

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020**

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INTRODUCTORY SECTION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF SCHOOL BOARD MEMBERS AND OFFICIALS
JUNE 30, 2020**

<u>SCHOOL BOARD MEMBERS</u>		<u>TERM EXPIRES</u>
Carnie Alex	Chairperson	2020
Dale Negen	Vice-Chairperson	2022
Liza Fagen	Clerk	2020
Todd Terhaar	Treasurer	2020
Darin Bratsch	Director	2022
Ryan Lippert	Director	2022
Maria Kramer	Director	2020

SCHOOL OFFICIAL

Michelle Mortensen (resigned June 30, 2020)	Superintendent of Schools
Doug Froke (effective July 16, 2020)	Interim Superintendent of Schools

INDEPENDENT AUDITOR'S REPORT

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Independent School District No. 2890, Renville County West, Renville, Minnesota as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Independent School District No. 2890, Renville County West, Renville, Minnesota as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 11 to the financial statements, in 2020, the District adopted new accounting guidance, GASB Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Independent School District No. 2890, Renville County West, Renville, Minnesota's basic financial statements. The introductory section, other supplementary information, and the uniform financial accounting and reporting standards compliance table listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The uniform financial accounting and reporting standards compliance table is the responsibility of management and was derived from and relates 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 uniform financial accounting and reporting standards compliance table is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2019 financial statements, and our report, dated November 7, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020, on our consideration of Independent School District No. 2890, Renville County West, Renville, Minnesota'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. 2890, Renville County West, Renville, Minnesota'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. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting and compliance.

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 12, 2020

REQUIRED SUPPLEMENTAL INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

As management of Independent School District No. 2890, Renville County West, Renville, Minnesota, we offer readers of Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements this narrative overview and analysis of the financial activities of Independent School District No. 2890, Renville County West, Renville, Minnesota for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

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

- Net position in the Statement of Net Position increased \$688,368 from the prior year to \$338,318. This increase was the result of a variety of factors including an increase in capital assets and decrease in District debt due scheduled principal payments on long-term debt, partially offset by an increase in District debt due to new capital lease funding and pension expense.
- The General Fund balance decreased \$978,651 to \$2,805,920. The unassigned fund balance increased \$311,020 to \$1,974,326. This increase is mainly due to changes in the restricted and assigned categories of the General Fund. The decrease in overall General Fund fund balance is mostly due to paying for a majority of the classroom addition project with existing funds, partially offset by the implementation of GASB Statement No. 84 and an increase in tax revenues. The combined total of the assigned and unassigned fund balance in the General Fund amounts to 22.5% of annual budgeted expenditures which meets the District's fund balance goal of a minimum of 10% of operating budget.
- The District completed a classroom addition project in fiscal year 2020. Total cost of the project was \$2,180,731. The project was paid for with a \$453,000 capital lease and with existing District funds through the General Fund.
- The District implemented GASB Statement No. 84, Fiduciary Activities, in the current year which establishes criteria for identifying fiduciary activities of all state and local governments. Based on the criteria, the District has determined that the activity in the District's student activities, trust fund and agency fund accounts should be included in the reporting entity. Beginning governmental activities net position has been restated from (\$350,050) to (\$244,006) (an increase of \$106,044), and the beginning fund balance in the General Fund has been restated from \$3,784,571 to \$3,890,615 (an increase of \$106,044).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- Independent Auditor's Report,
- Required Supplementary Information which includes the Management's Discussion and Analysis (this section),
- Basic financial statements, notes to financial statements, and
- Other supplementary information and other required reports and information.

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

- The government-wide financial statements, including the Statement of Net Position and the Statement of Activities, provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements. The 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.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds – focusing on its most significant or “major” funds – rather than the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The District has one kind of fund:

- **Governmental funds** – The District's basic services are included in governmental funds, which generally focuses on: 1) how cash and other financial assets that can readily be converted to cash flow in and out, and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds statements that explain the relationship (or differences) between these two types of financial statement presentations.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
NET POSITION**

The District's combined net position was \$338,318 on June 30, 2020. This was an increase of 196.6% from the previous year total of (\$350,050). A summary of the District's net position is as follows:

Net Position – Governmental Activities			Percentage Change
	<u>6/30/2020</u>	<u>6/30/2019</u>	
Current and Other Assets	\$ 6,015,506	\$ 6,918,833	
Capital Assets	<u>14,968,213</u>	<u>13,165,740</u>	
Total Assets	<u>20,983,719</u>	<u>20,084,573</u>	4.5%
Related to OPEB	262,125	199,106	
Related to Pensions	<u>3,455,546</u>	<u>5,170,099</u>	
Total Deferred Outflows of Resources	<u>3,717,671</u>	<u>5,369,205</u>	(30.8%)
Current Liabilities	1,187,317	894,664	
Noncurrent Liabilities	<u>15,635,937</u>	<u>15,833,359</u>	
Total Liabilities	<u>16,823,254</u>	<u>16,728,023</u>	0.6%
Property Taxes Levied for Subsequent Year's Expenditures	2,072,414	2,308,044	
Related to OPEB	2,515	-	
Related to Pensions	<u>5,464,889</u>	<u>6,767,761</u>	
Total Deferred Inflows of Resources	<u>7,539,818</u>	<u>9,075,805</u>	(16.9%)
Invested in Capital Assets	5,101,934	3,211,377	
Restricted	1,170,988	843,456	
Unrestricted	<u>(5,934,604)</u>	<u>(4,404,883)</u>	
Total Net Position	<u>\$ 338,318</u>	<u>\$ (350,050)</u>	196.6%

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)
(Cont'd)**

CHANGE IN NET POSITION

The change in net position occurs as a result of revenue being greater than expenses and implementing GASB Statement No. 84 for the year ended June 30, 2020. A summary of the District's revenues and expenses is as follows:

Change in Net Position – Governmental Activities			Percentage
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Revenues			
Program Revenues			
Charges for Services	\$ 230,745	\$ 222,236	
Operating Grants and Contributions	2,023,262	1,986,437	
Capital Grants and Contributions	10,754	18,084	
General Revenues			
Property Taxes	2,305,955	2,052,465	
Unallocated Federal and State Aid	4,779,851	4,619,135	
Other	<u>79,490</u>	<u>93,303</u>	
Total Revenues	<u>9,430,057</u>	<u>8,991,660</u>	4.9%
Expenses			
District and School Administration	481,685	434,386	
District Support Services	332,017	343,095	
Regular Instruction	4,073,181	2,348,173	
Vocational Instruction	111,840	60,558	
Exceptional Instruction	1,317,225	923,144	
Community Education and Services	133,132	118,060	
Instructional Support Services	134,728	85,475	
Pupil Support Services	910,671	841,333	
Site, Buildings and Equipment	669,229	643,424	
Fiscal and Other Fixed Cost Programs	56,446	38,451	
Interest on Long-Term Debt	262,446	250,798	
Depreciation – Unallocated	<u>365,133</u>	<u>337,859</u>	
Total Expenses	<u>8,847,733</u>	<u>6,424,756</u>	37.7%
Increase (Decrease) in Net Position	<u>582,324</u>	<u>2,566,904</u>	
Beginning of Year Net Position,			
As Originally Stated	(350,050)	(2,916,954)	
Prior Period Adjustment (GASB 84)	<u>106,044</u>	<u>-</u>	
Beginning Net Position, as Restated	<u>(244,006)</u>	<u>(2,916,954)</u>	
End of Year Net Position	<u>\$ 338,318</u>	<u>\$ (350,050)</u>	196.6%

The District's total revenues consisted of program revenues of \$2,264,761, property taxes of \$2,305,955, unallocated federal and state aids of \$4,779,851 and a small amount from interest and miscellaneous other sources. Expenses totaling \$8,847,733 consisted primarily of student instructional costs of \$5,502,246, student support services of \$1,045,399, administration costs of \$813,702, site, buildings and equipment costs of \$669,229, community education services of \$133,132 and minor other amounts.

The cost of all governmental activities this year was \$8,847,733.

- The users of the District's programs paid for 2.6%, or \$230,745, of the costs.
- The federal and state governments subsidized certain programs with grants and contributions. This totaled \$2,034,016 or 23.0% of the total costs.
- Most of the District's net cost of services (\$6,582,972), however, were paid for by state taxpayers based on the statewide education aid formula and by District taxpayers.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS)
FUND BALANCE**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,425,878. This was down from \$4,349,889 at the end of the prior year, a decrease of \$924,011. The General Fund decrease of \$978,651 is due to an increase in expenditures for the classroom addition project and salary and benefit costs, and a decrease in general education aid revenue from a reduction in students, partially offset by an increase in the tax levy and implementation of GASB Statement No. 84. The Food Service Fund had a decrease of \$251. This minimal change was due to revenues just covering expenditures. A decrease in student counts, decrease in commodities, distance learning due to the COVID-19 mandated shut-down, and increase in supplies and food for the distance learning period all contributed to this. The Community Service Fund increased \$44,186 mainly due to an increase in Pathways II funding, the District starting an after-school care program, and an increase in the levy, along with a decrease in salaries and supplies and materials because of programs not being able to take place after distance learning. The Building Construction Fund had proceeds from capital lease financing and interest totaling \$453,222 and expenditures of the same for the classroom addition, resulting in a change of \$-0-. The Debt Service Fund increased \$10,705 due to the required debt levy and state aid being greater than debt payments.

REVENUES AND EXPENDITURES

Revenues and other financing sources of the District's governmental funds totaled \$9,849,375. This was an increase of 6.9% from the previous year total of \$9,215,722. Total expenditures and other financing uses were \$10,879,430. This was an increase of 22.0% from the previous year total of \$8,917,793. A summary of the revenues, expenditures, and other sources (uses) reported on the governmental financial statements is as follows:

	<u>Revenue</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>	<u>Fund Balance Increase (Decrease)</u>
General Fund	\$ 8,209,415	\$ 9,294,742	\$ 106,676	\$ (978,651)
Food Service Fund	319,319	319,570	-	(251)
Community Service Fund	170,684	126,498	-	44,186
Building Construction Fund	222	453,222	453,000	-
Debt Service Fund	696,103	685,398	-	10,705
Totals	<u>\$ 9,395,743</u>	<u>\$ 10,879,430</u>	<u>\$ 559,676</u>	<u>\$ (924,011)</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
GENERAL FUND (Cont'd)**

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

The following schedule presents a summary of General Fund revenues and other financing sources:

Revenues – General Fund				
	Year Ended 6/30/2020	Year Ended 6/30/2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local Sources				
Property Taxes	\$ 1,769,081	\$ 1,520,317	\$ 248,764	16.4%
Tuition Contracts	5,850	10,808	(4,958)	(45.9%)
Other Local Sources	240,849	219,648	21,201	9.7%
State Sources	5,933,807	6,021,470	(87,663)	(1.5%)
Federal Sources	259,828	252,441	7,387	2.9%
Total Revenues	8,209,415	8,024,684	184,731	2.3%
Other Financing Sources				
Proceeds from Sale of Equipment	<u>632</u>	<u>129</u>	<u>503</u>	389.9%
Total Revenues and Other Financing Sources	8,210,047	8,024,813	185,234	2.3%
Prior Period Adjustment				
GASB No. 84	<u>106,044</u>	<u>-</u>	<u>106,044</u>	100.0%
Total	\$ <u>8,316,091</u>	\$ <u>8,024,813</u>	\$ <u>291,278</u>	3.6%

The following schedule presents a summary of General Fund expenditures:

Expenditures – General Fund				
	Year Ended 6/30/2020	Year Ended 6/30/2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and Wages	\$ 4,699,012	\$ 4,571,552	\$ 127,460	2.8%
Employee Benefits	1,208,452	1,287,781	(79,329)	(6.2%)
Purchased Services	917,790	845,047	72,743	8.6%
Supplies and Materials	291,922	285,801	6,121	2.1%
Other Expenditures	52,206	24,459	27,747	113.4%
Capital Expenditures	2,003,519	642,304	1,361,215	211.9%
Debt Service Expenditures	<u>121,841</u>	<u>121,841</u>	<u>-</u>	0.0%
Total Expenditures	9,294,742	7,778,785	1,515,957	19.5%
Other Financing Uses				
Transfer Out to Other Funds	<u>-</u>	<u>10,000</u>	<u>(10,000)</u>	(100.0%)
Total Expenditures and Other Financing Uses	\$ <u>9,294,742</u>	\$ <u>7,788,785</u>	\$ <u>1,505,957</u>	19.3%

In summary, the 2019-2020 General Fund expenditures exceeded revenues and other sources by \$978,651 resulting in the total fund balance decreasing to \$2,805,920 at June 30, 2020. After deducting statutory and accounting standards restrictions and fund balance policy assignments, the unassigned fund balance increased \$311,020 to \$1,974,326 at June 30, 2020. The District closely monitors the General Fund unassigned fund balance through its budgeting process throughout the year.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
GENERAL FUND BUDGETARY HIGHLIGHTS**

During the year ended June 30, 2020 the District revised its operating budget once. This revision was planned, and was necessary because when the initial budget was prepared and adopted (a budget must be in place prior to the beginning of the fiscal year on July 1) details of student enrollment numbers, salary details, staffing levels, and other significant information items were not yet known. This revision was made in March to reflect significant changes in enrollment data, state funding adjustments, and unforeseen changes in revenue and expenditure categories.

The District's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$1,529,672; the actual results for the year showed a deficit of (\$978,651).

- Actual revenues were \$128,248, or 1.6 percent, more than budget. This was due mainly to a change in student count being used for general education budgeting purposes and more special education students served than anticipated.
- Actual expenditures were \$306,729, or 3.2 percent, less than budget. This was mainly due to spending less than expected for the classroom addition, fuel, and general instructional supplies for distance learning.

FOOD SERVICE FUND

The Food Service Fund revenue for 2019-2020 totaled \$319,319 and expenditures were \$319,570, resulting in a fund balance decrease of \$251. This minimal change was due to revenues just covering expenditures. A decrease in student counts, decrease in commodities, distance learning, and increase in supplies and food for the distance learning period all contributed to this. The June 30, 2020 Food Service Fund balance is \$55,025.

COMMUNITY SERVICE FUND

In 2019-2020, the total revenues for the Community Service Fund were \$170,684 and total expenditures were \$126,498, resulting in a fund balance increase of \$44,186. This is mainly due to an increase in Pathway II funds, starting an after-school care program, and an increase in the levy along with a decrease in salaries and supplies and materials because of programs not being able to take place after distance learning. The Community Service Fund balance as of June 30, 2020 is \$94,308.

BUILDING CONSTRUCTION FUND

In 2019-2020, total revenues and other financing sources were \$453,222 and total expenditures were \$453,222 for the Building Construction Fund. This resulted in no change to the fund balance. The fund was used to account for capital lease financing for the classroom addition and expenditures related the classroom addition. The fund balance is \$-0- at June 30, 2020.

DEBT SERVICE

In 2019-2020, total revenues were \$696,103 and total expenditures were \$685,398. This resulted in a total fund balance increase of \$10,705. The fund balance at June 30, 2020 is \$470,625.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (FUND FINANCIAL STATEMENTS) (Cont'd)
CAPITAL ASSET AND DEBT ADMINISTRATION
CAPITAL ASSETS**

As of June 30, 2020, the District had net capital assets of \$14,968,213 representing a broad range of capital assets, including school buildings and improvements, computer and audio-visual equipment, and various other equipment for instructional support and administrative purposes. Total depreciation expense for the year was \$489,523. Information about the District's capital assets is shown below. More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

	Capital Assets		Percentage
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
Land	\$ 10,350	\$ 10,350	0.0%
Buildings and Improvements	19,289,375	17,108,644	12.7%
Equipment and Vehicles	1,842,518	1,769,915	4.1%
Less Accumulated Depreciation	<u>(6,174,030)</u>	<u>(5,723,169)</u>	7.9%
Net Capital Assets	<u>\$ 14,968,213</u>	<u>\$ 13,165,740</u>	13.7%

DEBT ADMINISTRATION

At year-end, the District had \$8,565,000 in general obligation bonds outstanding. The District also had various other long-term liabilities as detailed in Note 5 to the financial statements.

- The District entered into a \$453,000 capital lease for the classroom addition project in the year ending June 30, 2020.
- The District continues to pay its scheduled debt payments, retiring \$536,084 of bonds and capital leases in the year ending June 30, 2020.

	Outstanding Debt		Percentage
	<u>6/30/2020</u>	<u>6/30/2019</u>	<u>Change</u>
General Obligation Bonds	\$ 8,565,000	\$ 9,010,000	(4.9%)
Capital Lease Obligations	<u>1,222,290</u>	<u>860,374</u>	42.1%
Total	<u>\$ 9,787,290</u>	<u>\$ 9,870,374</u>	(0.8%)

FACTORS BEARING ON THE DISTRICT'S FUTURE

COVID-19 played a factor in 2019-2020 and will continue in 2020-2021. The additional revenue from the CARES ACT will hopefully offset most of the additional expenditures for PPE, transportation, and personnel.

The Legislature approved foundation formula increases for both the 2019-2020 and 2020-2021 fiscal years. This has a very positive effect for school district operations and maintaining a balanced budget. Along with this, long-term facilities maintenance revenue was approved in the 2015 Legislative Session, began in 2016-2017, and will increase per pupil unit each year. This has a significant, positive effect for the District as the District has been working to maintain the facilities in the District. Economic conditions in Minnesota have been changing and hopefully the Legislature will continue to have options available to them in providing programs and support for E-12 education including the continued expansion of the universal pre-school for all four-year old's passed in the 2016 legislative session.

The District is a recipient of the funding for universal pre-school for all four-year old's beginning with the 2017-2018 fiscal year and now through the 2020-2021 fiscal year. This is bringing a significant change for school districts in Minnesota that were awarded grants. Continuation of the VPK program after 2020-2021 is still uncertain. The District also received significant funding for Pathways II beginning in 2017-2018, extended through 2020-2021. This has also brought significant revenue to the District.

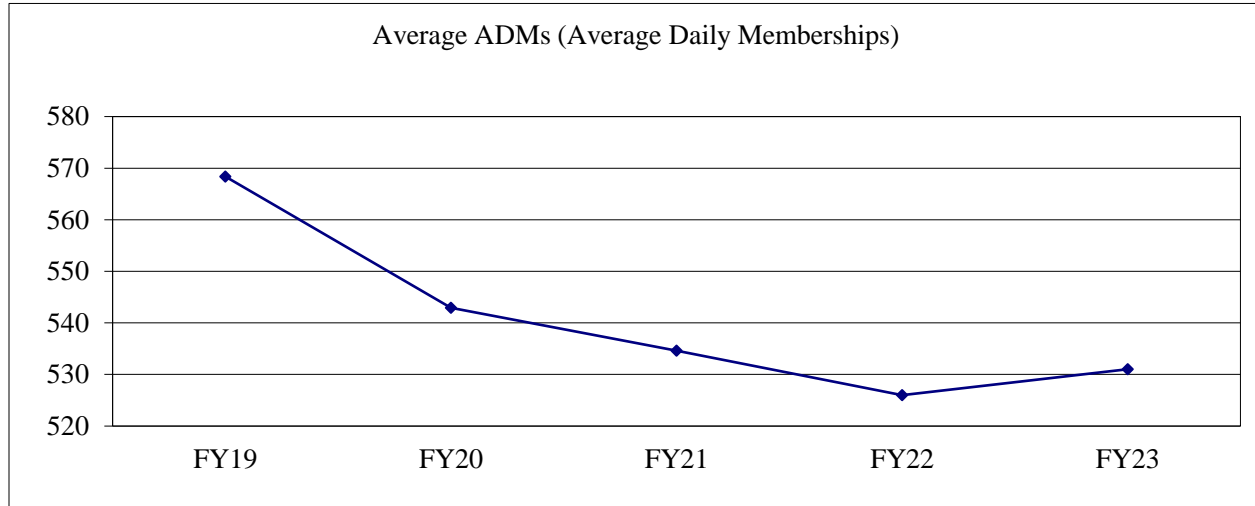
**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2020**

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS (FUND FINANCIAL STATEMENTS) (Cont’d)
FACTORS BEARING ON THE DISTRICT’S FUTURE (Cont’d)**

On August 8, 2016 the District’s voters supported renewing the expiring referendum revenue authorization of the District in the amount of \$1,558 per adjusted pupil unit which was scheduled to expire after taxes payable in 2016. This referendum is in effect for 10 years.

The majority of labor contracts are in effect for two-year periods. The contract with District certified teachers is in effect for the two-year period ending June 30, 2021. The contract with the District’s principal is in effect for the three-year period ending June 30, 2022. The contracts with other District personnel are in effect for the two-year period ending June 30, 2021. The District tries to be fair with staff during the negotiations process, but always needs to balance that approach with the availability of resources, along with looking at the long-term financial well-being of the District. Negotiated settlements are always an area of financial challenge for the District. Labor costs and related benefits account for approximately 64% of the District’s General Fund operating expenditures.

The District’s future projections reflect an overall decrease in enrollment. This impacts the District’s funding since enrollment is what actually determines most of a school’s funding components. Hence, if there was an increase in enrollment the District could anticipate an increase in revenues even if there were no increases to the formulas. Maintaining stability of the District’s enrollment continues to be one of the District’s goals. The District has seen a gradual decrease in enrollment across all grades. With the uncertainty that the Voluntary Pre-Kindergarten program will continue to be funded by the state, the District has taken the conservative approach to not include those numbers in its ADM’s for FY22 and FY23. This is the reason you will see lower counts in FY22 and FY23.



CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide District citizens, taxpayers, customers, investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the Business Office, Independent School District No. 2890, Renville County West, 301 NE 3rd St, Renville, MN 56284, visit the District website at rcw.k12.mn.us, or call (320) 329-8362.

BASIC FINANCIAL STATEMENTS

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF NET POSITION
 JUNE 30, 2020
 (with Partial Comparative Information as of June 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Current Assets:		
Cash and Investments	\$ 4,073,569	\$ 4,583,209
Property Taxes Receivable-Net	1,209,282	1,334,827
Accounts and Interest Receivable	12,574	23,243
Due From State of Minnesota	552,132	718,356
Due From Federal Government	45,788	140,302
Due From Other Minnesota Districts	116,883	113,958
Inventory	5,278	4,938
Total Current Assets	6,015,506	6,918,833
Noncurrent Assets:		
Capital Assets:		
Land	10,350	10,350
Other Capital Assets, Net of Depreciation	14,957,863	13,155,390
Total Noncurrent Assets	14,968,213	13,165,740
TOTAL ASSETS	20,983,719	20,084,573
DEFERRED OUTFLOWS OF RESOURCES		
Related to OPEB	262,125	199,106
Related to Pensions	3,455,546	5,170,099
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,717,671	5,369,205
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 24,701,390	\$ 25,453,778
LIABILITIES		
Current Liabilities:		
Salaries Payable	\$ 14,310	\$ 17,601
Accounts and Interest Payable	443,377	188,259
Due to Other Governmental Units	105	5,200
Payroll Liabilities	75,034	70,468
Unearned Revenue	66,803	70,838
Current Portion of Long-Term Liabilities	587,688	542,298
Total Current Liabilities	1,187,317	894,664
Noncurrent Liabilities:		
Net Pension Liability	4,594,881	4,619,057
Total OPEB Liability	1,613,750	1,649,934
Noncurrent Portion of Long-Term Liabilities	9,427,306	9,564,368
Total Noncurrent Liabilities	15,635,937	15,833,359
TOTAL LIABILITIES	16,823,254	16,728,023
DEFERRED INFLOWS OF RESOURCES		
Property Taxes Levied for Subsequent Year's Expenditures	2,072,414	2,308,044
Related to OPEB	2,515	-
Related to Pensions	5,464,889	6,767,761
TOTAL DEFERRED INFLOWS OF RESOURCES	7,539,818	9,075,805
NET POSITION		
Net Investment in Capital Assets	5,101,934	3,211,377
Restricted For:		
Capital Asset Acquisition	139,362	168,752
Debt Service	375,959	362,994
Food Service	55,025	55,276
Community Service	97,633	57,960
Other Activities	503,009	198,474
Unrestricted	(5,934,604)	(4,404,883)
TOTAL NET POSITION	338,318	(350,050)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 24,701,390	\$ 25,453,778

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Partial Comparative Information for the Year Ended June 30, 2019)

Functions/Programs	2020				Net (Expense) Revenue and Changes in Net Position	2019 Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
District and School Administration	\$ 481,685				\$ (481,685)	\$ (434,386)
District Support Services	332,017				(332,017)	(343,095)
Regular Instruction	4,073,181	\$ 86,465	\$ 927,383	\$ 1,112	(3,058,221)	(1,326,118)
Vocational Instruction	111,840	105	-	-	(111,735)	(60,383)
Exceptional Instruction	1,317,225	1,026	746,290	-	(569,909)	(189,710)
Community Education and Services	133,132	51,860	61,296	-	(19,976)	(29,876)
Instructional Support Services	134,728	-	-	-	(134,728)	(85,475)
Pupil Support Services	910,671	89,589	273,291	4,006	(543,785)	(470,886)
Site, Buildings and Equipment	669,229	1,700	-	5,636	(661,893)	(630,962)
Fiscal and Other Fixed Cost Programs	56,446	-	15,002	-	(41,444)	(38,451)
Interest on Long-Term Debt	262,446	-	-	-	(262,446)	(250,798)
Depreciation - Unallocated **	365,133	-	-	-	(365,133)	(337,859)
Total Governmental Activities	8,847,733	230,745	2,023,262	10,754	(6,582,972)	(4,197,999)
General Revenues:						
Property Taxes Levied for:						
General Purposes					1,807,933	1,557,248
Community Education and Service					53,261	44,912
Debt Service					444,761	450,305
Federal and State Aid Not						
Restricted to Specific Purposes					4,779,851	4,619,135
Earnings on Investments					70,154	89,127
Gain on the Disposal of Equipment					1,629	842
Miscellaneous Revenues					7,707	3,334
Total General Revenues					7,165,296	6,764,903
Change in Net Position					582,324	2,566,904
Net Position - Beginning of Year, As Originally Stated					(350,050)	(2,916,954)
Prior Period Adjustment (GASB No. 84)					106,044	-
Net Position - Beginning of Year, As Restated					(244,006)	(2,916,954)
Net Position - Ending					\$ 338,318	\$ (350,050)

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020
(with Partial Comparative Information as of June 30, 2019)**

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Building Construction	Debt Service	2020	2019
ASSETS							
Cash and Investments	\$ 3,337,258	\$ 36,192	\$ 138,833	\$ 18	\$ 561,268	\$ 4,073,569	\$ 4,583,209
Current Property Taxes Receivable	890,668	-	27,717	-	259,485	1,177,870	1,309,971
Delinquent Property Taxes Receivable	28,934	-	687	-	1,791	31,412	24,856
Accounts and Interest Receivable	101	1,020	11,452	1	-	12,574	23,243
Due From State of Minnesota	519,327	5,098	3,540	-	24,167	552,132	718,356
Due From Federal Government	27,615	18,173	-	-	-	45,788	140,302
Due From Other Minnesota Districts	116,883	-	-	-	-	116,883	113,958
Inventory	-	5,278	-	-	-	5,278	4,938
TOTAL ASSETS	\$ 4,920,786	\$ 65,761	\$ 182,229	\$ 19	\$ 846,711	\$ 6,015,506	\$ 6,918,833
LIABILITIES							
Salaries Payable	\$ 10,702	\$ 824	\$ 2,784	\$ -	\$ -	\$ 14,310	\$ 17,601
Accounts Payable	321,100	121	8,310	19	-	329,550	71,937
Due to Other Governmental Units	105	-	-	-	-	105	5,200
Payroll Liabilities	75,034	-	-	-	-	75,034	70,468
Unearned Revenue	37,698	9,791	19,314	-	-	66,803	70,838
TOTAL LIABILITIES	444,639	10,736	30,408	19	-	485,802	236,044
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue - Delinquent Property Taxes	28,934	-	687	-	1,791	31,412	24,856
Property Tax Levied for Subsequent Year's Expenditures	1,641,293	-	56,826	-	374,295	2,072,414	2,308,044
TOTAL DEFERRED INFLOWS OF RESOURCES	1,670,227	-	57,513	-	376,086	2,103,826	2,332,900
FUND BALANCES							
Nonspendable Fund Balance	-	5,278	-	-	-	5,278	4,938
Restricted Fund Balances	642,371	49,747	94,308	-	470,625	1,257,051	927,606
Assigned Fund Balances	189,223	-	-	-	-	189,223	1,754,039
Unassigned Fund Balances	1,974,326	-	-	-	-	1,974,326	1,663,306
TOTAL FUND BALANCES	2,805,920	55,025	94,308	-	470,625	3,425,878	4,349,889
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 4,920,786	\$ 65,761	\$ 182,229	\$ 19	\$ 846,711	\$ 6,015,506	\$ 6,918,833

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020
(with Partial Comparative Information as of June 30, 2019)

	2020	2019
Total Fund Balances for Governmental Funds	\$ 3,425,878	\$ 4,349,889
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:</p>		
Land	10,350	10,350
Other Capital Assets, Net of \$6,174,030 of Accumulated Depreciation	14,957,863	13,155,390
<p>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 reported as unavailable revenue in the funds.</p>		
	31,412	24,856
<p>Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.</p>		
	(113,827)	(116,322)
<p>Deferred outflows and inflows of resources related to pensions and other post employment benefits are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred Outflows of Resources Related to Pensions	3,455,546	5,170,099
Deferred Outflows of Resources Related to OPEB	262,125	199,106
Deferred Inflows of Resources Related to Pensions	(5,464,889)	(6,767,761)
Deferred Inflows of Resources Related to OPEB	(2,515)	-
<p>Long-term liabilities, including bonds payable and unamortized bond premium, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Bonds Payable	(8,565,000)	(9,010,000)
Lease Purchase Agreements	(1,222,290)	(860,374)
Other Post Employment Benefits Payable	(1,613,750)	(1,649,934)
Severance Benefits Payable	(166,085)	(168,459)
Pension Benefits Payable	(4,594,881)	(4,619,057)
Unamortized Bond Premiums	(61,619)	(67,833)
Total Net Position of Governmental Activities	\$ <u>338,318</u>	\$ <u>(350,050)</u>

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Partial Comparative Information for the Year Ended June 30, 2019)

	Major Funds					Total Governmental Funds	
	General	Food Service	Community Service	Building Construction	Debt Service	2020	2019
REVENUES							
Local Property Tax Levies	\$ 1,769,081		\$ 53,233		\$ 446,210	\$ 2,268,524	\$ 2,014,870
Other Local and County Revenues	211,126	\$ 550	85,835	\$ 222	8,225	305,958	302,148
Revenue From State Sources	5,933,807	23,825	31,616	-	241,668	6,230,916	6,326,484
Revenue From Federal Sources	259,828	209,355	-	-	-	469,183	458,487
Sales and Other Conversion of Assets	35,573	85,589	-	-	-	121,162	103,604
TOTAL REVENUES	8,209,415	319,319	170,684	222	696,103	9,395,743	9,205,593
EXPENDITURES							
Current:							
District and School Administration	464,870	-	-	-	-	464,870	601,181
District Support Services	311,194	-	-	-	-	311,194	345,155
Regular Instruction	3,716,721	-	-	-	-	3,716,721	3,611,305
Vocational Instruction	99,327	-	-	-	-	99,327	99,366
Exceptional Instruction	1,268,727	-	-	-	-	1,268,727	1,173,601
Community Education and Services	-	-	126,498	-	-	126,498	141,749
Instructional Support Services	131,635	-	-	-	-	131,635	86,390
Pupil Support Services	484,474	317,049	-	-	-	801,523	785,872
Site, Buildings and Equipment	635,988	-	-	23,565	-	659,553	571,518
Fiscal and Other Fixed Cost Programs	56,446	-	-	-	-	56,446	38,451
Capital Outlay:	2,003,519	2,521	-	429,657	-	2,435,697	647,266
Debt Service:							
Principal	91,084	-	-	-	445,000	536,084	522,893
Interest	30,757	-	-	-	240,398	271,155	283,046
TOTAL EXPENDITURES	9,294,742	319,570	126,498	453,222	685,398	10,879,430	8,907,793
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,085,327)	(251)	44,186	(453,000)	10,705	(1,483,687)	297,800
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Equipment	632	-	-	-	-	632	129
Proceeds from Capital Lease	-	-	-	453,000	-	453,000	-
TOTAL OTHER FINANCING SOURCES (USES)	632	-	-	453,000	-	453,632	129
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,084,695)	(251)	44,186	-	10,705	(1,030,055)	297,929
FUND BALANCE BEGINNING OF YEAR	3,784,571	55,276	50,122	-	459,920	4,349,889	4,051,960
PRIOR PERIOD ADJUSTMENT (GASB No. 84)	106,044	-	-	-	-	106,044	-
FUND BALANCE BEGINNING OF YEAR, AS RESTATED	3,890,615	55,276	50,122	-	459,920	4,455,933	4,051,960
FUND BALANCE END OF YEAR	\$ 2,805,920	\$ 55,025	\$ 94,308	\$ -	\$ 470,625	\$ 3,425,878	\$ 4,349,889

The accompanying notes are an integral part of these statements.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(with Partial Comparative Information for the Year Ended June 30, 2019)**

	2020	2019
Total Net Change in Fund Balances - Governmental Funds	\$ (1,030,055)	\$ 297,929
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlays exceed depreciation expense in the period.		
Capital Outlays	2,292,249	474,347
Depreciation Expense	(489,523)	(461,860)
Proceeds from the sale/trade of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.	(253)	(25,255)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Position. In the current period these amounts consist of:		
Repayment of Bond Principal	445,000	435,000
Repayment of Capital Lease Principal	91,084	87,893
Long-term borrowing is reported as revenue (other financing sources) in governmental funds, but these proceeds increase long-term liabilities on the Statement of Net Position. In the current period these amounts consisted of:		
Capital Lease Financing	(453,000)	-
Interest on long-term debt is recognized as an expenditure in the governmental funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues regardless of when it is due. In addition, the amortization of bond premium decreases interest expense in the Statement of Activities.	8,709	32,248
Property taxes that will not be collected for several months after the District's fiscal year end are not considered available revenues in the governmental funds, and are instead considered unavailable tax revenues. They are, however, recorded as revenues in the Statement of Activities.	6,556	8,047
In the Statement of Activities, other post employment benefits are measured by the amounts actuarially accrued during the year. In the governmental funds, however, expenditures for these items are measured by the amount of actual or implicit resources used.	96,688	82,999
Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.		
State Aid Related to Pension Expense	26,129	(222,822)
Pension Expense	(413,634)	1,770,063
In the Statement of Activities, severance benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	2,374	88,315
Change in Net Position of Governmental Activities	\$ 582,324	\$ 2,566,904

The accompanying notes are an integral part of these statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota 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 U.S. generally accepted accounting principles for state and local governments.

B. FINANCIAL REPORTING ENTITY

Independent School District No. 2890, Renville County West, Renville, Minnesota (the District) is an instrumentality of the State of Minnesota established to function as an educational institution. The elected School Board (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.

U.S. Generally Accepted Accounting Principles (GAAP) require that the District's financial statements include all funds, departments, agencies, boards, commissions, and other organizations which are not legally separated 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 school hours. The School Board does have a fiduciary responsibility in establishing broad policies and ensuring that appropriate financial records are maintained for student activities. In accordance with GASB Statement No. 84, Fiduciary Activities, and Minnesota State Statutes, the District's School Board does exercise control or oversight responsibility with respect to the underlying student activities. Accordingly, the student activity funds are included in these financial statements.

C. BASIC FINANCIAL STATEMENT PRESENTATION

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

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

The District applies restricted resources first when an expense is incurred for purpose for which both restricted and unrestricted net position are available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

C. BASIC FINANCIAL STATEMENT PRESENTATION (Cont'd)

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

Fiduciary funds are used to account for assets held by the District in a fiduciary capacity. No assets of the District were determined to be of this nature, so no fiduciary funds are presented.

Proprietary funds are used to report business-type activities carried on by a school district. No activities of the District were determined to be of this nature, so no proprietary funds are present in the financial statements.

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 government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the fiscal year for which they are levied. 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:

1. 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 U.S. generally accepted accounting principles. 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 revenues 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.
2. 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.

Description of Funds

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

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, health and safety projects, and disabled accessibility projects.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

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

Governmental Funds (Cont'd)

Food Service Fund – The Food Service Fund is used to account for food service revenues and expenditures.

Community Service 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.

Building Construction Fund – The Building Construction Fund is used to account for financial resources to be used for the construction of major capital facilities.

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

GASB Statement No. 34 specifies that the accounts and activities of each of the District's most significant governmental funds (termed "major funds") be reported in separate columns on the fund financial statements. Other non-major funds can be reported in total. Although only the General Fund and Debt Service Fund are major funds by definition, the District has elected to report all funds as major funds and therefore presents all funds in separate columns on the fund financial statements – an option permitted by GASB Statement No. 34.

E. BUDGETING

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

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

Total fund expenditures in excess of the budget require approval of the School Board. Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at line item levels. Budget provisions for the Debt Service Fund are set by state law governing required debt service levels.

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

F. CASH AND INVESTMENTS

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances. Investments are reported at fair value.

Cash and investments at June 30, 2020 are comprised of deposits, certificates of deposit, and shares in the Minnesota School District Liquid Asset Fund (MSDLAF) and Minnesota Trust Investment. The MSDLAF is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the position in the pool is the same as the value of the pool shares.

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RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

F. CASH AND INVESTMENTS (Cont'd)

The District has formal policies in place as of June 30, 2020 to address custodial credit risk for deposits. The District does not have formal policies in place to address credit risk, concentration of credit risk and interest rate risk and custodial credit risk for investments.

G. ACCOUNTS RECEIVABLES

Accounts receivable represent amounts receivable from individuals, firms, and corporations for goods and services furnished by the District. Amounts due from the State of Minnesota and from other governmental units for general education aids and reimbursements under various specific programs are reported at the estimated amounts to be received based on available information at the date of this report. In some instances, adjustments and proration by these agencies, which are dependent upon the amount of funds available for distribution, may result in differing amounts actually being received. Any such differences will be absorbed into operations of the subsequent period. No substantial losses are anticipated from present receivable balances, therefore, no allowance for uncollectible accounts is deemed necessary. The only receivables not expected to be collected within one year are delinquent property taxes receivable, which are generally immaterial.

H. INVENTORIES

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

I. PREPAYMENTS

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

J. PROPERTY TAXES

The School Board annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the District. These taxes attach an enforceable lien on taxable property within the District on January 1 and are payable by the property owners in May and October of each year. The taxes are collected by the County Auditor/Treasurer and tax settlements are made to the District periodically throughout the year.

Statutory funding formulas determine the majority of the District revenue in the General and special revenue funds. This revenue is divided between property 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." The remaining portion of taxes collectible in 2020 is recorded as a deferred inflow of resources (property tax levied for subsequent year's expenditures).

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 reported as a deferred inflow of resources (unavailable revenue) in the fund financial statements because it is not known to be available to finance the operations of the District in the current year.

K. CAPITAL ASSETS

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. The District maintains a threshold level of \$5,000 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.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

K. CAPITAL ASSETS (Cont'd)

Capital assets are recorded in the government-wide financial statement, but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public school 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, if any.

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

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Existing bonded debt is reported at the face value of remaining indebtedness. For any new indebtedness that may be issued, bond premiums and discounts will be deferred and amortized over the life of the bonds using the straight-line method. Bonds payable will be reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period 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 issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, and principal payments are reported as debt service expenditures.

M. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the Statement of Net Position and the governmental funds Balance Sheet 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 or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

O. DEFINED BENEFIT PENSION PLANS

The District recognized total pension expense of \$776,855 for the following statewide pension plans in which it participates.

Teachers Retirement Association

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

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

O. DEFINED BENEFIT PENSION PLANS (Cont'd)

Teachers Retirement Association (Cont'd)

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. This direct aid is a result of the merger of the Minneapolis Teachers Retirement Fund Association into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association in 2015.

Public Employees Retirement Association

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

P. ACCRUED EMPLOYEE BENEFITS

Vacation Pay

Non-certified full-time employees are annually granted one to four weeks vacation depending on years of service; one week after one year, two weeks for between two and five years of service, three weeks between six and twelve years of service, and four weeks after thirteen years of service. Certified employees are not granted vacations.

Sick Pay

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

Severance Pay

The District has an early retirement plan for full time teachers, confidential employees and principals who have completed at least fifteen years of continuous full time service and are at least fifty-five years of age.

At June 30, 2020, a liability for severance pay totaling \$166,085 is included in long-term debt in the Statement of Net Position as described in Note 5.

The District also offers health insurance to various groups of employees who are at least fifty-five years old and have served the District for ten to fifteen years at retirement. The health insurance for qualifying retirees will continue until they reach the age of sixty-five. Contribution by the District depends upon which group the employee is in at retirement.

Matching Deferred Annuity Program

Matched deferred compensation is available to various groups of employees who are regularly employed at the District. The District will match the annual employee's contribution, based on years of service, to an approved 403(b) annuity as outlined in the master agreements of the various groups.

Q. 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 purchases commercial insurance coverage for such risks.

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

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

R. FUND BALANCE

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

Nonspendable – consists of amounts that cannot be spent because it is not in spendable form, such as inventory items.

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

Committed – consists of amounts that are constrained for specific purposes that are internally imposed by formal action (resolution) of the School Board. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – consists of amounts intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the School Board itself or by an official to which the School Board delegates the authority. Pursuant to School Board resolution, the Finance Coordinator is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned as determined by the School Board.

The District has formally adopted a fund balance policy. To ensure the financial strength and stability of the District, the Board will endeavor to maintain at least 10% of the District's General Fund operating budget, excluding those accounts associated within the restricted category, in the combined total of the General Fund committed, assigned and unassigned fund balances.

S. NET POSITION

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

T. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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

U. RECLASSIFICATIONS

Certain amounts in the prior year data have been reclassified in order to be consistent with the current year's presentation. The total amount of the District's prior year fund balance did not change due to these reclassifications.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. DEFICIT FUND BALANCES

At June 30, 2020, the District had no funds with negative fund balances.

3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all District deposits be secured by a bank guaranty bond or 110% of collateral valued at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk: For deposits, is the risk that, in the event of failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2020, the District's bank balance was not exposed to custodial credit risk because it was insured and properly collateralized with securities held by the pledging financial institution's trust department or agent and in the District's name.

B. INVESTMENTS

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investments were not exposed to interest rate risk at June 30, 2020.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investments were not exposed to credit risk at June 30, 2020.

Concentration of Credit Risk: Concentration of credit is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has no formal investment policy that places limits on the amount the District may invest in any one issuer. More than 5% of the District's investments are in MSDLAF, Minnesota Trust Investment Shares, and Minnesota Trust Term Series.

Custodial Credit Risk: For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments were not exposed to custodial credit risk at June 30, 2020.

The following table presents the District's cash and investment balances at June 30, 2020:

<u>Cash/Investment Type</u>	<u>Credit Rating</u>	<u>Average Maturities</u>	<u>Percentage of Total</u>	
Pooled Cash and Investments:				
Money Market Funds	N/A	N/A	23.1%	\$ 940,651
Minnesota Trust Investment Shares	N/A	N/A	63.4	2,579,117
Certificates of Deposit	N/A	4.06 Months	7.1	290,534
Checking Account	N/A	N/A	6.4	261,267
Petty Cash	N/A	N/A	0.0	<u>2,000</u>
Total Cash and Investments			100.0%	<u>\$ 4,073,569</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

Cash and Investments are presented in the June 30, 2020 basic financial statements as follows:

Statement of Net Position:

Current Assets:

Cash and Investments **\$ 4,073,569**

C. FAIR VALUE MEASUREMENT

The District's cash and investments consist of checking accounts, petty cash, certificates of deposit, and shares in Minnesota's pooled investment accounts, none of which is subject to fair value measurement under GASB Statement No. 72.

4. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	\$ <u>10,350</u>			\$ <u>10,350</u>
Total Capital Assets, Not Being Depreciated	<u>10,350</u>			<u>10,350</u>
Capital Assets, Being Depreciated				
Land Improvements	552,562			552,562
Buildings and Improvements	16,556,082	\$ 2,180,731		18,736,813
Equipment and Transportation Vehicles	<u>1,769,915</u>	<u>111,518</u>	\$ <u>38,915</u>	<u>1,842,518</u>
Total Capital Assets, Being Depreciated	<u>18,878,559</u>	<u>2,292,249</u>	<u>38,915</u>	<u>21,131,893</u>
Accumulated Depreciation for:				
Land Improvements	390,684	10,904	-	401,588
Buildings and Improvements	4,231,188	351,865	-	4,583,053
Equipment and Transportation Vehicles	<u>1,101,297</u>	<u>126,754</u>	<u>38,662</u>	<u>1,189,389</u>
Total Accumulated Depreciation	<u>5,723,169</u>	<u>489,523</u>	<u>38,662</u>	<u>6,174,030</u>
Total Capital Assets, Being Depreciated, Net	<u>13,155,390</u>	<u>1,802,726</u>	<u>253</u>	<u>14,957,863</u>
Governmental Activities Capital Assets, Net	\$ <u>13,165,740</u>	\$ <u>1,802,726</u>	\$ <u>253</u>	\$ <u>14,968,213</u>

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

Governmental Activities	
District and School Administration	\$ 314
District Support Services	4,243
Regular Instruction	13,817
Vocational Instruction	690
Exceptional Instruction	258
Community Education and Services	860
Pupil Support Services	91,092
Site, Buildings and Equipment	13,116
Unallocated	<u>365,133</u>
Total Depreciation Expense, Governmental Activities	\$ <u>489,523</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. LONG-TERM LIABILITIES

A. DESCRIPTION OF LONG-TERM DEBT

Under the provisions of Minnesota Statute §475.53 subd. 4, the District's net debt may not exceed 15% of the estimated market value of all taxable property within the District. The District is in compliance with this provision.

Long-term debt is comprised of the following as of June 30, 2020:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Alternative Facilities Bonds, Series 2012A	2.00 – 3.00%	\$6,120,000	2032	\$ 3,840,000
General Obligation School Building Bonds, Series 2015A	2.00 – 3.00%	5,360,000	2035	4,725,000
Capital Lease Payable	4.47%	620,202	2026	340,304
Capital Lease Payable	2.94%	774,000	2027	428,986
Capital Lease Payable	3.50%	453,000	2036	453,000
Severance Pay Payable				166,085
Unamortized Premiums				<u>61,619</u>
Total Outstanding Long-Term Debt				<u>\$10,014,994</u>

General Obligation Bonds

On May 24, 2012, the District issued \$6,120,000 of General Obligation Alternative Facilities Bonds, Series 2012A. The proceeds of this bond issue were used for ventilation, air handling and indoor air quality improvements to the existing facility. The District will levy property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2019-2020 was \$105,660.

On March 18, 2015, the District issued \$5,360,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of this bond issue were used for construction of new classrooms, weight room, and gymnasium. The District will levy property taxes for the retirement of these bonds. Principal and interest payments on these bonds are recorded in the Debt Service Fund. Interest paid in 2019-2020 was \$134,738.

Capital Lease Obligations

On September 23, 2011, the District entered into a fifteen-year lease agreement for \$620,202 with Green Campus Partners, LLC. The lease calls for fifteen annual payments of \$57,687 including principal and interest at a rate of 4.47%. The lease proceeds were used to make improvements to the school building and will be paid for from regular General Fund revenues. The total cost of the building improvements was \$620,202. Total accumulated depreciation on this asset was \$105,434 at June 30, 2020. Interest paid in 2019-2020 was \$17,029.

On October 9, 2012, the District entered into a fifteen-year lease agreement for \$774,000 with Kinetic Leasing, Inc. The lease calls for thirty semi-annual payments of \$32,077 including principal and interest at a rate of 2.94%. The lease proceeds were used for the new classroom building addition facility and will be paid for from regular General Fund revenues. The total cost of the new building was \$774,000. Total accumulated depreciation on this asset was \$116,121 at June 30, 2020. Interest paid in 2019-2020 was \$13,728.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. LONG-TERM LIABILITIES (Cont'd)

A. DESCRIPTION OF LONG-TERM DEBT (Cont'd)

Capital Lease Obligations (Cont'd)

On April 23, 2020, the District entered into a fifteen-year lease agreement for \$453,000 with Bremer Bank, N.A. The lease calls for thirty semi-annual payments of \$19,721 including principal and interest at a rate of 3.50%. The lease proceeds were used for the new classroom building addition facility and will be paid for from regular General Fund revenues. The total cost of the new building was \$2,180,731, of which \$453,000 was financed under the lease. Total accumulated depreciation on this asset was \$21,572 at June 30, 2020. Interest paid in 2019-2020 was \$-0-.

These assets serve as collateral for the related capital lease and are being depreciated using a straight-line method over the life of the asset.

B. MINIMUM DEBT PAYMENTS

Minimum annual principal and interest payments to retire general obligation bonds payable are as follows:

Year Ending June 30	General Obligation Bonds Payable	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 450,000	\$ 231,498
2022	460,000	222,498
2023	470,000	213,298
2024	480,000	203,898
2025	490,000	193,698
2026 – 2030	2,805,000	767,618
2031 – 2035	<u>3,410,000</u>	<u>312,900</u>
	<u>\$ 8,565,000</u>	<u>\$ 2,145,408</u>

The future minimum lease obligations and the net present value of the minimum lease payments of the capital leases as of June 30, 2020 are as follows:

Year Ending June 30	Building Improvements
	<u>Principal</u>
2021	\$ 141,562
2022	161,283
2023	161,283
2024	161,283
2025	161,282
2026-2030	472,964
2031-2035	197,206
2036	<u>19,721</u>
Net Minimum Lease Payments	1,476,584
Less Amount Representing Interest	<u>(254,294)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 1,222,290</u>

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

5. LONG-TERM LIABILITIES (Cont'd)

C. CHANGES IN LONG-TERM LIABILITIES

Long-term liability balances and activity for the year ended June 30, 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities					
Alternative Facilities Bonds,					
Series 2012A	\$ 4,115,000		\$ 275,000	\$ 3,840,000	\$ 280,000
General Obligation School					
Building Bonds, Series 2015A	4,895,000		170,000	4,725,000	170,000
Capital Lease Payable	380,962		40,658	340,304	42,475
Capital Lease Payable	479,412		50,426	428,986	51,919
Capital Lease Payable	-	\$ 453,000	-	453,000	7,477
Severance Pay Payable	168,459	-	2,374	166,085	29,603
Unamortized Premiums	67,833	-	6,214	61,619	6,214
	<u>\$10,106,666</u>	<u>\$ 453,000</u>	<u>\$ 544,672</u>	<u>\$10,014,994</u>	<u>\$ 587,688</u>

6. OTHER POST EMPLOYMENT BENEFITS (OPEB)

The District follows Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

A. GENERAL INFORMATION ABOUT THE OPEB PLAN

1. Plan Description

The District's defined benefit OPEB plan, Independent School District No. 2890, Renville County West, Renville, Minnesota's retirees' health insurance plan (the Plan), provides OPEB for certain retired employees of the District. The Plan is a single-employer defined benefit OPEB plan administered by the District. Benefit and eligibility provisions are established through individual contracts and negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period.

No assets are accumulated in a trust that meets the criteria in Paragraph four of GASB Statement No. 75. OPEB benefits have historically been funded on a pay-as-you-go basis. For fiscal year 2020, the District paid benefits of \$216,392 from the General Fund.

2. Benefits Provided

The District provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. Minnesota Statute 471.61 subd 2b requires that government entities allow active employees who retire from the District when eligible to receive a retirement benefit from the Teachers Retirement Association (TRA) or Public Employees Retirement Association (PERA) and do not participate in any other health benefits program providing similar coverage, continued coverage with respect to both themselves and their eligible dependent(s) under the District's health benefits program. Retiree and District responsibility as to amount of premium covered are dependent upon employee classification at retirement. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Cont'd)

A. GENERAL INFORMATION ABOUT THE OPEB PLAN (Cont'd)

3. Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	12
Active employees	<u>97</u>
	<u><u>109</u></u>

B. TOTAL OPEB LIABILITY

The District's total OPEB liability of \$1,613,750 was measured as of July 1, 2019, and was determined by an actuarial valuation as July 1, 2019. The "entry age with level percentage of pay" actuarial cost method as prescribed by GASB Statement No. 75 was used to calculate the total OPEB liability.

1. Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	Service graded table range from 2.85% to 11.25%
Discount rate	3.10%
Healthcare cost trend rate	6.50% in 2019 grading to 5.00% over 6 years

The discount rate was based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019 valuation (July 1, 2019 measurement) were made in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. Assumptions were based on various rationale that included a variety of published sources of historical and projected future financial data and various studies or experience studies. The retirement and withdrawal assumptions used were similar to those used to value pension liabilities for Minnesota School District employees. The rates are based on the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2008 through June 30, 2014. The full list of assumptions and rationale are included in the District's OPEB plan report, which may be obtained by writing or calling the District.

C. CHANGES IN THE TOTAL OPEB LIABILITY

	Total OPEB Liability
Balance at July 1, 2018 (reporting date June 30, 2019)	<u>\$ 1,649,934</u>
Changes for the year:	
Service cost	56,401
Interest	54,659
Assumption changes	(3,018)
Differences between expected and actual experience	54,880
Benefit payments	<u>(199,106)</u>
Net changes	<u>(36,184)</u>
Balance at July 1, 2019 (reporting date June 30, 2020)	<u><u>\$ 1,613,750</u></u>

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6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Cont'd)

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

Changes in the benefit terms since the prior measurement date:

- None

Changes in actuarial assumptions since the prior measurement date:

- The health care trend rates were changed to better anticipate short term and long term medical increases
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%

1. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

1 percent decrease	Total OPEB Liability Current	1 percent increase
(2.10%)	(3.10%)	(4.10%)
\$1,670,699	\$1,613,750	\$1,557,442

2. Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates:

1 percent decrease	Total OPEB Liability Current	1 percent increase
(5.50%) decreasing to 4.00% over 6 years)	(6.50%) decreasing to 5.00% over 6 years)	(7.50%) decreasing to 6.00% over 6 years)
\$1,554,716	\$1,613,750	\$1,680,156

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$119,704. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 45,733	\$ -
Changes of assumptions or other inputs	-	2,515
Benefits paid subsequent to the measurement date	<u>216,392</u>	<u>-</u>
Total	<u>\$ 262,125</u>	<u>\$ 2,515</u>

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6. OTHER POST EMPLOYMENT BENEFITS (OPEB) (Cont'd)

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

\$216,392 reported as deferred outflows of resources related to OPEB resulting from District benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	OPEB Expense Amount
2021	\$ 8,644
2022	\$ 8,644
2023	\$ 8,644
2024	\$ 8,644
2025	\$ 8,642
Thereafter	\$ -

7. FUND BALANCE CLASSIFICATION

At June 30, 2020, a summary of the governmental fund balance classifications is as follows:

	General Fund	Food Service Fund	Community Service Fund	Building Construction Fund	Debt Service Fund	Total
Nonspendable:						
Inventory	\$ -	\$ 5,278	\$ -	\$ -	\$ -	\$ 5,278
	<u>-</u>	<u>5,278</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,278</u>
Restricted for:						
Safe Schools – Crime	47,729	-	-	-	-	47,729
Operating Capital	139,362	-	-	-	-	139,362
Achievement and Integration	4,728	-	-	-	-	4,728
Long-Term Facilities Maintenance	255,543	-	-	-	-	255,543
Staff Development	65,994	-	-	-	-	65,994
Basic Skills Extended Time	41,304	-	-	-	-	41,304
Medical Assistance	2,101	-	-	-	-	2,101
Scholarships	21,785	-	-	-	-	21,785
Student Activities	63,825	-	-	-	-	63,825
Food Service	-	49,747	-	-	-	49,747
Community Education	-	-	(2,638)	-	-	(2,638)
Community Service	-	-	12,789	-	-	12,789
Early Childhood Family Education	-	-	56,053	-	-	56,053
School Readiness	-	-	28,104	-	-	28,104
Debt Service	-	-	-	-	470,625	470,625
	<u>642,371</u>	<u>49,747</u>	<u>94,308</u>	<u>-</u>	<u>470,625</u>	<u>1,257,051</u>
Assigned for:						
Library	23,138	-	-	-	-	23,138
Separation/Retirement Benefits	166,085	-	-	-	-	166,085
	<u>189,223</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>189,223</u>
Unassigned:	<u>1,974,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,974,326</u>
Total Fund Balance:	<u>\$ 2,805,920</u>	<u>\$ 55,025</u>	<u>\$ 94,308</u>	<u>\$ -</u>	<u>\$ 470,625</u>	<u>\$ 3,425,878</u>

The District is reporting a negative restricted fund balance in Community Education at June 30, 2020. Minnesota Statutes require the District to report a deficit in the restricted fund balance, when applicable, in order to permit the statutory revenue formula calculations. This deficit will be offset with future operating tax levies.

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8. PENSION PLANS

Substantially all employees of the District are required by State law to belong to 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. TEACHERS RETIREMENT ASSOCIATION

1. Plan Description

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

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

2. Benefits Provided

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

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

Tier I:	<u>Step Rate Formula</u>	<u>Percentage</u>
Basic	1 st ten years of service	2.20% per year
	All years after	2.70% per year
Coordinated	1 st ten years if service years are up to July 1, 2006	1.20% per year
	1 st ten years if service years are July 1, 2006 or after	1.40% per year
	All other years of service if service years are up to July 1, 2006	1.70% per year
	All other years of service if service years are July 1, 2006 or after	1.90% 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) 3.00% 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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

Tier II: For years of service prior to July 1, 2006, a level formula of 1.70% per year for coordinated members and 2.70% per year for basic members is applied. For years of service July 1, 2006 and after, a level formula of 1.90% per year for Coordinated members and 2.70% per year for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

The benefit provisions stated apply to active plan participants. Vested, terminated employees who are entitled to benefits but not yet receiving them are bound by the plan provisions in effect at the time they last terminated their public service.

3. Contribution Rate

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

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.71%	11.00%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.50%	7.92%

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

Employer contributions reported in TRA's CAFR, Statement of Changes in Fiduciary Net Position	\$ 403,300,000
Add employer contributions not related to future contribution efforts	(688,000)
Deduct TRA's contributions not included in allocation	<u>(486,000)</u>
Total employer contributions	402,126,000
Total non-employer contributions	<u>35,588,000</u>
Total contributions reported in Schedule of Employer and Non-Employer Allocations	<u>\$ 437,714,000</u>

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

3. Contribution Rate (Cont'd)

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

The District's contributions to the TRA plan for the year ended June 30, 2020 were \$255,513. The District's contributions were equal to the required contributions set by state statute.

4. Actuarial Assumptions

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

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Actuarial Information

Valuation Date	July 1, 2019
Experience Study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Price Inflation	2.50%
Wage Growth Rate	2.85% before July 1, 2028 and 3.25% after June 30, 2028
Projected Salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of Living Adjustment	1.00% for January 2019 through January 2023, then increasing by 0.10% each year up to 1.50% annually

Mortality Assumptions

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

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

4. Actuarial Assumptions (Cont'd)

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Geometric Mean)
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	<u>2.00%</u>	0.00%
Total	<u>100.00%</u>	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2019 is six years. The *Difference Between Expected and Actual Experience, Changes of Assumptions, and Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB Statement No. 68.

The following changes in benefit and funding terms and actuarial assumptions occurred in 2019:

Changes in the benefit and funding terms since the prior measurement date:

- None

Changes in actuarial assumptions since the prior measurement date:

- None

5. Discount Rate

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

6. Net Pension Liability

On June 30, 2020, the District reported a liability of \$3,505,712 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.0550% at the end of the measurement period and 0.0561% for the beginning of the year.

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

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

6. Net Pension Liability (Cont'd)

District's proportionate share of net pension liability	\$ 3,505,712
State's proportionate share of the net pension liability associated with the District	<u>310,414</u>
Total	<u>\$ 3,816,126</u>

For the year ended June 30, 2020, the District recognized pension expense of \$634,299. This amount is inclusive of \$23,595 which is recognized as pension expense (and grant revenue) for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 501	\$ 86,008
Changes in actuarial assumptions	3,003,406	4,740,441
Difference between projected and actual investment earnings	-	296,092
Changes in proportion	38,986	92,544
Contributions paid to TRA subsequent to the measurement date	<u>255,513</u>	<u>-</u>
Total	<u>\$ 3,298,406</u>	<u>\$ 5,215,085</u>

The \$255,513 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 ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to TRA pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2021	\$ 179,885
2022	\$ (19,693)
2023	\$ (1,357,215)
2024	\$ (957,155)
2025	\$ (18,014)
Thereafter	\$ -

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability of TRA calculated using the discount rate of 7.50% as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

District proportionate share of NPL		
1 percent decrease (6.50%)	Current (7.50%)	1 percent increase (8.50%)
\$5,588,961	\$3,505,712	\$1,788,103

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8. PENSION PLANS (Cont'd)

A. TEACHERS RETIREMENT ASSOCIATION (Cont'd)

7. Pension Liability Sensitivity (Cont'd)

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

8. Pension Plan Fiduciary Net Position

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

9. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

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

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

1. Plan Description

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

General Employees Retirement Plan

All full-time and certain part-time employees of the District, 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. Benefits Provided

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.20% of average salary for each of the first ten years of service and 1.70% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.70% 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.

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8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

2. Benefits Provided (Cont'd)

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 1.00% and a maximum of 1.50%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

3. Contributions

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

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% 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 \$107,708. The District's contributions were equal to the required contributions as set by state statute.

4. Pension Costs

General Employees Fund Pension Costs

At June 30, 2020, the District reported a liability of \$1,089,169 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled \$33,832. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the District's proportionate share was 0.0197% which was a change of 0.0000% from its proportionate share measured as of June 30, 2018.

District's proportionate share of net pension liability	\$ 1,089,169
State's proportionate share of the net pension liability associated with the District	<u>33,832</u>
Total	<u>\$ 1,123,001</u>

For the year ended June 30, 2020, the District recognized pension expense of \$142,556 for its proportionate share of General Employees Plan's pension expense. This amount is inclusive of \$2,534 which is recognized 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.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
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RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

4. Pension Costs (Cont'd)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 31,164	\$ -
Changes in actuarial assumptions	-	88,595
Difference between projected and actual investment earnings	-	116,522
Changes in proportion	18,268	44,687
Contributions paid to PERA subsequent to the measurement date	<u>107,708</u>	<u>-</u>
Total	<u>\$ 157,140</u>	<u>\$ 249,804</u>

The \$107,708 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	Pension Expense Amount
2021	\$ (66,512)
2022	\$ (113,809)
2023	\$ (21,807)
2024	\$ 1,756
2025	\$ -
Thereafter	\$ -

5. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

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.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

5. Actuarial Assumptions (Cont'd)

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

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.90%
Fixed Income	20.00%	0.75%
Private Markets	25.00%	5.90%
Cash Equivalents	<u>2.00%</u>	0.00%
Total	<u>100.00%</u>	

6. Discount Rate

The discount rate used to measure the total pension 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 position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability for the General Employees Fund, 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:

District proportionate share of General Employees Fund NPL		
1 percent decrease	Current	1 percent increase
(6.50%)	(7.50%)	(8.50%)
\$1,790,535	\$1,089,169	\$510,052

8. Pension Plan Fiduciary Net Position

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

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

8. PENSION PLANS (Cont'd)

B. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Cont'd)

9. Subsequent Events and the COVID-19 Pandemic Subsequent to Year-End

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

9. OPERATING LEASE AGREEMENT

Equipment Lease

The District entered into operating lease agreements for various pieces of equipment. These leases call for monthly payments ranging from \$102 to \$1,113 and end on various dates through September 29, 2023. Expenditures under these leases were \$14,688 for the year ended June 30, 2020.

Future minimum lease obligations under these agreements are as follows:

2021	\$ 14,577
2022	\$ 14,577
2023	\$ 1,224
2024	\$ 306
2025	\$ -

Operating Lease

The District entered into an operating lease agreement for the use of the gymnasium from the City of Danube on July 1, 2019. This lease call for annual payments of \$5,000 throughout the term of the lease. This lease expires on June 30, 2024. Expenditures under this lease were \$5,000 for the year ended June 30, 2020.

Future minimum lease obligations under these agreements are as follows:

2021	\$ 5,000
2022	\$ 5,000
2023	\$ 5,000
2024	\$ 5,000
2025	\$ -

10. GASB STANDARD ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 87, *Leases* was issued to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognizes as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 is effective for implementation for the year ended June 30, 2022.

11. CHANGE IN ACCOUNTING PRINCIPLE

The beginning net position of the governmental activities and the beginning fund balance of the General Fund has been increased to reflect a change in accounting principle. The District implemented GASB Statement No. 84, *Fiduciary Activities*, in the current year which establishes criteria for identifying fiduciary activities of all state and local governments. Generally, the focus of the criteria relates to 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Based on the criteria, the District has determined that the activity in the District's student activities, trust fund and agency fund accounts should be included in the reporting entity. Beginning governmental activities net position has been restated from (\$350,050) to (\$244,006) (an increase of \$106,044), and the beginning fund balance in the General Fund has been restated from \$3,784,571 to \$3,890,615 (an increase of \$106,044). Prior year partial comparative information does not reflect this change in accounting principle because prior years have not been recalculated under GASB Statement No. 84.

REQUIRED SUPPLEMENTARY INFORMATION

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
JUNE 30, 2020**

**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Measurement Date	<u>7/1/2019</u>	<u>7/1/2018</u>	<u>7/1/2017</u>
Total OPEB liability			
Service cost	\$ 56,401	\$ 59,268	\$ 57,542
Interest	54,659	56,839	58,177
Assumption changes	(3,018)	-	-
Differences between expected and actual experience	54,880	-	-
Benefit payments	<u>(199,106)</u>	<u>(155,988)</u>	<u>(157,606)</u>
Net change in total OPEB liability	(36,184)	(39,881)	(41,887)
Total OPEB liability – beginning	<u>1,649,934</u>	<u>1,689,815</u>	<u>1,731,702</u>
Total OPEB liability – ending	<u>\$ 1,613,750</u>	<u>\$ 1,649,934</u>	<u>\$ 1,689,815</u>
 Covered employee payroll	 \$ 3,743,287	 \$ 3,969,399	 \$ 3,853,785
Total OPEB liability as a percentage of covered payroll	43.11%	41.57%	43.85%

****Note:** The District implemented the provisions of GASB Statement No. 75 for the year ended June 30, 2018. The Schedules within the Required Supplementary Information section require a ten-year presentation, but do not require retroactive reporting. Information prior to 2018 is not available. Additional years will be reported as they become available.

Note: This schedule is presented using the optional format of combining the required schedules in paragraphs 170(a) and 170(b) of GASB Statement No. 75.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
JUNE 30, 2020**

TEACHERS RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Measurement Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	District's Proportionate Share of the Net Pension Liability Associated with the District	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(a)	(b)	(a+b)	(c)	(a+b/c)	
6/30/19	0.0550%	\$ 3,505,712	\$ 310,414	\$ 3,816,126	\$3,124,649	122.1%	78.21%
6/30/18	0.0561	3,526,182	331,210	3,857,392	3,101,729	124.4	78.07
6/30/17	0.0559	11,158,654	1,078,607	12,237,261	3,008,697	406.7	51.57
6/30/16	0.0560	13,357,336	1,340,272	14,697,608	2,981,851	492.9	44.88
6/30/15	0.0554	3,427,038	420,390	3,847,428	2,891,927	133.0	76.80
6/30/14	0.0585	2,695,638	189,588	2,855,226	2,730,347	104.6	81.50

**Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

TEACHERS RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)**

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
	(a)	(b)	(a-b)	(d)	(b/d)
6/30/20	\$ 255,513	\$ 255,513	\$ -	\$ 3,227,222	7.92%
6/30/19	240,814	240,814	-	3,124,649	7.71
6/30/18	232,666	232,666	-	3,101,729	7.50
6/30/17	225,460	225,460	-	3,008,697	7.50
6/30/16	218,357	218,357	-	2,981,851	7.30
6/30/15	215,393	215,393	-	2,891,927	7.40

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF DISTRICT'S SHARE OF NET PENSION LIABILITY AND DISTRICT'S
CONTRIBUTIONS FOR DEFINED BENEFIT PENSION PLANS
(CONTINUED)
JUNE 30, 2020**

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY (*)
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS**)**

Measurement Date	District's Proportion of the Net Pension Liability (Asset)	District's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District	District's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability with the District (a+b)	District's Covered Payroll (c)	District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
		(a)	(b)	(a+b)	(c)	(a+b/c)	
6/30/19	0.0197%	\$1,089,169	\$ 33,832	\$ 1,123,001	\$1,384,070	81.1%	80.2%
6/30/18	0.0197	1,092,875	35,767	1,128,642	1,321,919	85.4	79.5
6/30/17	0.0211	1,347,010	16,932	1,363,942	1,358,671	100.4	75.9
6/30/16	0.0202	1,640,140	21,459	1,661,599	1,234,545	134.6	68.9
6/30/15	0.0191	989,861	-	989,861	1,137,228	87.0	78.2
6/30/14	0.0204	958,290	-	958,920	1,098,702	87.3	78.7

* This schedule is for employers in the General Employees Plan to present their proportionate share of the State of Minnesota's contributions to the General Employees Fund on their behalf.

**Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2015, or after.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS*)**

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
6/30/20	\$ 107,708	\$ 107,708	\$ -	\$1,435,516	7.5%
6/30/19	103,971	103,971	-	1,384,070	7.5
6/30/18	98,735	98,735	-	1,321,919	7.5
6/30/17	100,792	100,792	-	1,358,671	7.4
6/30/16	92,206	92,206	-	1,234,545	7.5
6/30/15	82,241	82,241	-	1,137,228	7.2

* Option to provide RSI for ten years at transition or to provide RSI prospectively.

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budgeted Amounts		2020 Actual	Variance	2019 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 1,805,043	\$ 1,771,507	\$ 1,769,081	\$ (2,426)	\$ 1,520,317	\$ 248,764
Other Local and County Revenues:						
County Apportionment	9,603	9,603	11,851	2,248	8,660	3,191
Other School Districts	3,146	5,202	5,850	648	10,808	(4,958)
Contributions	5,200	31,899	51,181	19,282	16,658	34,523
Admissions and Fees	63,250	50,461	51,148	687	72,904	(21,756)
Earnings From Investments	62,370	80,800	59,359	(21,441)	76,079	(16,720)
Rent for School Facilities	1,500	1,700	1,700	-	1,700	-
Miscellaneous Revenues	9,450	83,440	30,037	(53,403)	42,698	(12,661)
	<u>154,519</u>	<u>263,105</u>	<u>211,126</u>	<u>(51,979)</u>	<u>229,507</u>	<u>(18,381)</u>
Revenue From State Sources:						
Endowment Fund Apportionment	21,326	24,830	25,599	769	22,634	2,965
General Education Aid	5,293,182	5,104,904	5,129,528	24,624	5,248,535	(119,007)
Literacy Incentive Aid	23,384	23,384	22,542	(842)	23,383	(841)
Disparity Aid	10,313	10,796	10,796	-	10,313	483
Homestead/Agricultural Levy Credits	15,872	16,503	16,406	(97)	15,872	534
Special Education	564,850	564,850	633,098	68,248	622,602	10,496
Miscellaneous State Revenue	78,498	99,582	95,838	(3,744)	78,131	17,707
	<u>6,007,425</u>	<u>5,844,849</u>	<u>5,933,807</u>	<u>88,958</u>	<u>6,021,470</u>	<u>(87,663)</u>
Revenue From Federal Sources:						
Title I	100,000	85,113	73,379	(11,734)	99,137	(25,758)
Migrant Education	2,000	1,000	1,000	-	2,000	(1,000)
Title II	32,000	16,203	20,391	4,188	27,529	(7,138)
Title IV	-	-	12,735	12,735	-	12,735
Federal Special Education	84,161	84,161	113,192	29,031	108,518	4,674
REAP Grant	7,573	7,573	39,131	31,558	15,257	23,874
	<u>225,734</u>	<u>194,050</u>	<u>259,828</u>	<u>65,778</u>	<u>252,441</u>	<u>7,387</u>
Sales and Other Conversion of Assets:						
Insurance Recovery	-	4,107	4,107	-	-	4,107
Resale Materials	625	3,549	31,466	27,917	949	30,517
	<u>625</u>	<u>7,656</u>	<u>35,573</u>	<u>27,917</u>	<u>949</u>	<u>34,624</u>
TOTAL REVENUES	8,193,346	8,081,167	8,209,415	128,248	8,024,684	184,731
EXPENDITURES						
Current:						
District and School Administration:						
Salaries and Wages	342,536	311,661	327,093	(15,432)	393,582	(66,489)
Employee Benefits	105,149	92,308	96,659	(4,351)	158,157	(61,498)
Purchased Services	10,500	14,000	28,274	(14,274)	36,256	(7,982)
Supplies and Materials	11,300	9,300	4,040	5,260	4,310	(270)
Other Expenditures	8,005	8,599	8,804	(205)	8,876	(72)
	<u>477,490</u>	<u>435,868</u>	<u>464,870</u>	<u>(29,002)</u>	<u>601,181</u>	<u>(136,311)</u>
District Support Services:						
Salaries and Wages	156,251	140,472	144,415	(3,943)	162,042	(17,627)
Employee Benefits	50,433	30,613	29,584	1,029	44,497	(14,913)
Purchased Services	92,631	86,791	94,894	(8,103)	102,875	(7,981)
Supplies and Materials	22,000	30,155	31,339	(1,184)	25,301	6,038
Other Expenditures	10,500	10,962	10,962	-	10,440	522
	<u>331,815</u>	<u>298,993</u>	<u>311,194</u>	<u>(12,201)</u>	<u>345,155</u>	<u>(33,961)</u>
Regular Instruction:						
Salaries and Wages	2,812,097	2,682,843	2,642,758	40,085	2,550,787	91,971
Employee Benefits	768,655	744,691	732,623	12,068	767,203	(34,580)
Purchased Services	136,584	148,490	190,590	(42,100)	159,351	31,239
Supplies and Materials	149,100	205,737	148,285	57,452	130,443	17,842
Other Expenditures	3,580	2,635	2,465	170	3,521	(1,056)
	<u>3,870,016</u>	<u>3,784,396</u>	<u>3,716,721</u>	<u>67,675</u>	<u>3,611,305</u>	<u>105,416</u>
Vocational Instruction:						
Salaries and Wages	75,033	74,304	74,305	(1)	72,848	1,457
Employee Benefits	18,541	17,269	17,783	(514)	17,444	339
Supplies and Materials	10,000	7,325	7,239	86	9,074	(1,835)
	<u>103,574</u>	<u>98,898</u>	<u>99,327</u>	<u>(429)</u>	<u>99,366</u>	<u>(39)</u>
Exceptional Instruction:						
Salaries and Wages	859,243	881,059	862,427	18,632	797,600	64,827
Employee Benefits	196,308	211,412	194,372	17,040	179,659	14,713
Purchased Services	189,000	189,050	205,174	(16,124)	188,196	16,978
Supplies and Materials	10,000	10,000	6,754	3,246	8,146	(1,392)
	<u>1,254,551</u>	<u>1,291,521</u>	<u>1,268,727</u>	<u>22,794</u>	<u>1,173,601</u>	<u>95,126</u>

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Comparative Actual Amounts for the Year Ended June 30, 2019)

EXPENDITURES (Cont'd)	2020 Budgeted Amounts		2020	Variance	2019	Increase
	Original	Final	Actual		Actual	(Decrease)
Current (Cont'd)						
Instructional Support Services:						
Salaries and Wages	\$ 7,200	\$ 50,703	\$ 43,742	\$ 6,961	\$ 3,294	\$ 40,448
Employee Benefits	1,105	11,231	10,064	1,167	409	9,655
Purchased Services	81,800	78,774	75,997	2,777	81,177	(5,180)
Supplies and Materials	2,500	2,500	1,832	668	1,510	322
	<u>92,605</u>	<u>143,208</u>	<u>131,635</u>	<u>11,573</u>	<u>86,390</u>	<u>45,245</u>
Pupil Support Services:						
Salaries and Wages	358,140	348,333	345,954	2,379	336,752	9,202
Employee Benefits	65,223	65,022	63,136	1,886	59,138	3,998
Purchased Services	96,158	96,614	21,200	75,414	34,730	(13,530)
Supplies and Materials	61,100	63,600	41,641	21,959	57,053	(15,412)
Other Expenditures	-	-	12,543	(12,543)	-	12,543
	<u>580,621</u>	<u>573,569</u>	<u>484,474</u>	<u>89,095</u>	<u>487,673</u>	<u>(3,199)</u>
Site, Buildings and Equipment:						
Salaries and Wages	241,411	261,470	258,318	3,152	254,647	3,671
Employee Benefits	62,178	65,386	64,231	1,155	61,274	2,957
Purchased Services	143,496	227,352	261,215	(33,863)	204,011	57,204
Supplies and Materials	52,750	52,212	50,792	1,420	49,964	828
Other Expenditures	1,800	1,625	1,432	193	1,622	(190)
	<u>501,635</u>	<u>608,045</u>	<u>635,988</u>	<u>(27,943)</u>	<u>571,518</u>	<u>64,470</u>
Fiscal And Other Fixed Cost Programs:						
Purchased Services	40,000	40,446	40,446	-	38,451	1,995
Other Expenditures	500	11,000	16,000	(5,000)	-	16,000
	<u>40,500</u>	<u>51,446</u>	<u>56,446</u>	<u>(5,000)</u>	<u>38,451</u>	<u>17,995</u>
Capital Outlay:						
District Support Services	50,000	14,000	14,751	(751)	25,340	(10,589)
Regular Instruction	131,550	138,353	143,835	(5,482)	132,934	10,901
Vocational Instruction	7,000	9,675	9,675	-	8,814	861
Pupil Support Services	82,500	87,362	89,004	(1,642)	93,267	(4,263)
Site, Buildings and Equipment	78,910	1,944,296	1,746,254	198,042	381,949	1,364,305
	<u>349,960</u>	<u>2,193,686</u>	<u>2,003,519</u>	<u>190,167</u>	<u>642,304</u>	<u>1,361,215</u>
Debt Service:						
Principal	91,084	91,084	91,084	-	87,893	3,191
Interest	30,757	30,757	30,757	-	33,948	(3,191)
	<u>121,841</u>	<u>121,841</u>	<u>121,841</u>	<u>-</u>	<u>121,841</u>	<u>-</u>
TOTAL EXPENDITURES	7,724,608	9,601,471	9,294,742	306,729	7,778,785	1,515,957
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	468,738	(1,520,304)	(1,085,327)	434,977	245,899	(1,331,226)
OTHER FINANCING SOURCES (USES)						
Proceeds from Sale of Equipment	-	632	632	-	129	503
Transfer Out to Other Funds	(10,000)	(10,000)	-	10,000	(10,000)	10,000
TOTAL OTHER FINANCING SOURCES (USES)	(10,000)	(9,368)	632	10,000	(9,871)	10,503
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	458,738	(1,529,672)	(1,084,695)	444,977	236,028	(1,320,723)
FUND BALANCE BEGINNING OF YEAR	3,784,571	3,784,571	3,784,571	-	3,548,543	236,028
PRIOR PERIOD ADJUSTMENT (GASB No. 84)	-	-	106,044	106,044	-	106,044
FUND BALANCE BEGINNING OF YEAR, AS RESTATED	3,784,571	3,784,571	3,890,615	106,044	3,548,543	342,072
FUND BALANCE END OF YEAR	\$ 4,243,309	\$ 2,254,899	\$ 2,805,920	\$ 551,021	\$ 3,784,571	\$ (978,651)
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Safe Schools - Crime			\$ 47,729		\$ 24,063	
Operating Capital			139,362		168,752	
Achievement and Integration			4,728		-	
Long-Term Facilities Maintenance			255,543		99,235	
Staff Development			65,994		52,590	
Basic Skills Extended Time			41,304		21,511	
Medical Assistance			2,101		1,075	
Scholarships			21,785		-	
Student Activities			63,825		-	
TOTAL RESTRICTED FUND BALANCE			642,371		367,226	
ASSIGNED FUND BALANCE						
Classroom Addition			-		1,585,580	
Library			23,138		-	
Separation/Retirement Benefits			166,085		168,459	
TOTAL ASSIGNED FUND BALANCE			189,223		1,754,039	
UNASSIGNED FUND BALANCE			1,974,326		1,663,306	
TOTAL FUND BALANCE			\$ 2,805,920		\$ 3,784,571	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budgeted Amounts		2020 Actual	Variance	2019 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local and County Revenues:						
Earnings From Investments	\$ 600	\$ 700	\$ 550	\$ (150)	\$ 672	\$ (122)
Revenue From State Sources:						
Breakfast Program Aid	14,000	10,526	8,532	(1,994)	10,396	(1,864)
Special Milk Program Aid	1,100	1,321	1,073	(248)	1,255	(182)
Lunch Program Aid	14,000	10,859	9,122	(1,737)	11,554	(2,432)
Summer Food Service	-	-	5,098	5,098	-	5,098
	<u>29,100</u>	<u>22,706</u>	<u>23,825</u>	<u>1,119</u>	<u>23,205</u>	<u>620</u>
Revenue From Federal Sources:						
School Lunch Aid	26,150	27,059	21,374	(5,685)	24,651	(3,277)
Free/Reduced Lunch Aid	110,000	101,297	75,968	(25,329)	96,638	(20,670)
School Breakfast Program	43,000	38,737	30,121	(8,616)	42,124	(12,003)
USDA Commodity Rebates	-	-	-	-	78	(78)
USDA Commodities	20,000	22,000	10,129	(11,871)	22,666	(12,537)
Summer Food Program	15,000	15,000	71,763	56,763	19,889	51,874
	<u>214,150</u>	<u>204,093</u>	<u>209,355</u>	<u>5,262</u>	<u>206,046</u>	<u>3,309</u>
Sales And Other Conversion Of Assets:						
Sale of Lunches and Other	<u>103,300</u>	<u>105,764</u>	<u>85,589</u>	<u>(20,175)</u>	<u>102,655</u>	<u>(17,066)</u>
TOTAL REVENUES	<u>347,150</u>	<u>333,263</u>	<u>319,319</u>	<u>(13,944)</u>	<u>332,578</u>	<u>(13,259)</u>
EXPENDITURES						
Current:						
Pupil Support Services:						
Salaries and Wages	107,731	97,772	106,050	(8,278)	102,208	3,842
Employee Benefits	25,114	22,957	24,324	(1,367)	24,599	(275)
Purchased Services	3,450	7,781	4,744	3,037	2,476	2,268
Supplies and Materials	181,400	187,100	181,789	5,311	167,392	14,397
Other Expenditures	1,525	130	142	(12)	1,524	(1,382)
	<u>319,220</u>	<u>315,740</u>	<u>317,049</u>	<u>(1,309)</u>	<u>298,199</u>	<u>18,850</u>
Capital Outlay:						
Pupil Support Services	<u>3,570</u>	<u>3,570</u>	<u>2,521</u>	<u>1,049</u>	<u>4,962</u>	<u>(2,441)</u>
TOTAL EXPENDITURES	<u>322,790</u>	<u>319,310</u>	<u>319,570</u>	<u>(260)</u>	<u>303,161</u>	<u>16,409</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>24,360</u>	<u>13,953</u>	<u>(251)</u>	<u>(14,204)</u>	<u>29,417</u>	<u>(29,668)</u>
FUND BALANCE BEGINNING OF YEAR	<u>55,276</u>	<u>55,276</u>	<u>55,276</u>	<u>-</u>	<u>25,859</u>	<u>29,417</u>
FUND BALANCE END OF YEAR	<u>\$ 79,636</u>	<u>\$ 69,229</u>	<u>\$ 55,025</u>	<u>\$ (14,204)</u>	<u>\$ 55,276</u>	<u>\$ (251)</u>
FUND BALANCE END OF YEAR						
NONSPENDABLE FUND BALANCE						
Inventory			\$ 5,278		\$ 4,938	
RESTRICTED FUND BALANCE						
Food Service			<u>49,747</u>		<u>50,338</u>	
FUND BALANCE END OF YEAR			<u>\$ 55,025</u>		<u>\$ 55,276</u>	

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - COMMUNITY SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budgeted Amounts		2020 Actual	Variance	2019 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Community Service Levy	\$ 55,526	\$ 53,020	\$ 53,233	\$ 213	\$ 44,707	\$ 8,526
Other Local And County Revenues:						
Tuition and Fees From Patrons	30,600	56,465	51,860	(4,605)	24,991	26,869
Earnings from Investments	1,800	2,000	1,798	(202)	1,931	(133)
Miscellaneous Local Revenue	30,000	20,000	32,177	12,177	34,599	(2,422)
	<u>62,400</u>	<u>78,465</u>	<u>85,835</u>	<u>7,370</u>	<u>61,521</u>	<u>24,314</u>
Revenue From State Sources:						
Disparity Aid	860	991	991	-	860	131
Homestead Market Value	1,324	1,515	1,506	(9)	1,324	182
Preschool Screening	1,278	2,025	2,445	420	2,445	-
Community Education	26,150	24,006	26,674	2,668	26,150	524
	<u>29,612</u>	<u>28,537</u>	<u>31,616</u>	<u>3,079</u>	<u>30,779</u>	<u>837</u>
TOTAL REVENUES	147,538	160,022	170,684	10,662	137,007	33,677
EXPENDITURES						
Current:						
Community Education And Services:						
Salaries and Wages	113,899	105,988	92,290	13,698	99,311	(7,021)
Employee Benefits	12,511	12,348	11,367	981	11,334	33
Purchased Services	1,500	3,602	6,774	(3,172)	5,463	1,311
Supplies and Materials	17,200	17,127	16,067	1,060	25,641	(9,574)
	<u>145,110</u>	<u>139,065</u>	<u>126,498</u>	<u>12,567</u>	<u>141,749</u>	<u>(15,251)</u>
TOTAL EXPENDITURES	145,110	139,065	126,498	12,567	141,749	(15,251)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,428	20,957	44,186	23,229	(4,742)	48,928
OTHER FINANCING SOURCES						
Transfer In from Other Funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>	<u>10,000</u>	<u>(10,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	12,428	30,957	44,186	13,229	5,258	38,928
FUND BALANCE BEGINNING OF YEAR	<u>50,122</u>	<u>50,122</u>	<u>50,122</u>	<u>-</u>	<u>44,864</u>	<u>5,258</u>
FUND BALANCE END OF YEAR	<u>\$ 62,550</u>	<u>\$ 81,079</u>	<u>\$ 94,308</u>	<u>\$ 13,229</u>	<u>\$ 50,122</u>	<u>\$ 44,186</u>
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Community Education			\$ (2,638) **		\$ (7,179) **	
Community Service			12,789		13,935	
Early Childhood Family Education			56,053		26,444	
School Readiness			28,104		16,922	
TOTAL RESTRICTED FUND BALANCE			<u>94,308</u>		<u>50,122</u>	
TOTAL FUND BALANCE			<u>\$ 94,308</u>		<u>\$ 50,122</u>	

** Required by MN Statute to record a deficit, when applicable, in order to permit statutory revenue formula calculations.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

1. OTHER POST EMPLOYMENT BENEFITS

No assets are accumulated in a trust that meets the criteria in Paragraph four of GASB Statement No. 75.

2019 Changes

Changes in the benefit terms since the prior measurement date:

- None

Changes in actuarial assumptions since the prior measurement date:

- The health care trend rates were changed to better anticipate short term and long term medical increases
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2018 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.40% to 3.10%

2018 Changes

Changes in Benefit Terms:

- None

Changes in Actuarial Assumptions:

- None

2. DEFINED BENEFIT PENSION PLANS

The following changes were reflected in the valuations performed on behalf of the following defined benefit pension plans for the fiscal years (measurement date) ending June 30:

Teachers Retirement Association

2019 Changes

Changes in Benefit and Funding Terms:

- None

Changes in Actuarial Assumptions:

- None

2018 Changes

Changes in Benefit and Funding Terms:

The 2018 Omnibus Pension Bill contained a number of changes.

- The COLA was reduced from 2.00% each January 1 to 1.00%, effective January 1, 2019. Beginning January 1, 2024, the COLA (Cost of Living Adjustment) will increase 0.10% each year until reaching the ultimate rate of 1.50% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.50% 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 0.00% beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.00% to 3.00%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.50% to 7.50%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

2. DEFINED BENEFIT PENSION PLANS (Cont'd)

Teachers Retirement Association (Cont'd)

2018 Changes (Cont'd)

Changes in Actuarial Assumptions:

- None

2017 Changes

Changes in Benefit and Funding Terms:

- None

Changes in Actuarial Assumptions:

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

2016 Changes

Changes in Benefit and Funding Terms:

- None

Changes in Actuarial Assumptions:

- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2.00% for all future years.
- The assumed investment return was changed from 8.00% to 4.66%. The single discount rate was changed from 8.00% to 4.66%.
- The price inflation assumption was lowered from 3.00% to 2.75%
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.50%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
- The post-retirement mortality assumption was changed to the RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustment.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

2015 Changes

Changes in Benefit and Funding Terms:

- 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.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

2. DEFINED BENEFIT PENSION PLANS (Cont'd)

Teachers Retirement Association (Cont'd)

2015 Changes (Cont'd)

Changes in Actuarial Assumptions:

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

Public Employees Retirement Association

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% 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.
- Post-retirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90% funding ratio to 50% 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.

2017 Changes

Changes in Actuarial Assumptions:

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

Change in Plan Provisions:

- The State's special funding contribution increased from \$6 million to \$16 million.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement changed from \$21 million to \$31 million in calendar years 2019 to 2031. The state's contribution changed from \$16 million to \$6 million in calendar year's 2019 to 2031.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

2. DEFINED BENEFIT PENSION PLANS (Cont'd)

Public Employees Retirement Association (Cont'd)

General Employees Fund (Cont'd)

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement 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 Plan Provisions:

- None

2015 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

3. BUDGETS, STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets presented for comparison to actual amounts are presented in accordance with U.S. generally accepted accounting principles. Reported budget amounts represent the amended budget as adopted by the School Board. Legal budgetary control is at the fund level.

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

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

A. DEFICIT SPENDING

The fiscal year 2020 budget approved by the School Board projected deficit spending in the following fund:

<u>Fund</u>	
General Fund	\$1,529,672

**INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 JUNE 30, 2020**

3. BUDGETS, STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

B. EXPENDITURES EXCEEDING APPROPRIATIONS

For the year ended June 30, 2020, the District had the following fund with expenditures exceeding the latest amended budget:

<u>Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Food Service Fund	\$ 319,310	\$ 319,570	\$ 260

Budget revisions were last approved in March of 2020. These excesses were realized since that time and are approved by the School Board upon acceptance of this report.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - BUILDING CONSTRUCTION FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budgeted Amounts		2020 Actual	Variance	2019 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Other Local And County Revenues:						
Earnings From Investments	\$ -	\$ -	\$ 222	\$ 222	\$ -	\$ 222
EXPENDITURES						
Current:						
Site, Buildings and Equipment:						
Purchased Services	-	-	23,565	(23,565)	-	23,565
Capital Outlay:						
Site, Building and Equipment	-	450,000	429,657	20,343	-	429,657
TOTAL EXPENDITURES	-	450,000	453,222	(3,222)	-	453,222
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(450,000)	(453,000)	(3,000)	-	(453,000)
OTHER FINANCING SOURCES						
Proceeds from Capital Lease	-	450,000	453,000	3,000	-	453,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	-	-	-	-	-	-
FUND BALANCE BEGINNING OF YEAR	-	-	-	-	-	-
FUND BALANCE END OF YEAR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

INDEPENDENT SCHOOL DISTRICT NO. 2890
 RENVILLE COUNTY WEST
 RENVILLE, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2020
 (with Comparative Actual Amounts for the Year Ended June 30, 2019)

	2020 Budgeted Amounts		2020 Actual	Variance	2019 Actual	Increase (Decrease) Actual
	Original	Final				
REVENUES						
Local Property Tax Levies:						
Maintenance Levy	\$ 685,363	\$ 443,587	\$ 446,210	\$ 2,623	\$ 449,846	\$ (3,636)
Other Local And County Revenues:						
Earnings from Investments	5,600	11,000	8,225	(2,775)	10,448	(2,223)
	<u>5,600</u>	<u>11,000</u>	<u>8,225</u>	<u>(2,775)</u>	<u>10,448</u>	<u>(2,223)</u>
Revenue From State Sources:						
School Bond Agricultural Credit	218,439	210,874	210,874	-	218,439	(7,565)
Disparity Aid	12,836	12,221	12,222	1	12,836	(614)
Homestead Market Value	19,754	18,681	18,572	(109)	19,755	(1,183)
	<u>251,029</u>	<u>241,776</u>	<u>241,668</u>	<u>(108)</u>	<u>251,030</u>	<u>(9,362)</u>
TOTAL REVENUES	941,992	696,363	696,103	(260)	711,324	(15,221)
EXPENDITURES						
Debt Service:						
Principal	445,000	445,000	445,000	-	435,000	10,000
Interest	240,398	240,398	240,398	-	249,098	(8,700)
TOTAL EXPENDITURES	685,398	685,398	685,398	-	684,098	1,300
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	256,594	10,965	10,705	(260)	27,226	(16,521)
FUND BALANCE BEGINNING OF YEAR	459,920	459,920	459,920	-	432,694	27,226
FUND BALANCE END OF YEAR	\$ 716,514	\$ 470,885	\$ 470,625	\$ (260)	\$ 459,920	\$ 10,705
FUND BALANCE ANALYSIS						
RESTRICTED FUND BALANCE						
Debt Service			\$ 470,625		\$ 459,920	

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - HISTORICAL ANALYSIS

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
REVENUES					
Local Property Tax Levies	\$ 1,489,283	\$ 1,483,534	\$ 1,380,475	\$ 1,520,317	\$ 1,769,081
Other Local and County Revenues	198,783	235,084	211,062	229,507	211,126
Revenue From State Sources	4,960,689	5,291,062	5,638,277	6,021,470	5,933,807
Revenue From Federal Sources	215,991	276,498	290,537	252,441	259,828
Sales and Other Conversion of Assets	2,887	761	13,952	949	35,573
Proceeds from Sale of Equipment	360	9,503	5,548	129	632
Transfers In/Prior Period Restatement	-	-	-	-	106,044
TOTAL REVENUES	<u>6,867,993</u>	<u>7,296,442</u>	<u>7,539,851</u>	<u>8,024,813</u>	<u>8,316,091</u>
EXPENDITURES - PROGRAMS					
District and School Administration	508,823	517,958	560,287	601,181	464,870
District Support Services	386,215	463,528	407,408	370,495	325,945
Regular Instruction	3,303,312	3,442,564	3,685,826	3,744,239	3,860,556
Vocational Instruction	81,759	85,476	91,179	108,180	109,002
Exceptional Instruction	1,081,321	1,108,101	1,125,430	1,173,601	1,268,727
Instructional Support Services	84,339	82,063	57,506	86,390	131,635
Pupil Support Services	482,715	570,033	494,385	580,940	573,478
Site, Buildings, and Equipment	628,373	674,292	726,826	953,467	2,382,242
Fiscal and Other Fixed Cost Programs	160,148	163,077	158,123	160,292	178,287
Transfers Out	-	-	10,000	10,000	-
TOTAL EXPENDITURES	<u>6,717,005</u>	<u>7,107,092</u>	<u>7,316,970</u>	<u>7,788,785</u>	<u>9,294,742</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	150,988	189,350	222,881	236,028	(978,651)
FUND BALANCE BEGINNING OF YEAR	<u>2,985,324</u>	<u>3,136,312</u>	<u>3,325,662</u>	<u>3,548,543</u>	<u>3,784,571</u>
FUND BALANCE END OF YEAR	<u>\$ 3,136,312</u>	<u>\$ 3,325,662</u>	<u>\$ 3,548,543</u>	<u>\$ 3,784,571</u>	<u>\$ 2,805,920</u>
ADJUSTED CASH BALANCES	<u>\$ 3,264,212</u>	<u>\$ 3,255,697</u>	<u>\$ 3,593,471</u>	<u>\$ 3,753,849</u>	<u>\$ 3,337,258</u>
EXPENDITURES - OBJECT					
Salaries and Wages	\$ 4,121,640	\$ 4,357,972	\$ 4,514,347	\$ 4,571,552	\$ 4,699,012
Employee Benefits	1,069,938	1,093,121	1,165,012	1,287,781	1,208,452
Purchased Services	805,437	820,074	814,222	845,047	917,790
Supplies and Materials	227,452	332,411	307,223	285,801	291,922
Other Expenditures/Transfers	26,318	29,918	33,604	34,459	52,206
Capital Expenditures	344,380	351,755	360,721	642,304	2,003,519
Debt Service Expenditures	121,840	121,841	121,841	121,841	121,841
TOTAL EXPENDITURES	<u>\$ 6,717,005</u>	<u>\$ 7,107,092</u>	<u>\$ 7,316,970</u>	<u>\$ 7,788,785</u>	<u>\$ 9,294,742</u>

OTHER REQUIRED REPORTS

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2020**

**INTERNAL CONTROL OVER FINANCIAL REPORTING
PREVIOUSLY REPORTED ITEM NOT RESOLVED**

2020-001 Audit Adjustments

Condition: During our audit, we proposed audit adjustments that resulted in significant changes to the District's financial statements. This finding was reported in the prior year audit as finding number 2019-001. The District's corrective action plan for the prior year audit filed with the Minnesota Department of Education stated that the District will review the prior year journal entries to determine training needs and will contract with the SW/WC Service Cooperative. The District has continued to work with the service cooperative to prepare the annual audit adjustments.

Effect: A control deficiency 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 misstatements of the financial statements on a timely basis. One control deficiency that typically is considered significant is identification by the auditor of a misstatement in the financial statement not initially identified by the entity's internal controls. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Cause: The Service Cooperative prepared a majority of the year end entries, however all accounts were not reviewed for accuracy, requiring the auditors to propose significant journal entries to unearned revenue, receivables, and expenditures.

Criteria: The District's accounting staff should prepare journal entries during the year, or at a minimum, at year end to convert the cash basis general ledger to a modified accrual basis general ledger. The external auditor's staff cannot be considered to be part of the District's internal control and should not be relied upon to propose a significant number of material audit adjustments.

Recommendation: We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

ITEM ARISING IN CURRENT YEAR

2020-002 Commodity Requests Not Filed Timely

Condition: During our audit, we noted that commodity reports/orders were not filed timely, resulting in lost benefits.

Effect: A control deficiency 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 misstatements on a timely basis. This could affect the District's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. If reporting requirements to agencies are not completed timely, funding can be affected, which in turn affects the District's cash flow.

Cause: Commodity request timelines were overlooked by the Food Service Director.

Criteria: Commodity requests should be prepared and submitted by due dates.

Recommendation: We recommend that the Food Service Director prepare and submit commodity requests timely.

**INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
JUNE 30, 2020**

INTERNAL CONTROL OVER FINANCIAL REPORTING (Cont'd)

ITEM ARISING IN CURRENT YEAR (Cont'd)

2020-002 Commodity Requests Not Filed Timely (Cont'd)

Views of Responsible Officials and Planned Corrective Actions: The District agrees with the finding and the auditor's recommendations will be adopted.

PREVIOUSLY REPORTED ITEMS RESOLVED

Finding 2019-002: Payment of Contracts

The District paid an employee but did not have a contract on file for that employee.

Resolution

The District implemented a review process to ensure employees have signed contracts on file prior to being paid.

Finding 2019-003: Payment of Purchase Orders for Sporting Events and Officials

The Auditor noted one disbursement of 25 sampled that did not have adequate supporting documentation on file for a volleyball official.

Resolution

The District implemented a process to ensure contract listing sheets were on file for all payments made to sporting event workers.

LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Finding 2019-004: IC-134 Not Obtained

The District did not obtain an IC-134 (Withholding Affidavit for Contractors) with the contractors of various projects requiring employment of employees by contractor.

Resolution

The District obtained an IC-134 for the current year work with various contractors requiring the employment of employees.

Finding 2019-005: Quotes Not Obtained for Assets and Projects Between \$25,000 and \$175,000

The District did not obtain quotes for required projects and purchases.

Resolution

The District obtained two or more quotes for purchases or projects between \$25,000 and \$175,000 in the current year.

Finding 2019-006: Contracts for Fuel

The District did not give adequate published notice for requests of fuel contract quotations and did not keep written quotes received on file.

Resolution

The District followed Minnesota Statute §123B.52 subd. 3 for fuel contracts.

INDEPENDENT SCHOOL DISTRICT NO. 2890
RENVILLE COUNTY WEST
RENVILLE, MINNESOTA
SCHEDULE OF FINDINGS ON INTERNAL CONTROL STRUCTURE AND COMPLIANCE
CORRECTIVE ACTION PLAN
JUNE 30, 2020

2020-001 Audit Adjustments

Auditor Recommendation

We recommend that the District's accounting staff continue to work towards its goal of preparing all required year end adjustments. If the District determines that this plan is not attainable, the plan should be amended to reflect the attainable goal.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The District still intends to follow the corrective action plan previously filed with the Minnesota Department of Education. The District will continue to contract with SW/WC Service Cooperative.
3. Official Responsible for Insuring CAP
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan has been and will continue to be implemented during the 2020-2021 fiscal year.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this corrective action plan.

2020-002 Commodity Requests Not Filed Timely

Auditor Recommendation

We recommend that the Food Service Director prepare and submit commodity requests timely.

Corrective Action Plan (CAP)

1. Explanation of Disagreement with Audit Finding
There is no disagreement with the audit finding.
2. Action Planned in Response to Finding
The Food Service Director will make sure commodity requests are being filed on time.
3. Official Responsible for Insuring CAP
The School Board is the official responsible for insuring corrective action of the deficiency.
4. Planned Completion Date for CAP
This plan will be implemented during the 2020-2021 fiscal year.
5. Plan to Monitor Completion of CAP
The School Board will be monitoring this corrective action plan.

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

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 2890, Renville County West, Renville, Minnesota, 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. 2890, Renville County West, Renville, Minnesota's basic financial statements and have issued our report thereon dated November 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Independent School District No. 2890, Renville County West, Renville, Minnesota's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings on internal control structure and compliance, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings on internal control structure and compliance as item 2020-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings on internal control structure and compliance as item 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent School District No. 2890, Renville County West, Renville, Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Independent School District No. 2890, Renville County West, Renville, Minnesota's Response to Findings

Independent School District No. 2890, Renville County West, Renville, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings on internal control structure and compliance corrective action plan. Independent School District No. 2890, Renville County West, Renville, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 12, 2020

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

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Independent School District No. 2890, Renville County West, Renville, Minnesota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 12, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2890, Renville County West, Renville, Minnesota 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 for school districts 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 related to accounting matters. However our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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

Hoffman + Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 12, 2020

MANAGEMENT LETTER

Members of the School Board
Independent School District No. 2890
Renville County West
Renville, Minnesota

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Independent School District No. 2890, Renville County West, Renville, Minnesota, for the year ended June 30, 2020, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of the following opportunity for strengthening internal controls and operating efficiency. We previously reported on the District's internal control and any related significant deficiencies and material weaknesses in our report dated November 12, 2020. This letter does not affect our report dated November 12, 2020, on the financial statements of Independent School District No. 2890, Renville County West, Renville, Minnesota.

- Due to the limited number of office personnel within Independent School District No. 2890, Renville County West, Renville, Minnesota, segregation of the accounting functions necessary to ensure adequate internal accounting control is not always possible. The District has responded to this deficiency by implementing various oversight controls by the School Board and Management. These oversight controls help to mitigate the risk to the organization created by the lack of segregation of duties within the accounting function. However, the risks that are created by the lack of segregation of duties can never be completely eliminated. The School Board and Management should continue to be diligent in their review of financial transactions, and document these procedures by initialing invoices, and approving expenditure reports.

If you have any questions regarding these items, please contact us.

Hoffman & Brobst, PLLP

Hoffman & Brobst, PLLP
Certified Public Accountants
Marshall, Minnesota

November 12, 2020

Fiscal Compliance Report - 6/30/2020

District: RENVILLE COUNTY WEST (2890-1)

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	Audit	UFARS	Audit - UFARS
01 GENERAL FUND			
Total Revenue	\$8,209,415	\$8,209,415	\$0
Total Expenditures	\$9,294,742	\$9,294,743	(\$1)
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$63,825	\$63,825	\$0
4.02 Scholarships	\$21,785	\$21,785	\$0
4.03 Staff Development	\$65,994	\$65,994	\$0
4.07 Capital Projects Levy	\$0	\$0	\$0
4.08 Cooperative Revenue	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0
4.14 Operating Debt	\$0	\$0	\$0
4.16 Levy Reduction	\$0	\$0	\$0
4.17 Taconite Building Maint	\$0	\$0	\$0
4.24 Operating Capital	\$139,362	\$139,362	\$0
4.26 \$25 Taconite	\$0	\$0	\$0
4.27 Disabled Accessibility	\$0	\$0	\$0
4.28 Learning & Development	\$0	\$0	\$0
4.34 Area Learning Center	\$0	\$0	\$0
4.35 Contracted Alt. Programs	\$0	\$0	\$0
4.36 State Approved Alt. Program	\$0	\$0	\$0
4.38 Gifted & Talented	\$0	\$0	\$0
4.40 Teacher Development and Evaluation	\$0	\$0	\$0
4.41 Basic Skills Programs	\$0	\$0	\$0
4.48 Achievement and Integration	\$4,728	\$4,728	\$0
4.49 Safe School Crime - Crime Levy	\$47,729	\$47,729	\$0
4.51 QZAB Payments	\$0	\$0	\$0
4.52 OPEB Liab Not In Trust	\$0	\$0	\$0
4.53 Unfunded Sev & Retirement Levy	\$0	\$0	\$0
4.59 Basic Skills Extended Time	\$41,304	\$41,304	\$0
4.67 LTFM	\$255,543	\$255,543	\$0
4.72 Medical Assistance	\$2,101	\$2,101	\$0
4.73 PPP Loan	\$0	\$0	\$0
4.74 EIDL Loan	\$0	\$0	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	\$0	\$0
4.75 Title VII Impact Aid	\$0	\$0	\$0
4.76 Payments in Lieu of Taxes	\$0	\$0	\$0
<i>Committed:</i>			
4.18 Committed for Separation	\$0	\$0	\$0
4.61 Committed Fund Balance	\$0	\$0	\$0
<i>Assigned:</i>			
4.62 Assigned Fund Balance	\$189,223	\$189,224	(\$1)
<i>Unassigned:</i>			
4.22 Unassigned Fund Balance	\$1,974,326	\$1,974,326	\$0

02 FOOD SERVICES

Total Revenue	\$319,319	\$319,319	\$0
Total Expenditures	\$319,570	\$319,569	\$1
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$5,278	\$5,278	\$0
<i>Restricted / Reserved:</i>			
4.52 OPEB Liab Not In Trust			

06 BUILDING CONSTRUCTION

	Audit	UFARS	Audit - UFARS
Total Revenue	\$222	\$222	\$0
Total Expenditures	\$453,222	\$453,222	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.07 Capital Projects Levy	\$0	\$0	\$0
4.13 Project Funded by COP	\$0	\$0	\$0
4.67 LTFM	\$0	\$0	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$0	\$0	\$0
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	\$0	\$0

07 DEBT SERVICE

Total Revenue	\$696,103	\$696,103	\$0
Total Expenditures	\$685,398	\$685,398	\$0
<i>Non Spendable:</i>			
4.60 Non Spendable Fund Balance	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.25 Bond Refundings	\$0	\$0	\$0
4.33 Maximum Effort Loan Aid	\$0	\$0	\$0
4.51 QZAB Payments	\$0	\$0	\$0
4.67 LTFM	\$0	\$0	\$0
<i>Restricted:</i>			
4.64 Restricted Fund Balance	\$470,625	\$470,625	\$0
<i>Unassigned:</i>			
4.63 Unassigned Fund Balance	\$0	\$0	\$0

08 TRUST

Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	\$0	\$0
4.02 Scholarships	\$0	\$0	\$0
4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0

18 CUSTODIAL

Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
<i>Restricted / Reserved:</i>			
4.01 Student Activities	\$0	\$0	\$0
4.02 Scholarships	\$0	\$0	\$0
4.48 Achievement and Integration	\$0	\$0	\$0
4.64 Restricted Fund Balance	\$0	\$0	\$0

20 INTERNAL SERVICE

Total Revenue	\$0	\$0	\$0
Total Expenditures	\$0	\$0	\$0
4.22 Unassigned Fund Balance (Net Assets)	\$0	\$0	\$0

25 OPEB REVOCABLE TRUST

Total Revenue	\$0	\$0	\$0
Total Expenditures			

	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$49,747	<u>\$49,747</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>
04 COMMUNITY SERVICE			
Total Revenue	\$170,684	<u>\$170,684</u>	<u>\$0</u>
Total Expenditures <i>Non Spendable:</i>	\$126,498	<u>\$126,499</u>	<u>(\$1)</u>
4.60 Non Spendable Fund Balance <i>Restricted / Reserved:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.26 \$25 Taconite	\$0	<u>\$0</u>	<u>\$0</u>
4.31 Community Education	(\$2,638)	<u>(\$2,638)</u>	<u>\$0</u>
4.32 E.C.F.E	\$56,053	<u>\$56,053</u>	<u>\$0</u>
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	<u>\$0</u>
4.44 School Readiness	\$28,104	<u>\$28,104</u>	<u>\$0</u>
4.47 Adult Basic Education	\$0	<u>\$0</u>	<u>\$0</u>
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	<u>\$0</u>
4.73 PPP Loan	\$0	<u>\$0</u>	<u>\$0</u>
4.74 EIDL Loan <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$12,789	<u>\$12,789</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>

	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

45 OPEB IRREVOCABLE TRUST

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures	\$0	<u>\$0</u>	<u>\$0</u>
4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	<u>\$0</u>

47 OPEB DEBT SERVICE

Total Revenue	\$0	<u>\$0</u>	<u>\$0</u>
Total Expenditures <i>Non Spendable:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.60 Non Spendable Fund Balance <i>Restricted:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.25 Bond Refundings	\$0	<u>\$0</u>	<u>\$0</u>
4.64 Restricted Fund Balance <i>Unassigned:</i>	\$0	<u>\$0</u>	<u>\$0</u>
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	<u>\$0</u>