales	1,813,800	1,830,800	1,467,824	(362,976)
State Sources	218,000	218,000	166,458	(51,542)
Federal Sources	2,565,200	2,580,200	2,931,579	351,379
Total Revenues	<u>4,607,000</u>	<u>4,639,000</u>	<u>4,590,852</u>	<u>(48,148)</u>
<b>EXPENDITURES</b>				
Current:				
Food Service	4,838,428	4,509,692	4,342,472	(167,220)
Capital Outlay	140,000	140,000	109,835	(30,165)
Total Expenditures	<u>4,978,428</u>	<u>4,649,692</u>	<u>4,452,307</u>	<u>(197,385)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (371,428)</u>	<u>\$ (10,692)</u>	138,545	<u>\$ 149,237</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>1,687,357</u>	
End of Year			<u>\$ 1,825,902</u>	

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
COMMUNITY SERVICE FUND  
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Local Sources:				
Property Taxes	\$ 816,528	\$ 874,347	\$ 821,951	\$ (52,396)
Earnings and Investments	-	-	21,936	21,936
Other - Primarily Tuition and Fees	4,290,416	4,315,074	3,166,490	(1,148,584)
State Sources	1,728,947	1,726,108	1,699,193	(26,915)
Federal Sources	315,900	206,979	206,980	1
Total Revenues	<u>7,151,791</u>	<u>7,122,508</u>	<u>5,916,550</u>	<u>(1,205,958)</u>
<b>EXPENDITURES</b>				
Current:				
Community Service	7,272,983	7,276,640	6,096,016	(1,180,624)
Capital Outlay	13,850	27,350	16,705	(10,645)
Debt Service	-	-	2,473	2,473
Total Expenditures	<u>7,286,833</u>	<u>7,303,990</u>	<u>6,115,194</u>	<u>(1,188,796)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	(135,042)	(181,482)	(198,644)	(17,162)
<b>OTHER FINANCING SOURCES</b>				
Sale of Equipment	-	-	200	200
Transfers In	-	-	24,857	24,857
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>25,057</u>	<u>25,057</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (135,042)</u>	<u>\$ (181,482)</u>	(173,587)	<u>\$ 7,895</u>
<b>FUND BALANCE</b>				
Beginning of Year			<u>1,173,214</u>	
End of Year			<u>\$ 999,627</u>	

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	Governmental Activities - Internal Service Funds	
	2020	2019
<b>ASSETS</b>		
Cash and Investments	\$ 460,792	\$ 318,484
<b>LIABILITIES</b>		
Claims Payable for Dental Benefits	256,691	389,223
<b>NET POSITION</b>		
Unrestricted	\$ 204,101	\$ (70,739)

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Governmental Activities - Internal Service Funds	
	2020	2019
<b>OPERATING REVENUES</b>		
Charges for Services:		
Dental Insurance Premiums	\$ 761,865	\$ 703,406
<b>OPERATING EXPENSES</b>		
Dental Insurance Claim Payments	434,840	712,945
General Administration Fees	52,245	55,209
Total Operating Expenses	487,085	768,154
<b>OPERATING INCOME (LOSS)</b>	274,780	(64,748)
<b>NONOPERATING INCOME</b>		
Earnings on Investments	60	127
<b>CHANGE IN NET POSITION</b>	274,840	(64,621)
Net Position - Beginning	(70,739)	(6,118)
<b>NET POSITION - ENDING</b>	\$ 204,101	\$ (70,739)

See accompanying Notes to Financial Statements.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2020  
(WITH SUMMARIZED FINANCIAL INFORMATION FOR YEAR ENDED JUNE 30, 2019)**

	Governmental Activities - Internal Service Funds	
	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Interfund Services Provided	\$ 761,865	\$ 703,406
Payments for Administrative Costs	(52,245)	(55,209)
Payments for Retirement Benefits	(567,372)	(664,926)
Net Cash Provided (Used) by Operating Activities	142,248	(16,729)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	60	127
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	142,308	(16,602)
 Cash and Cash Equivalents - Beginning	318,484	335,086
 <b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 460,792	\$ 318,484
 Displayed on the Statement of Net Position as:		
Cash and Cash Equivalents	\$ 460,792	\$ 318,484
 <b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 274,780	\$ (64,748)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Increase (Decrease) in Claims Payable	(132,532)	48,019
Net Cash Provided (Used) by Operating Activities	\$ 142,248	\$ (16,729)

See accompanying Notes to Financial Statements.



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2020**

	Private-Purpose Trust	OPEB Trust	Custodial Funds
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ 12,797,757	\$ 986,389
Accounts Receivable	-	3	12,184
Total Assets	<u>\$ -</u>	<u>\$ 12,797,760</u>	<u>\$ 998,573</u>
<b>LIABILITIES</b>			
Salaries and Payroll Deductions Payable	\$ -	\$ -	\$ 552
Accounts Payable and Due to Other Governments	-	-	10,887
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,439</u>
<b>NET POSITION</b>			
Restricted for Payment of OPEB Benefits	\$ -	\$ 12,797,760	\$ -
Restricted for Scholarships	-	-	25,696
Restricted for Other Purposes	-	-	961,438
Total Net Position	<u>\$ -</u>	<u>\$ 12,797,760</u>	<u>\$ 987,134</u>

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2020**

	Private-Purpose Trust	OPEB Trust	Custodial Funds
<b>ADDITIONS</b>			
Gifts and Donations	\$ -	\$ -	\$ 8,034
Arena Sales and Fees	-	-	668,722
Employer Contributions	-	666,470	-
Earnings on Investments	-	779,130	-
Total Additions	<u>-</u>	<u>1,445,600</u>	<u>676,756</u>
<b>DEDUCTIONS</b>			
Scholarships Awarded	-	-	5,010
Salaries and Benefits	-	-	273,159
Purchased Services	-	-	328,359
Supplies and Materials	-	-	27,852
Capital Expenditures	-	-	40,000
Retirement Benefits	-	1,406,358	-
Administrative Costs	-	3,739	-
Other Arena Costs	-	-	12,285
Total Deductions	<u>-</u>	<u>1,410,097</u>	<u>686,665</u>
<b>CHANGE IN NET POSITION</b>	-	35,503	(9,909)
Net Position - Beginning of Year	75,272	12,762,257	-
Restatement - Implementation of New Standard	(75,272)	-	997,043
Net Position - Beginning of Year, as Restated	<u>-</u>	<u>12,762,257</u>	<u>997,043</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 12,797,760</u>	<u>\$ 987,134</u>

See accompanying Notes to Financial Statements.

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**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Basis of Presentation

The financial statements of Independent School District No. 77 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 77 (the District) is an instrumentality of the state of Minnesota established to function as an education institution. The elected Board of Education (Board) is responsible for legislative and fiscal control of the District. A Superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting Principles Generally Accepted in the United States of America (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separate from the District. In addition, the District's financial statements are to include all component units – entities for which the District is financially accountable.

Financial accountability includes such aspects as appointing a voting majority of the organization's governing body, significantly influencing the programs, projects, activities, or level of services performed or provided by the organization or receiving specific financial benefits from, or imposing specific financial burden on, the organization. These financial statements include all funds of the District. There are no other entities for which the District is financially accountable.

Student activities are determined primarily by student participants under the guidance of an adult and are generally conducted outside of school hours. The Board of Education does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. Therefore, in accordance with Minnesota state statutes, the District's Board of Education has elected to control or exercise oversight responsibility with respect to the underlying student activities. Accordingly, the student activity accounts are included in the General Fund.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Position at the fund financial statement level.

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Depreciation expenses that can be specifically identified by function are included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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

Fiduciary funds are presented in the fiduciary fund financial statements by type; private-purpose trust, OPEB trust, and Custodial funds. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the District-wide statements.

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

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

D. Measurement Focus and Basis of Accounting

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

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

Revenue Recognition – Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue is generally considered as available if collected within 60 days after year-end. State revenue is recognized in the year to which it applies according to Minnesota Statutes and the accounting principles generally accepted in the United States of America. Minnesota Statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as revenue when received because they are generally not measurable until then. Investment earnings are recorded when earned because they are measurable and available. A six-month availability period is generally used for other fund revenue.

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

D. Measurement Focus and Basis of Accounting (Continued)

**Description of Funds**

The existence of the various District funds has been established by the state of Minnesota, Department of Education. The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. A description of each fund included in this report is as follows:

*Major Governmental Funds*

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

Food Service Special Revenue Fund – The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund are generated from user fees, federal reimbursements, and state aids.

Community Service Special Revenue Fund – The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, or other similar services. Revenues for the Community Service Fund are generated primarily from user fees, local property taxes, state credits, and federal reimbursements.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources used for the acquisition or construction of major capital facilities. During the year ended June 30, 2020 there was no activity or funds within this fund, so it is not presented in these financial statements.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of, bond and loan principal, interest, and related costs.

OPEB Debt Service Fund – The Other Postemployment Benefit (OPEB) Debt Service Fund accounts for the accumulation of resources for and the payment of, bond principal, interest, and other costs related to the Other Post Employment Benefit Bonds.

*Proprietary Fund*

Internal Service Fund – The Internal Service Fund accounts for financing of goods or services provided by one department to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The District's Internal Service Fund accounts for the District's dental self-insurance program.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

D. Measurement Focus and Basis of Accounting (Continued)

*Fiduciary Funds*

Private-Purpose Trust Fund – The Private-Purpose Trust Fund is used to account for trust arrangements under which the income benefits individuals. This fund accounts for funds established for various annual scholarships that are awarded to students based on the requirements of the donor. With the implementation of GASB 84, *Fiduciary Activities*, non-trusted scholarship activities that involved management decisions being made by the District were moved to the General Fund while the non-trusted scholarships that did not involve the District making management decisions were moved into the Custodial Funds.

OPEB Trust Fund – The Other Post Employment Benefit (OPEB) Trust Fund is used to account for resources set aside and held in an irrevocable trust arrangement to pay Other Postemployment Benefits. District contributions to this fund must be expensed to an operating fund.

Custodial Fund – The Custodial Fund is established to account for resources held for others in a custodial capacity. The District's Custodial Fund is used to account for the resources of All Season's Arena and non-trusted scholarships.

E. Budgeting

Budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Each June, the Board of Education adopts an annual budget for the following fiscal year for the General, Food Service, Community Service, and Debt Service Funds. The approved budget is published in summary form in the District's legal newspaper by November 30 of each year. Reported budgeted amounts represent the amended budget as adopted by the Board of Education. Legal budgetary control is at the fund level.

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

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

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

F. Cash and Investments

Cash and investments consist of interest bearing accounts, money market funds, mutual funds and MSDLAF fund investments. Cash balances from all funds, except the construction, trust and agency 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 cash balance participation by each fund.

G. Receivables

Represents amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivable not expected to be collected within one year are current property taxes receivable.

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of food and other supplies on hand at June 30, 2020 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 U.S. Department of Agriculture.

I. Property Taxes

Property tax levies are established by the Board of Education in December each year and are certified to the County for collection the following calendar year. In Minnesota, counties act as collection agents for all property taxes and are responsible for spreading all levies over taxable property. Such taxes become a lien on January 1.



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

I. Property Taxes (Continued)

Taxes are generally due on May 15 and October 15 and counties generally remit taxes to Districts at periodic intervals as they are collected. A portion of property taxes levied is paid through various state tax credits which are included in revenue from state sources in the financial statements.

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

In accordance with state law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$751,973, for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

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 a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the state which will be recognized as revenue in the next fiscal year beginning July 1, 2020, are included in Property Taxes Levied for Subsequent Year to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

J. Capital Assets

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their acquisition value at the date of donation. The District maintains a threshold level of \$4,000 for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

J. Capital Assets (Continued)

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

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

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

K Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting as this element. The first relates to losses on refunding of certain bond issuances of the District which will be recognized over the shorter of the remaining years to maturity of the old bonds or the years to maturity of the related refunding bonds. The second relates to pension related deferred outflows of resources will be recognized as expenditures in subsequent years. The third relates to other postemployment benefits related deferred outflows of resources will be recognized as expenditures in subsequent years.

L. 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. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

M. Pensions

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

N. Accrued Employee Benefits

**Vacation Pay and Sick Leave**

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. At June 30, certain employee groups may carry forward up to one year of unpaid vacation. The expenditure for vacation pay is recognized when payment is made.

Substantially all District employees are entitled to sick leave at various rates. For certain eligible employees, unused sick leave is converted to wellness units which are used to calculate severance pay upon termination.

**Severance and Wellness Benefits Payable**

Upon leaving the employment of the District, employees meeting years of service and age requirements receive reimbursement for unused wellness credits, sick days, or vacation days. Employees are compensated for each unused credit or day at a set reimbursement rate, with the maximum severance benefit specified in the employment contract. A liability is recorded for all eligible employees.

The District budgets for payment of severance benefits for the ensuing year when it anticipates the retirement of personnel requiring severance payments. The payment of severance benefits is recorded as a current expenditure in the year of the payment. Expenditures for severance pay made in 2020 were \$695,696. A liability for severance and wellness benefits payable totaling \$3,608,825 is recorded in the Statement of Net Position.

O. Net Other Postemployment Benefits Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Trust Fund and additions to/deductions from OPEB Trust Fund's fiduciary net position have been determined on the same basis as they are reported by OPEB Trust Fund. For this purpose, OPEB Trust Fund recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. See Note 9 for further information.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

P. Fund Balance

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to inventories and prepaid items. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The Board of Education passed a resolution authorizing the Superintendent and Director of Business Services to assign fund balances and their intended uses. Unassigned fund balances are considered the remaining amounts. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the District's policy to use committed first, then assigned, and finally unassigned amounts.

The District has a minimum fund balance policy, which identifies a minimum unassigned or restricted for other purposes fund balance of one month's expenditures in each of its funds.

Q. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has five types of deferred inflows of resources. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the District's year-end) under the modified accrual basis of accounting. The third type of deferred outflow is pension related as discussed in Note 7. The fourth relates to gains on refunding of certain bond issuances of the District which will be recognized over the shorter of the remaining years to maturity of the old bonds or the years to maturity of the related refunding bonds. The fifth relates to other postemployment benefits related deferred inflows of resources will be recognized as expenditures in subsequent years.

R. Unearned Revenues

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The General Fund reported unearned revenue for grant revenues. In the Food Service Fund, fees collected for student meals not used are classified as unearned. In the Community Service Fund, the District reported unearned revenues related to prepaid student and community courses.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

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

S. Statement of Cash Flows

For purposes of the statement of cash flows, the District considers all demand accounts and savings accounts related to the Internal Service Fund to be cash and cash equivalents. Cash and cash equivalents are included in cash and investments.

T. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the District-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the District-wide financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments.

**NOTE 2 DEPOSITS AND INVESTMENTS**

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits will not be returned in full. The District does not have a deposit policy for custodial credit risk and follows Minnesota Statutes for deposits.

The District maintains a cash and investment pool that is available for use by all governmental and proprietary funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Investments". In accordance with Minnesota Statutes, the District maintains deposits at financial institutions which are authorized by the District's Board.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

A. Deposits (Continued)

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

The District's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

B. Investments

The District may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations of a state or local government with taxing powers 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, 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.

In addition, investments held in the OPEB Trust Fund may be invested as authorized by Minnesota state statute section 356A.06, Subdivision 7.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

At June 30, 2020, the District had the following investments:

<b>Investments Measured at Fair Value</b>	Fair Value
Mutual Funds	\$ 12,764,429
<b>Investments Measured at Amortized Cost</b>	Amortized Cost
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	\$ 21,769,022
Minnesota School District Liquid Asset Fund Plus (MSDLAF+)	216,988
Money Market Funds	33,328
Total Investments at Amortized Cost	\$ 22,019,338

The Minnesota School District Liquid Asset Fund is an external investment pool not registered with the Securities Exchange Commission (SEC). The Plus Class has no redemption requirements. The Max Class may not be redeemed for at least 14 days, and a 24-hour hold is placed on redemption requests. Redemption prior to 14 days may be subject to penalty.

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Credit risk related to the District's investments is as follows:

	Credit Risk
Mutual Funds	NR
MSDMAX	AAAm
MSDLAF+	AAAm

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

B. Investments (Continued)

***Interest Rate Risk***

The District has a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected school district cash flow needs. Within these parameters, it is the District's policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses arising from rising interest rates. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the distribution of the District's investments by maturity.

As of June 30, 2020, the District's investments have the following maturities:

Type	Total	Maturity Duration in Years			No Maturities
		Less Than 1	1 to 2	2 to 5	
Mutual Funds	\$ 12,764,429	\$ -	\$ -	\$ -	\$ 12,764,429
MSDMAX	21,769,022	-	-	-	21,769,022
MSDLAF+	216,988	-	-	-	216,988
Money Markets	33,328	-	-	-	33,328
Total	<u>\$ 34,783,767</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,783,767</u>

***Custodial Credit Risk***

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2020, all investments and collateral were listed in the name of the District.

***Concentration of Credit Risk***

The District does not have a formal policy limiting the amount of the total portfolio that may be invested with any one depository. The Investment Committee is responsible for investment decisions and activities under the direction of the Board of Education. The following is a list of investments which individually comprise more than 5% of the District's total investments:

Investment Type	Percentage
Mutual Fund - PFM Multi Manager Domestic Equity	10.59%
Mutual Fund - PFM Multi Manager Fixed Income Fund	26.10%
Money Markets	0.10%
MSDMAX	62.58%
MSDLAF+	0.62%



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

C. Balance Sheet Presentation

The deposits and investments are presented in the financial statements as follows:

Deposits	\$ 996,304
Cash on Hand	10,190
Minnesota School District Liquid Asset Fund Max Series (MSDMAX)	21,769,022
Minnesota School District Liquid Asset Plus (MSDLAF+)	216,988
Mutual Funds	12,764,429
Money Markets	33,328
Total	<u>\$ 35,790,261</u>
Cash and Investments - Statement of Net Position	\$ 22,006,115
Cash and Investments - Statement of Fiduciary Net Position	<u>13,784,146</u>
Total Cash and Investments	<u>\$ 35,790,261</u>

D. Fair Value Measurements

The District uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The District follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the District has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)**

D. Fair Value Measurements (Continued)

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

*Level 1* – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

*Level 2* – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

*Level 3* – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

Investment	Level 1	Level 2	Level 3	Total
Mutual Funds	\$ -	\$ 12,764,429	\$ -	\$ 12,764,429

**NOTE 3 CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 6,710,561	\$ -	\$ -	\$ 6,710,561
Construction in Progress	-	1,651,981	-	1,651,981
Total Capital Assets, Not Being Depreciated	6,710,561	1,651,981	-	8,362,542
Capital Assets, Being Depreciated				
Land Improvements	11,234,912	160,177	-	11,395,089
Buildings and Improvements	143,302,659	1,398,014	-	144,700,673
Equipment	13,547,047	3,348,713	(108,132)	16,787,628
Total Capital Assets, Being Depreciated	168,084,618	4,906,904	(108,132)	172,883,390
Accumulated Depreciation for:				
Land Improvements	(3,715,033)	(533,041)	-	(4,248,074)
Buildings and Improvements	(50,648,338)	(3,880,918)	-	(54,529,256)
Equipment	(7,126,432)	(1,526,738)	40,870	(8,612,300)
Total Accumulated Depreciation	(61,489,803)	(5,940,697)	40,870	(67,389,630)
Total Capital Assets, Being Depreciated, Net	106,594,815	(1,033,793)	(67,262)	105,493,760
Governmental Activities Capital Assets, Net	\$ 113,305,376	\$ 618,188	\$ (67,262)	\$ 113,856,302

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 3 CAPITAL ASSETS (CONTINUED)**

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

<b>Governmental Activities</b>		
Administration	\$	27,895
District Support Services		4,990
Regular Instruction		5,508,114
Vocational Education Instruction		45,024
Special Education Instruction		6,348
Instructional Support Services		41,555
Pupil Support Services		42,117
Sites and Buildings		48,889
Food Service		108,943
Community Service		106,822
Total Depreciation Expense, Governmental Activities	<u>\$</u>	<u>5,940,697</u>

**NOTE 4 LONG-TERM LIABILITIES**

A. Components of Long-Term Liabilities

The District has issued general obligation school building bonds to finance the construction and betterment of capital facilities or to refinance previous bond issues. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds. These levies are subject to reduction if fund balance amounts exceed limitations imposed by Minnesota law.

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturities	Principal Outstanding	
					Due Within One Year	Total
8/7/2008	4.00%	2008A	\$ 33,350,000	2010-2021	\$ 1,495,000	\$ 1,495,000
9/15/2009	2.0% - 3.5%	2009B	4,060,000	2012-2021	480,000	480,000
2/19/2014	4.00%	2014A	69,500,000	2015-2034	2,490,000	53,580,000
1/22/2015	0.65% - 2.5%	2015A	3,680,000	2017-2026	360,000	2,305,000
11/5/2015	2.0% - 2.75%	2015B	6,140,000	2020-2029	40,000	6,100,000
3/29/2016	2.0%	2016A	9,700,000	2020-2027	585,000	9,620,000
6/30/2016	1.3% - 2.15%	2016B	5,040,000	2019-2024	900,000	3,275,000
Total General Obligation Bonds					<u>\$ 6,350,000</u>	<u>\$ 76,855,000</u>
Bond Premiums					\$ 259,255	\$ 3,172,402
Capital Leases Payable					892,672	2,991,528
Severance and Health Benefits Payable					173,244	3,608,825
Compensated Absences Payable					615,451	724,060
Total					<u>\$ 8,290,622</u>	<u>\$ 87,351,815</u>

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

B. Minimum Debt Payments

Minimum annual principal and interest payments required to retire General Obligation Bonds payable are as follows:

<u>Year Ending June 30,</u>	General Obligation Bonds Payable	
	Principal	Interest
2021	\$ 6,350,000	\$ 2,683,225
2022	5,705,000	2,472,475
2023	5,965,000	2,299,545
2024	6,315,000	2,116,178
2025	5,085,000	1,917,648
2026-2030	27,435,000	6,952,143
2031-2035	20,000,000	2,000,000
Total	\$ 76,855,000	\$ 20,441,214

C. Description of Long-Term Liabilities

**General Obligation School Building Bonds, Series 2008A**

On August 7, 2008, the District issued \$33,350,000 of General Obligation School Building Bonds, Series 2008A. The proceeds of the issue were used to finance the construction and betterment of various school sites and facilities. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation School Building Refunding Bonds, Series 2009B**

On September 15, 2009, the District issued \$4,060,000 of General Obligation School Building Refunding Bonds, Series 2009B. The proceeds of the issue were used to refund the outstanding principal and interest of the District's General Obligation School Building Bonds, Series 2001A on February 1, 2011. Assets of the Debt Service Fund, together with scheduled future ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation School Building Bonds, Series 2014A**

On February 19, 2014, the District issued \$69,500,000 of General Obligation School Building Bonds, Series 2014A. The proceeds of the issue were used to finance the construction and betterment of various school sites and facilities. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

C. Description of Long-Term Liabilities (Continued)

**General Obligation Crossover Refunding Bonds, Series 2015A**

On January 22, 2015, the District issued \$3,680,000 of General Obligation Crossover Refunding Bonds, Series 2015A. The proceeds of the issue were used to refund the General Obligation School Building Bonds, Series 2006A, which were callable in February 2016. The new issue was issued at a premium of \$65,626. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds.

**General Obligation Crossover Refunding Bonds, Series 2015B**

On November 5, 2015, the District issued \$6,140,000 of General Obligation Crossover Refunding Bonds, Series 2015B. The proceeds of the issue will be used to refund a portion of the General Obligation School Building Bonds, Series 2008A, which were callable in February 2019. The new issue was issued at a premium of \$75,686. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$743,658. The present value of the net economic gain resulting from this transaction is \$608,646.

**General Obligation Crossover Refunding Bonds, Series 2016A**

On March 29, 2016, the District issued \$9,700,000 of General Obligation Crossover Refunding Bonds, Series 2016A. The proceeds of the issue will be used to refund the General Obligation School Building Bonds, Series 2008A, which were callable in February 2019. The new issue was issued at a premium of \$325,494. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$1,148,351. The present value of the net economic gain resulting from this transaction is \$1,034,991.

**General Obligation Crossover Refunding Bonds, Series 2016B**

On June 30, 2016, the District issued \$5,040,000 of Taxable General Obligation OPEB Crossover Refunding Bonds, Series 2016B. The proceeds of the issue were used to refund the General Obligation Taxable OPEB Bonds, Series 2009A, which were called in February 2018. Assets of the Debt Service fund, together with scheduled ad valorem tax levies, are dedicated to retire these bonds. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete this refunding will total a gross savings of \$424,953. The present value of the net economic gain resulting from this transaction is \$390,672.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

C. Description of Long-Term Liabilities (Continued)

**Capital Lease Payable**

In January 2008, the District entered into a capital lease with South Central Service Cooperative for the ECFE building. The lease is due in monthly payments through January 1, 2028.

In August 2012, the District entered into a lease with Riverbend Leasing for nine copiers. In August of 2017, this lease was renewed for 5 years. The lease is due in monthly payments through July 2022.

In July 2017, the District entered into leases for Chrome laptops and carts for students and staff. The leases are due in annual payments through July 2020. The individual leased assets are under the District's capitalization threshold and are not recorded as capital assets.

In July 2017, the District entered into a capital lease with Providence Capital Network, LLC for a Titan Paper Cutter. The lease is due in annual payments through July 8, 2021.

In July 2017, the District entered into a capital lease with Providence Capital Network, LLC for 40 UPS systems and 40 remote management adapters. The lease is due in annual payments through July 8, 2021.

In July 2017, the District entered into a capital lease with Apple, Inc. for computers, iPads, and networking equipment. The lease is due in annual payments through July 15, 2020.

In December 2017, the District entered into a capital lease with All Lines Leasing for custodial equipment. The lease is due in monthly payments through January 2020.

In August 2018, the District entered into a capital lease with AFS Education Finance for computers, iPads, and networking equipment. The lease is due in annual payments through August 2021.

In September 2018, the District entered into leases for Chrome laptops and carts for students and staff. The leases are due in annual payments through September 2021.

In September 2018, the District entered into a capital lease with Apple Financial Services for computers, iPads, and networking equipment. The lease is due in annual payments through September 2021.

In July of 2019, the District entered into a capital lease with Providence Capital Network, LLC for Chromebook computers. The lease is due in annual payments through July 2022.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

C. Description of Long-Term Liabilities (Continued)

**Capital Lease Payable (Continued)**

In July of 2019, the District entered into a capital lease with Apple Financial Services for Apple Televisions, iPads, and MacBook computers. The lease is due in annual payments through July 2023.

In July of 2019, the District entered into a capital lease with Apple Financial Services for MacBook computers. The lease is due in annual payments through July 2020.

In July of 2019, the District entered into a capital lease with Providence Capital Network, LLC for IT equipment. The lease is due in annual payments through July 2023.

In September of 2019, the District entered into a capital lease with Apple Financial Services for personal computers, electronic devices, servers, and networking equipment. The lease is due in annual payments through September 2022.

In September of 2019, the District entered into a capital lease with Providence Capital Network, LLC for Chromebook computers. The lease is due in annual payments through September 2021.

In March of 2020, the District entered into a capital lease with John Deere Financial for a tractor and related equipment including a mower. The lease is due in annual installments through March of 2024.

Assets of the General Fund and Community Service Fund are dedicated to retire the leases.

Total cost of assets under capital lease and the related accumulated depreciation is \$5,940,638 and \$1,770,638, respectively.

The following is a schedule of the future minimum principal and interest lease payments under the capital leases as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 1,019,504
2022	862,774
2023	775,944
2024	275,561
2025	106,404
2026-2029	<u>278,009</u>
Total Minimum Lease Payments	3,318,196
Less: Amounts Representing Interest	<u>326,668</u>
Present Value of Net Minimum Lease Payments	<u>\$ 2,991,528</u>

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 4 LONG-TERM LIABILITIES (CONTINUED)**

C. Description of Long-Term Liabilities (Continued)

**Severance and Wellness Benefits Payable**

Severance and wellness benefits payable consist of severance payable to employees upon retirement. Severance has been paid by the General and Special Revenue Funds.

**Compensated Absences Payable**

Employees earn annual vacation pay at rates dependent upon each employee group labor contract. At June 30, certain employee groups may carry forward up to one year of unpaid vacation. At June 30, 2020, unpaid vacation totaling \$724,060 is recorded in the Statement of Net Position. Vacation benefits have been paid by the General and Special Revenue Funds.

D. Changes in Long-Term Debt

Changes in long-term debt during the year are summarized as follows:

	June 30, 2019	Additions	Retirements	June 30, 2020
Bonds Payable	\$ 82,945,000	\$ -	\$ 6,090,000	\$ 76,855,000
Bond Premiums	3,431,657	-	259,255	3,172,402
Capital Leases Payable	1,293,889	2,743,685	1,046,046	2,991,528
Severance and Wellness Benefits Payable	3,730,124	405,353	526,652	3,608,825
Compensated Absences Payable	658,443	877,229	811,612	724,060
Total	<u>\$ 92,059,113</u>	<u>\$ 4,026,267</u>	<u>\$ 8,733,565</u>	<u>\$ 87,351,815</u>

**NOTE 5 OPERATING LEASES**

The District has lease agreements to lease facilities and equipment. Rent expense under annual operating leases for the year ending June 30, 2020 was \$668,442. Some of these operating leases are funded through the lease levy.

Minimum rental commitments on leases in effect at June 30, 2020 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 608,551
2022	635,036
2023	573,413
2024	264,212
2025	272,038
2026-2030	1,301,959
2031-2034	1,082,743
Total	<u>\$ 4,737,952</u>



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCES**

**Fund Equity**

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. In addition, certain portions of fund balance have been assigned by the District for use for specific purposes.

The following is a summary of the restricted and assigned fund balances for the governmental funds.

A. Restricted for Student Activities

This is the amount of funds at year-end that relates to student activity funds that are restricted to be utilized by the student activity group that the funds were raised to benefit.

B. Restricted for Scholarships

This is the amount of cash that is restricted for scholarship funds that are only be utilized for that purpose.

C. Restricted for Staff Development

In accordance with state statute, this fund balance restriction represents available resources dedicated exclusively for staff development.

D. Restricted for Operating Capital

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

E. Restricted for Learning and Development

Restricted for learning and development represents amounts restricted primarily for reducing the pupil-to-staff ratio.

F. Restricted for Community Education

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

G. Restricted for Early Childhood and Family Education

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 6 RESTRICTED AND ASSIGNED FUND BALANCES (CONTINUED)**

**Fund Equity (Continued)**

H. Restricted for Teacher Development and Evaluation

Restricted for teacher development and evaluation represents resources available for teacher development and evaluation uses.

I. Restricted for School Readiness

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

J. Restricted for Adult Basic Education

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

K. Restricted for Medical Assistance

Represents resources to be used for Medical Assistance expenditures.

L. Restricted for Long-Term Facilities Maintenance

Represents unspent State aid to finance facilities plans approved by its board and the commissioner.

M. Restricted for Other Purposes

Represents amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

N. Assigned for Separation/Retirement Benefits

This assignment represents resources segregated by the District for the payment of retirement benefits.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS**

Substantially all employees of the District are required by state law to belong to multiple-employer pension plans administered by Teachers' Retirement Association (TRA) or Public Employees' Retirement Association (PERA), all of which are administered on a statewide basis. Disclosures relating to these plans follow:

**A. Plan Description**

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

**1. General Employees Retirement Plan**

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

**2. Teachers Retirement Fund (TRA)**

The Teacher's 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 University of Minnesota System).

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided

PERA and TRA provide 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.

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

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

**2. TRA Benefits**

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

**2. TRA Benefits (Continued)**

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 1	Step Rate Formula	Percentage
Basic	First Ten Years of Service	2.2% per Year
	All Years After	2.7% per Year
Coordinated	First Ten Years if Service Years Are Up to July 1, 2006	1.2% per Year
	First Ten Years if Service Years Are July 1, 2006 or After	1.4% per Year
	All Other Years of Service if Service Years Are Up to July 1, 2006	1.7% per Year
	All Other Years of Service if Service Years Are July 1, 2006 or After	1.9% per Year

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% 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% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

C. Contributions

**1. General Employee Retirement Plan Contributions**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature. Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2020 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2020 were \$1,204,908. The District's contributions were equal to the required contributions as set by state statute.

**2. TRA Contributions**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for the fiscal year were:

	2020		2019	
	Employee	Employer	Employee	Employer
Basic	11.00%	11.92%	11.00%	11.71%
Coordinate	7.50%	7.92%	7.50%	7.71%

The District's contributions to TRA for the plan's fiscal year ended June 30, 2020 were \$4,189,511. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

**1. General Employee Retirement Plan Pension Costs**

At June 30, 2020, the District reported a liability of \$12,340,228 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer 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 \$383,650, for a total net pension liability of \$12,723,878 associated with the District. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the District's proportionate share was 0.2232%, which was a decrease of 0.0034% from its proportionate share measured as of June 30, 2018.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**1. General Employee Retirement Plan Pension Costs (Continued)**

For the year ended June 30, 2020, the District recognized pension expense of \$1,692,768 for its proportionate share of General Employee Retirement Plan's pension expense. In addition, the District recognized an additional \$28,732 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 341,993	\$ -
Changes in Actuarial Assumptions	-	969,950
Net Difference Between Projected and Actual Earnings on Plan Investments	-	1,250,828
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	350,315	158,681
District Contributions Subsequent to the Measurement Date	1,204,908	-
Total	<u>\$ 1,897,216</u>	<u>\$ 2,379,459</u>

A total of \$1,204,908 reported as deferred outflows of resources related to pensions resulting from District contributions to General Employee Retirement Plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to General Employee Retirement Plan pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2021	\$ (401,142)
2022	(1,005,958)
2023	(299,937)
2024	19,886
2025	-
Thereafter	-

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs**

At June 30, 2020, the District reported a liability of \$56,537,566 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, city of Minneapolis, and Minneapolis School District. The District's proportionate share was 0.8870% at the end of the measurement period and 0.8555% 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:

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 56,537,566
State's Proportionate Share of the Net Pension Liability Associated with the District	5,003,420
Total	<u>\$ 61,540,986</u>

For the year ended June 30, 2020, the District recognized pension expense of \$12,125,160. It also recognized \$380,318 as pension expense and grant revenue for the on-behalf support provided by direct aid.

At June 30, 2020, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 8,038	\$ 1,372,856
Changes in Actuarial Assumptions	47,578,740	75,004,425
Net Difference Between Projected and Actual Earnings on Plan Investments	-	4,685,221
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	7,001,099	-
District Contributions Subsequent to the Measurement Date	4,189,511	-
Total	<u>\$ 58,777,388</u>	<u>\$ 81,062,502</u>



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

**2. TRA Pension Costs (Continued)**

A total of \$4,189,511 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2021	\$ 5,219,568
2022	1,736,196
2023	(19,711,971)
2024	(14,107,883)
2025	389,465
Thereafter	-

**3. Aggregate Pension Costs and Balances**

	<u>TRA</u>	<u>GERF</u>	<u>Total</u>
Net Pension Liability	\$ 56,537,566	\$ 12,340,228	\$ 68,877,794
Deferred Outflows of Resources	58,777,388	1,897,216	60,674,604
Deferred Inflows of Resources	81,062,502	2,379,459	83,441,961
Pension Costs	12,505,478	1,721,500	14,226,978

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>GERF</u>	<u>TRA</u>
Inflation	2.50% per Year	2.50% per Year
Active Member Payroll Growth	3.25% per Year	2.85% before July 1, 2028 and 3.25%, thereafter
Investment Rate of Return	7.50%	7.50%

PERA Salary increases were based on a service-related table. PERA mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan and 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually for TRA.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on 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. Postretirement mortality rates were based on 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. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

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

The following changes for General Employees Fund occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

The following changes in for TRA occurred in 2019:

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions (Continued)

The State Board of Investment, which manages the investments of PERA and TRA, 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 arithmetic 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	5.90%
Alternative Investments (Private Markets)	25.0	5.90%
Bonds (Fixed Income)	20.0	0.75%
Cash	2.0	0.00%
Totals	100.0 %	

F. Discount Rate

The discount rate used to measure the PERA General Employees Plan liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund were 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.

The discount rate used to measure the TRA pension liability was 7.50%. There was no change since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that employee contribution will be made at the fiscal year 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)**

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding 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:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
<u>GERF Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the GERF Net Pension Liability	\$ 20,286,670	\$ 12,340,228	\$ 5,778,860
<u>TRA Discount Rate</u>	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 90,134,705	\$ 56,537,566	\$ 28,837,222

H. Pension Plan Fiduciary Net Position

Detailed information about General Employees Plan's fiduciary's net position is available in a separately issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

Detailed information about TRA's fiduciary net position is available in a separately issued TRA financial report. That report can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org); by writing to TRA at 60 Empire Drive #400, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-2409 or 1-800-657-3669.

**NOTE 8 DEFINED CONTRIBUTION PLAN**

The District provides eligible employees future retirement benefits through the District's 403(b) plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2020, 2019, and 2018 are \$832,795, \$791,973, and \$758,263, respectively. The related employee contributions were \$1,773,402, \$1,832,643, and \$1,765,874 for the years ended June 30, 2020, 2019, and 2018, respectively.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN**

A. Plan Description

The District operates a single-employer retiree benefit plan (the Plan) that provides health insurance, dental insurance, and postretirement life insurance to eligible employees and their spouses through the District's insurance and self-insured dental plans. There are 816 active participants and 83 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy and Contributions

The District has assets designated for OPEB. These assets are in a qualified irrevocable trust which is included as a fiduciary fund in these financial statements. The District's investment policy is to follow state statutes as listed in Note 2. The District is assumed to make no future contributions to the trust. Benefit payments equal to the annual direct subsidy plus implicit subsidy are assumed to be made from the trust.

Contribution requirements are also negotiated between the District and union representatives. The District contributes up to 100% of the cost of current year premiums for eligible retired plan members and their spouses. The District also contributes an implicit rate subsidy for retired plan members. This is due to the actual cost for retirees being higher than the average per-person premium for the entire group. For fiscal year 2020, total contributions to the plan were \$666,470.

C. Investment Policy

The Trust does not have a formal investment policy. The entire portfolio of investments of the Trust is invested in mutual funds.

For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 6.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Net OPEB Liability of the District

The components of the net OPEB liability (asset) of the District at June 30, 2020 were as follows:

Total OPEB Liability	\$ 21,685,789
Plan Fiduciary Net Position	12,797,760
District's Net OPEB Liability	<u>\$ 8,888,029</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.01%

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

E. Actuarial Methods and Assumptions

Van Iwaarden Associates has conducted the actuarial valuation of the District's postretirement benefit plans. The most recent report, dated June 30, 2020 documents the Plan's fiscal year 2020 net OPEB liability based on GASB Statement No. 75.

The long-term expected rate of return on OPEB plan investments that are expected to be used to finance the payment of benefits, to the extent that (1) the OPEB plan's fiduciary net position is projected to be sufficient to make projected benefit payments and (2) OPEB plan assets are expected to be invested using a strategy to achieve that return, and a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale), to the extent that the conditions above are not met.

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018. Liabilities in this report were calculated as of the valuation date and rolled forward to the measurement date using standard actuarial roll-forward techniques.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry age normal
	Investment Gains and Losses: Each year's gain or loss is straight-line amortized over 5 years.
Amortization Method	Effects of Assumption Changes and Experience Gains and Losses: Each change is straight-line amortized over a period equal to the average of the expected remaining service lives of all members that are provided with OPEB through the plan.
Inflation	2.50%
Salary Increases	3.50%
Investment Rate of Return	5.25%
20-Year Municipal Bond Yield	2.45%
Health Care Trend Rates	6.90% grading to 4.00% in 2076

Mortality rates for teacher were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments. Mortality rates for non-teachers were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2017, and other adjustments.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

E. Actuarial Methods and Assumptions (Continued)

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 to June 30, 2018.

Health care cost trend rates used 6.90% for fiscal year 2019, gradually decreasing over several decades to an ultimate rate of 4.00% in fiscal year 2076 and later years. In addition, the medical trend rates noted, were increased to reflect the projected effect of the Affordable Care Act's Excise Tax on high cost insurance plans. The additional trend rate adjustments vary by year, but average 0.37% beginning in calendar year 2023 for plans other than Medicare plans.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%).

Best estimates of geometric real and nominal rates of return for each major asset class included in the OPEB plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Target Allocation at Measurement Date	Long-Term Expected Rate of Return	Long-Term Expected Nominal Rate of Return
Domestic Equity	20.00%	4.95%	7.45 %
International Equity	10.00%	5.24%	7.74
Fixed Income	70.00%	1.99%	4.49
Real Estate and Alternatives	0.00%	4.19%	6.69
Cash and Equivalents	0.00%	0.58%	3.08
Total			5.73
Reduced for Assumed Investment Expense			(0.45)
Net Assumed Investment Return (Weighted Avg Rounded to 1/4%)			5.25

The discount rate used to measure the total OPEB liability was 3.07%. The projection of cash flows and OPEB trust assets used to determine the discount rate were based on recent employer contribution history and their stated funding policy. The OPEB trust's long-term assumed investment return was used to discount projected benefit payments for as long as projected trust assets are available to fund OPEB payments. Once projected trust assets are exhausted, the municipal bond index rate of 2.45% was applied to the remaining expected benefit payments.

The expected employer asset return is based on the long-term expected return on short-term/cash-equivalent assets using a capital market assumption model.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

E. Actuarial Methods and Assumptions (Continued)

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 3.65% to 3.07%.
- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination changed from 3.13% to 2.45%.
- The healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on High-cost health insurance plan due to its repeal.

F. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 20,981,924	\$ 12,762,257	\$ 8,219,667
Changes for the Year:			
Service Cost	1,028,583	-	1,028,583
Interest	775,587	-	775,587
Changes in Assumptions	306,053	-	306,053
Contributions-Employer	-	666,470	(666,470)
Net Investment Income	-	779,130	(779,130)
Benefit Payments	(1,406,358)	(1,406,358)	-
Administrative Expense	-	(3,739)	3,739
Net Changes	<u>703,865</u>	<u>35,503</u>	<u>668,362</u>
Balances at June 30, 2020	<u>\$ 21,685,789</u>	<u>\$ 12,797,760</u>	<u>\$ 8,888,029</u>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using a discount rate that is a one percentage point lower (2.07%) or one percentage point higher (4.07%) than the current discount rate:

	1% Decrease (2.07%)	Current Discount Rate (3.07%)	1% Increase (4.07%)
Net OPEB Liability (Asset)	\$ 10,381,934	\$ 8,888,029	\$ 7,470,468



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

F. Changes in Net OPEB Liability (Continued)

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Trend Rates**

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare trend rates that are one percentage point lower (5.90% decreasing to 3.00%) or one percentage point higher (7.90% decreasing to 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (5.90% grading to 3.00%)	Current Trend (6.90% grading to 4.00%)	1% Increase (7.90% grading to 5.00%)
Net OPEB Liability (Asset)	\$ 6,804,719	\$ 8,888,029	\$ 11,317,567

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,174,250. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 533,373	\$ -
Change of Assumptions	540,615	872,674
Net Difference Between Projected and Actual Investment Earnings	-	62,512
Total	\$ 1,073,988	\$ 935,186

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

Year Ending June 30,	Future Recognition
2021	\$ 35,102
2022	35,102
2023	(29,736)
2024	4,895
2025	26,696
Thereafter	66,743
Total	\$ 138,802

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)**

F. Changes in Net OPEB Liability (Continued)

**Trust Funds**

The condensed financial statements of the District's trust funds are as follows:

	OPEB Benefit Trust
<b>ASSETS</b>	
Cash and Investments	\$ 12,797,757
Other Assets	3
Total Assets	12,797,760
<b>NET POSITION</b>	
Held in Trust for Payment of OPEB Benefits	\$ 12,797,760
<b>ADDITIONS</b>	
Employer Contributions	\$ 666,470
Earnings on Investments	779,130
Total Additions	1,445,600
<b>DEDUCTIONS</b>	
Retirement Benefits	1,406,358
Administrative Costs	3,739
Total Deductions	1,410,097
Change in Net Position	35,503
Net Position - Beginning of Year	12,762,257
Net Position - End of Year	\$ 12,797,760

**NOTE 10 STEWARDSHIP AND ACCOUNTABILITY**

**Excess of Expenditures Over Budget**

Expenditures exceeded budgeted amounts in the following funds:

	Budget	Expenditures	Excess
General Fund	\$ 116,031,539	\$ 117,796,557	\$ 1,765,018

These additional expenditures were paid for with available fund balance.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 11 SELF-INSURED DENTAL PLAN**

The District has elected to self-insure its employee dental insurance program. The District has entered into an agreement with an insurance company to provide claims processing and other administrative duties. The District has not elected to purchase stop-loss insurance. However, the claims processor has indicated that the District will not be held liable for amounts in excess of 125% of the total projected claims as calculated by the claims processor, or \$715,484. The District established an internal service fund to account for contributions from other funds, including employee withholding, for dental insurance and to establish a reserve for catastrophic losses. Contributions during the year were based on a maximum claims estimate. The amounts charged to expenses include administrative fees, claims paid, and accruals for claims incurred but not paid at year-end. The District recorded expenses of \$487,085 for the year ended June 30, 2020.

The liability for unpaid claims included in the Internal Service Fund as claims payable for 2020 were:

	2020
Beginning of Fiscal Year Liability - July 1,	\$ 389,223
Incurred Claims	434,840
Claims Payments	(567,372)
End of Fiscal Year Liability - June 30,	\$ 256,691

**NOTE 12 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The District has joined together with other School Districts in southcentral Minnesota in the Southcentral 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 and 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. The District self-insures for dental insurance offered to its employees. The District purchases commercial insurance coverage for all other risks of loss.

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

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 13 COMMITMENTS AND CONTINGENCIES**

**Federal and State Receivables**

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 funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial. The financial assistance received is subject to audits by the grantor agency.

**NOTE 14 RESTATEMENT OF BEGINNING NET POSITION**

During fiscal year ended June 30, 2020, the District adopted GASB Statement No. 84, *Fiduciary Activities*. As a result of the implementation of the standard, the District reported a restatement for the change in accounting principle of \$515,148 in the general fund and governmental activities. This was the combined effect of including certain scholarship funds along with the student activities within the general fund of the district. The District also had a restatement of beginning net position for the private purpose trust fund as it moved into the general fund of (\$75,272). Custodial funds also now include the fund balance of the Ice Arena and the overall activity of certain non-trusted scholarships which created the need to restate beginning net position by \$997,043. The Arena accounts for \$974,371 of that change and the non-trusted scholarships account for the remainder.

<u>Description</u>	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Private-Purpose Trust</u>	<u>Custodial Fund</u>
Net Position / Fund Balance, June 30, 2019, as Previously Reported	\$ (57,701,342)	\$ 9,023,883	\$ 75,272	\$ -
Cumulative Affect of Application of GASB 84 <i>Fiduciary Activities</i>	<u>515,148</u>	<u>515,148</u>	<u>(75,272)</u>	<u>997,043</u>
Net Position / Fund Balance, June 30, 2019, as Restated	<u>\$ (57,186,194)</u>	<u>\$ 9,539,031</u>	<u>\$ -</u>	<u>\$ 997,043</u>

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 15 SUBSEQUENT EVENTS**

The District subsequent to year-end issued \$23,253,726, including an original issue premium, in General Obligation Facilities Maintenance Bonds, Series 2020A, which were approved by the Board on September 21, 2020.

The District subsequent to year-end issued \$43,650,000 in Taxable General Obligation Crossover Refunding Bonds, Series 2020B, which were approved by the Board on September 21, 2020.

Given the large dollar amounts and the activity that these issuances will allow the District to be involved in going forward it was deemed important for the users of these financial statements to be aware of these facts.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) an ongoing worldwide pandemic. The COVID-19 pandemic continues having significant effects on global markets, supply chains, businesses, and communities. Specific to Independent School District No. 77, COVID-19 may impact various parts of its 2021 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes Independent School District No. 77 is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred both before and subsequent to year-end and are still developing.

**NOTE 16 INTERFUND TRANSACTIONS**

The District transferred \$24,857 from the General Fund to the Community Education Fund during the fiscal year ending on June 30, 2020. The transfer was made as the preschool screening program has overspent their state aid during the current fiscal year so the General Fund was paying for the difference as depicted in the table below:

	Transfers In	Transfers Out
General Fund	\$ -	\$ (24,857)
Special Revenue Funds:		
Community Service Fund	24,857	-
	\$ 24,857	\$ (24,857)

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**MANKATO PUBLIC SCHOOLS  
 INDEPENDENT SCHOOL DISTRICT NO. 77  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF OPEB MONEY-WEIGHTED RATE OF RETURN ON PLAN ASSETS  
 JUNE 30, 2020**

Year	Annual Money-Weighted Rate of Return, Net of Investment Expense
2017	5.45%
2018	3.49%
2019	6.88%
2020	6.12%

\*The District implemented GASB Statement No. 75 in fiscal year 2018, and the above table will be expanded to 10 years of information as the information becomes available.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY  
AND RELATED RATIOS**

	2020	2019	2018	2017
<b>Total OPEB Liability</b>				
Service Cost	\$ 1,028,583	\$ 1,110,497	\$ 943,846	\$ 943,134
Interest	775,587	869,569	977,787	898,557
Changes in Benefit Terms	-	68,759	-	-
Differences Between Expected and Actual Experience	-	678,311	-	-
Changes of Assumptions	306,053	(1,109,814)	388,373	(481,998)
Benefit Payments	(1,406,358)	(1,057,969)	(1,077,050)	(1,184,802)
<b>Net Change in Total OPEB Liability</b>	<b>703,865</b>	<b>559,353</b>	<b>1,232,956</b>	<b>174,891</b>
<b>Total OPEB Liability - Beginning</b>	<b>20,981,924</b>	<b>20,422,571</b>	<b>19,189,615</b>	<b>19,014,724</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 21,685,789</b>	<b>\$ 20,981,924</b>	<b>\$ 20,422,571</b>	<b>\$ 19,189,615</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 666,470	\$ 342,922	\$ 299,412	\$ 320,614
Net Investment Income	779,130	865,373	450,521	711,440
Benefit Payments	(1,406,358)	(1,057,969)	(1,077,050)	(1,184,802)
Administrative Expenses	(3,739)	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>35,503</b>	<b>150,326</b>	<b>(327,117)</b>	<b>(152,748)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>12,762,257</b>	<b>12,611,931</b>	<b>12,939,048</b>	<b>13,091,796</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 12,797,760</b>	<b>\$ 12,762,257</b>	<b>\$ 12,611,931</b>	<b>\$ 12,939,048</b>
<b>District's Net OPEB Liability (Asset) - Ending (a) - (b)</b>	<b>\$ 8,888,029</b>	<b>\$ 8,219,667</b>	<b>\$ 7,810,640</b>	<b>\$ 6,250,567</b>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	59.01%	60.83%	61.75%	67.43%
Covered-Employee Payroll for Measurement Period	\$ 57,497,660	\$ 55,950,935	\$ 59,407,039	\$ 59,764,196
District's Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll	15.46%	14.69%	13.15%	10.46%

The District implemented GASB Statement No. 74 in fiscal year 2018 and the above table will be expanded to 10 years of information as the information becomes available.

**Notes to Schedule:**

**2020**

Benefit Changes: None

Changes of Assumptions during fiscal year 2020:

- The discount rate was changed from 3.65% to 3.07%.
- The Index rate for 20-year, tax-exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in discount rate determination changed from 3.13% to 2.45%
- The healthcare trend rates were updated to exclude the Affordable Care Act's Excise Tax on High-cost health insurance plan due to its repeal.

**2019**

Benefit Changes: None

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY  
AND RELATED RATIOS (CONTINUED)**

**Notes to Schedule (Continued):**

Changes of Assumptions during Fiscal Year 2019 (Continued):

Changes of Assumptions during Fiscal Year 2019:

- The discount rate was changed from 4.14% to 3.64% based on updated expectations of long-term returns on trust assets and 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality and salary increase rates were updated from the rates used in the 7/1/2016 PERA General Employees Retirement Plan and 7/1/2016 Teachers Retirement Association valuations to the rates used in the 7/1/2018 valuations.
- The percent of future retirees eligible for a medical direct subsidy assumed to elect medical coverage at retirement changed from 90% to 80% to reflect recent plan experience.
- The percent of future retirees not eligible for a medical direct subsidy assumed to elect medical coverage at retirement changed from 15% to 10% to reflect recent plan experience.
- The percent of future retirees eligible to continue life insurance assumed to elect coverage at retirement changed from 40% to 50% to reflect recent plan experience.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Discount Rate:

- June 30, 2020 3.07%
- June 30, 2019 3.64%
- June 30, 2018 4.14%

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST SIX MEASUREMENT DATES**

**GERF Schedule of the District's Proportionate Share of the Net Pension Liability**

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.2232%	0.2266%	0.2241%	0.2064%	0.2120%	0.2340%
District's Proportionate Share of the Net Pension Liability	\$ 12,340,228	\$ 12,570,839	\$ 14,306,396	\$ 16,758,656	\$ 10,997,305	\$ 10,968,660
State's Proportionate Share of the Net Pension Liability Associated with District	383,650	412,464	179,883	218,879	-	-
Total	<u>\$ 12,723,878</u>	<u>\$ 12,983,303</u>	<u>\$ 14,486,279</u>	<u>\$ 16,977,535</u>	<u>\$ 10,997,305</u>	<u>\$ 10,968,660</u>
District's Covered Payroll	15,722,333	15,211,053	14,491,950	12,736,718	12,455,641	12,254,986
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	78.49%	82.64%	98.72%	131.58%	88.29%	89.50%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.23%	79.53%	75.90%	68.90%	78.20%	78.70%

**TRA Schedule of the District's Proportionate Share of the Net Pension Liability**

	Measurement Date June 30,					
	2019	2018	2017	2016	2015	2014
District's Proportion of the Net Pension Liability	0.8870%	0.8555%	0.8329%	0.7877%	0.7650%	0.8070%
District's Proportionate Share of the Net Pension Liability	\$ 56,537,566	\$ 53,735,988	\$ 166,261,949	\$ 187,885,245	\$ 47,341,374	\$ 37,204,411
State's Proportionate Share of the Net Pension Liability Associated with District	5,003,420	5,048,528	16,071,767	18,859,548	5,807,065	2,617,282
Total	<u>\$ 61,540,986</u>	<u>\$ 58,784,516</u>	<u>\$ 182,333,716</u>	<u>\$ 206,744,793</u>	<u>\$ 53,148,439</u>	<u>\$ 39,821,693</u>
District's Covered Payroll	\$ 50,426,381	\$ 47,955,867	\$ 45,049,254	\$ 40,975,053	\$ 38,844,387	\$ 36,857,686
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	112.12%	112.05%	369.07%	458.54%	121.87%	100.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.21%	78.07%	51.57%	44.88%	76.80%	81.50%

These tables will eventually present ten years as the information becomes available.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS  
LAST SEVEN FISCAL YEARS**

**GERF Schedule of District Contributions**

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 1,204,908	\$ 1,179,175	\$ 1,140,829	\$ 1,086,458	\$ 955,191	\$ 920,485	\$ 888,582
Contributions in Relation to the Statutorily Required Contribution	<u>(1,204,908)</u>	<u>(1,179,175)</u>	<u>(1,140,829)</u>	<u>(1,086,458)</u>	<u>(955,191)</u>	<u>(920,485)</u>	<u>(888,582)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 16,065,440	\$ 15,722,333	\$ 15,211,053	\$ 14,491,950	\$ 12,736,718	\$ 12,455,641	\$ 12,254,986
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.50%	7.39%	7.25%

**TRA Schedule of District Contributions**

	Fiscal Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 4,189,511	\$ 3,887,874	\$ 3,596,690	\$ 3,378,207	\$ 3,105,175	\$ 2,941,663	\$ 2,580,038
Contributions in Relation to the Statutorily Required Contribution	<u>(4,189,511)</u>	<u>(3,887,874)</u>	<u>(3,596,690)</u>	<u>(3,378,207)</u>	<u>(3,105,175)</u>	<u>(2,941,663)</u>	<u>(2,580,038)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 52,897,866	\$ 50,426,381	\$ 47,955,867	\$ 45,049,254	\$ 41,396,320	\$ 39,233,185	\$ 36,857,686
Contributions as a Percentage of Covered Payroll	7.92%	7.71%	7.50%	7.50%	7.50%	7.50%	7.00%

These tables will eventually present ten years as the information becomes available.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the years ended June 30:

General Employee Retirement Plan

**2019**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased 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 in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% 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.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**2017**

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

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 in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

**2015**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

The following changes were reflected in the valuation performed on behalf of the Teachers Retirement Association for the years ended June 30:

**2019**

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 in Actuarial Assumptions

- The investment return assumption was changed from 8.5% to 7.5%.
- The price inflation assumption was lowered from 3.0% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The wage inflation assumption (above price inflation) was reduced from 0.75% to 0.35% for the next 10 years, and 0.75% thereafter.
- The total salary increase assumption was adjusted by the wage inflation change.
- The amortization date for the funding of the Unfunded Actuarial Accrual Liability (UAAL) was reset to June 30, 2048 (30 years).
- The mechanism in the law that provided the TRA Board with some authority is set contribution rates was eliminated.

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 5 years, (7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.



**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**2017**

Changes in Actuarial Assumptions

- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the nonvested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The COLA was not assumed to increase to 2.5%, but remain at 2.0% for all future years.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 3.5% to 3.0%.
- The general wage growth assumption was lowered from 3.5% to 2.85% for ten years followed by 3.25% 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 in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement 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 adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS AND  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**2015**

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2037.
- The investment return assumption was changed from 8.25% to 8.0%.

Changes in Plan Provisions

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

**2014**

Changes in Actuarial Assumptions

- The cost of living adjustment was assumed to increase from 2.0% annually to 2.5% annually once the legally specified criteria was met. This was estimated to occur July 1, 2031.

Changes in Plan Provisions

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

## **SUPPLEMENTARY INFORMATION**

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**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
SCHEDULE OF CHANGES IN FUND EQUITIES  
YEAR ENDED JUNE 30, 2020**

	Fund Equities June 30, 2019	Revenues	Expenditures	Other Financing Sources (Uses)	Transfers	Fund Equities June 30, 2020
<b>GOVERNMENTAL FUNDS</b>						
General Fund:						
Nonspendable	\$ -	\$ 30,918	\$ -	\$ -	\$ -	\$ 30,918
Restricted for Student Activities	462,548	4,894	(32,303)	-	-	435,139
Restricted for Scholarships	52,600	9,813	(12,280)	-	-	50,133
Restricted for Staff Development	455,299	1,233,434	(1,306,887)	-	-	381,846
Restricted for Operating Capital	20,421	3,355,849	(3,294,697)	-	-	81,573
Restricted for Learning and Development	5,927	2,062,124	(2,068,051)	-	-	-
Restricted for Gifted and Talented	-	124,557	(291,369)	-	166,812	-
Restricted for Teacher Development and Evaluation	25,842	-	(25,842)	-	-	-
Restricted for Basic Skills	-	4,302,009	(6,228,359)	-	1,926,350	-
Restricted for Career and Technical Programs	-	373,071	(1,628,218)	-	1,255,147	-
Restricted for Safe Schools	(526,216)	634,996	(377,593)	-	-	(268,813)
Restricted for Long-Term Facilities Maintenance	520,300	4,123,194	(4,811,911)	-	-	(168,417)
Restricted for Medical Assistance	3,217,895	1,311,638	(1,394,064)	-	-	3,135,469
Assigned for Separation/Retirement Benefits	690,000	-	-	-	-	690,000
Unassigned	4,614,415	97,686,515	(96,324,983)	-	(3,373,166)	2,602,781
Total General Fund	9,539,031	115,253,012	(117,796,557)	-	(24,857)	6,970,629
Food Service Fund:						
Nonspendable	80,132	138,035	-	-	-	218,167
Restricted for Food Service	1,607,225	4,452,817	(4,452,307)	-	-	1,607,735
Total Food Service	1,687,357	4,590,852	(4,452,307)	-	-	1,825,902
Community Service Fund:						
Restricted for Community Education	(415,860)	3,006,333	(3,102,492)	-	372,109	(139,910)
Restricted for E.C.F.E.	857,386	541,472	(533,923)	-	(389,252)	475,683
Restricted for School Readiness	589,177	705,462	(812,811)	-	-	481,828
Restricted for Adult Basic Education	142,511	1,412,726	(1,415,211)	-	42,000	182,026
Restricted for Community Service	-	250,756	(250,756)	-	-	-
Total Community Service Fund	1,173,214	5,916,749	(6,115,193)	-	24,857	999,627
Capital Projects Fund:						
Restricted for Capital Projects	-	-	-	-	-	-
Debt Service Fund:						
Restricted for Debt Service	1,434,449	8,396,389	(8,028,094)	-	-	1,802,744
OPEB Debt Service Fund:						
Restricted for OPEB Debt Service	243,309	945,688	(961,612)	-	-	227,385
<b>TOTAL GOVERNMENTAL FUNDS</b>	<b>14,077,360</b>	<b>135,102,690</b>	<b>(137,353,763)</b>	<b>-</b>	<b>-</b>	<b>11,826,287</b>
<b>FIDUCIARY FUNDS</b>						
Trust Fund:						
Restricted for Scholarships and Other Purposes	75,272	-	-	-	(75,272)	-
OPEB Trust Fund:						
Restricted for Payment of OPEB Benefits	12,762,257	1,445,600	(1,410,097)	-	-	12,797,760
Custodial Fund						
Restricted for Scholarships	18,713	8,034	(6,994)	-	1,984	21,737
Restricted for Arena	903,792	668,722	(607,117)	-	-	965,397
<b>TOTAL FIDUCIARY FUNDS</b>	<b>13,760,034</b>	<b>2,122,356</b>	<b>(2,024,208)</b>	<b>-</b>	<b>(73,288)</b>	<b>13,784,894</b>
<b>PROPRIETARY FUNDS</b>						
Internal Service Fund						
Unrestricted	(70,739)	761,925	(487,085)	-	-	204,101
<b>TOTAL ALL FUNDS</b>	<b>\$ 27,766,655</b>	<b>\$ 137,986,971</b>	<b>\$ (139,865,056)</b>	<b>\$ -</b>	<b>\$ (73,288)</b>	<b>\$ 25,815,282</b>

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## **OTHER REQUIRED REPORTS**

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**INDEPENDENT AUDITORS' 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***

Board of Education  
Independent School District No. 77  
Mankato, 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. 77, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Independent School District No. 77's basic financial statements, and have issued our report thereon dated November 24, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Independent School District No. 77's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 77's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 77's internal control.

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Independent School District No. 77's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Independent School District No. 77's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Independent School District No. 77's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 24, 2020



## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education  
Independent School District No. 77  
Mankato, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 77, as of June 30, 2020, and the related notes to the financial statements and have issued our report thereon dated November 24, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Recommendations as item 2020-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The District's written response to the legal compliance finding identified in our audit is described in the Schedule of Findings and Recommendations. 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.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for School Districts* and the results of that testing, and not to provide an opinion on the effectiveness of the Schools compliance. Accordingly, this communication is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
November 24, 2020

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**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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***Section I – Findings Related to the General Purpose Financial Statements***

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No findings related to the General Purpose Financial Statements in the Current year.

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***Section II – Minnesota Legal Compliance Findings***

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**FINDING: 2020-001      Prompt Payment of Claims**

**Condition:**                    The District had disbursements that were not paid within contract terms or within 35 days of receipt of the invoice for payment.

**Criteria:**                    Minnesota Statute Sections 471.425, subd 2 states that the District must pay vendors within the standard payment period, which is 35 days from receipt for governing boards that meet at least once a month.

**Effect:**                      The District was not in compliance with this legal requirement.

**Cause:**                      The District had increased issues with timely payments due to the massive changes in operating procedures caused by the COVID-19 pandemic.

**Context:**                    There were 4 out of the 40 disbursements we tested that were not paid within the standard payment period

**Recommendation:**      We recommend that the District ensure it has proper internal controls to pay all claims promptly in line with state statutes

**CORRECTIVE ACTION PLAN (CAP):**

**Explanation of Disagreement with Audit Finding:**

There is no disagreement with the audit finding.

**Actions Planned in Response to Finding:**

The District will immediately implement the recommendation.

**Officials Responsible for Ensuring CAP:**

Tom Sager, Executive Director of Business Services, and Matt Wersal, Accountant, are the officials responsible for ensuring implementation of the corrective action plan.

**MANKATO PUBLIC SCHOOLS  
INDEPENDENT SCHOOL DISTRICT NO. 77  
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS  
COMPLIANCE TABLE  
YEAR ENDED JUNE 30, 2020**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$ 112,509,287	\$ 112,509,287	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	117,796,557	117,796,556	1	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	30,918	30,918	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
401 Student Activities	435,139	435,139	-	407 Capital Projects Levy	-	-	-
402 Scholarships	50,133	50,134	(1)	409 Alternative Facility Program	-	-	-
403 Staff Development	381,846	381,846	-	413 Projects Funded by COP	-	-	-
405 Deferred Maintenance	-	-	-	464 Restricted Fund Balance	-	-	-
406 Health and Safety	-	-	-	<i>Unassigned:</i>			
407 Capital Project Levy	-	-	-	463 Unassigned Fund Balance	-	-	-
408 Cooperative Programs	-	-	-				
413 Projects Funded by COP	-	-	-	<b>07 DEBT SERVICE</b>			
414 Operating Debt	-	-	-	Total Revenue	8,396,389	8,396,389	-
416 Levy Reduction	-	-	-	Total Expenditures	8,028,094	8,028,094	-
417 Taconite Building Maintenance	-	-	-	<i>Nonspendable:</i>			
424 Operating Capital	81,573	81,573	-	460 Nonspendable Fund Balance	-	-	-
426 \$25 Taconite	-	-	-	<i>Restricted:</i>			
427 Disabled Accessibility	-	-	-	425 Bond Refunding	-	-	-
428 Learning and Development	-	-	-	451 QZAB and QSCB Payments	-	-	-
434 Area Learning Center	-	-	-	464 Restricted Fund Balance	1,802,744	1,802,744	-
435 Contracted Alternative Programs	-	-	-	<i>Unassigned:</i>			
436 State-Approved Alternative Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
438 Gifted and Talented	-	-	-				
440 Teacher Development and Evaluations	-	-	-	<b>08 TRUST</b>			
441 Basic Skills Programs	-	-	-	Total Revenue	-	-	-
445 Career and Technical Programs	-	-	-	Total Expenditures	-	-	-
448 Achievement and Integration	-	-	-	<i>Net Position:</i>			
449 Safe Schools Crime Levy	(268,813)	(268,813)	-	422 Net Position	-	-	-
451 QZAB Payments	-	-	-				
452 OPEB Liability Not Held in Trust	-	-	-	<b>18 CUSTODIAL FUND</b>			
453 Unfunded Severance & Retirement Levy	-	-	-	Total Revenue	676,756	676,756	-
464 Restricted Fund Balance	-	-	-	Total Expenditures	686,665	686,665	-
467 LTFM	(168,417)	(168,417)	-	<i>Net Position:</i>			
472 Medical Assistance	3,135,469	3,135,469	-	401 Student Activities	-	-	-
<i>Committed:</i>				402 Scholarships	25,696	25,696	-
418 Committed for Separation	-	-	-	448 Achievement & Integration	-	-	-
461 Committed Fund Balance	-	-	-	464 Restricted Fund Balance	961,438	961,438	-
<i>Assigned:</i>							
462 Assigned Fund Balance	690,000	690,000	-	<b>20 INTERNAL SERVICE</b>			
<i>Unassigned:</i>				Total Revenue	761,925	761,925	-
422 Unassigned Fund Balance	2,602,781	2,602,782	(1)	Total Expenditures	487,085	487,086	(1)
				<i>Net Position:</i>			
<b>02 FOOD SERVICE</b>				422 Net Position	204,101	204,101	-
Total Revenue	4,590,852	4,590,852	-				
Total Expenditures	4,452,307	4,452,306	1	<b>25 OPEB REVOCABLE TRUST</b>			
<i>Nonspendable:</i>				Total Revenue	-	-	-
460 Nonspendable Fund Balance	218,167	218,167	-	Total Expenditures	-	-	-
<i>Restricted:</i>				<i>Net Position:</i>			
452 OPEB Liability Not Held in Trust	-	-	-	422 Net Position	-	-	-
464 Restricted Fund Balance	1,607,735	1,607,735	-				
<i>Unassigned:</i>				<b>45 OPEB IRREVOCABLE TRUST</b>			
463 Unassigned Fund Balance	-	-	-	Total Revenue	1,445,600	1,445,599	1
				Total Expenditures	1,410,097	1,410,097	-
<b>04 COMMUNITY SERVICE</b>				<i>Net Position:</i>			
Total Revenue	5,916,550	5,916,550	-	422 Net Position	12,797,760	12,797,760	-
Total Expenditures	6,115,194	6,115,194	-				
<i>Nonspendable:</i>				<b>47 OPEB DEBT SERVICE</b>			
460 Nonspendable Fund Balance	-	-	-	Total Revenue	945,688	945,688	-
<i>Restricted:</i>				Total Expenditures	961,612	961,612	-
426 \$25 Taconite	-	-	-	<i>Nonspendable:</i>			
431 Community Education	(139,910)	(139,910)	-	460 Nonspendable Fund Balance	-	-	-
432 E.C.F.E.	475,683	475,683	-	<i>Restricted:</i>			
440 Teacher Development and Evaluations	-	-	-	425 Bond Refunding	-	-	-
444 School Readiness	481,828	481,828	-	464 Restricted Fund Balance	227,385	227,385	-
447 Adult Basic Education	182,026	182,026	-	<i>Unassigned:</i>			
452 OPEB Liability Not Held in Trust	-	-	-	463 Unassigned Fund Balance	-	-	-
464 Restricted Fund Balance	-	-	-				
<i>Unassigned:</i>							
463 Unassigned Fund Balance	-	-	-				

