

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

INTRODUCTORY SECTION

BOARD OF EDUCATION AND ADMINISTRATION	1
--	----------

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	2
-------------------------------------	----------

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS	5
---	----------

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION	23
----------------------------------	-----------

STATEMENT OF ACTIVITIES	24
--------------------------------	-----------

BALANCE SHEET – GOVERNMENTAL FUNDS	25
---	-----------

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	27
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	28
--	-----------

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES	30
---	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	31
---	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – FOOD SERVICE FUND	32
--	-----------

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – COMMUNITY SERVICE FUND	33
---	-----------

STATEMENT OF FIDUCIARY NET POSITION	34
--	-----------

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	35
---	-----------

NOTES TO BASIC FINANCIAL STATEMENTS	36
--	-----------

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2021**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS	73
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	74
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS	75
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	76

SINGLE AUDIT AND OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	83
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	85
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	87
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	88
INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE	89
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	90
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS COMPLIANCE TABLE	95

INTRODUCTORY SECTION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BOARD OF EDUCATION AND ADMINISTRATION
JUNE 30, 2021**

BOARD OF EDUCATION

NAME	TERM ON BOARD EXPIRES	BOARD POSITION
Jason Lindeman	January 2, 2023	Chairperson
Alicia Luckhardt	January 2, 2023	Vice Chairperson
Clark Christianson	January 2, 2025	Treasurer
Donna VonBerge	January 2, 2025	Clerk
Jamie Alsleben	January 2, 2025	Director
Jonathan Lemke	January 2, 2023	Director

ADMINISTRATION

Christopher Sonju	Superintendent of Schools
Michelle Sander	Business Manager

District Office:	Independent School District No. 2859 Glencoe-Silver Lake Public Schools 1621 E. 16 th Street Glencoe, MN 55336 (320) 864-2491
------------------	--

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and the respective budgetary comparisons for the General Fund, Food Service Fund, and Community Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2021, the District restated beginning net position of governmental activities and fund balance of the General Fund to account for an error in the previously issued financial statements (see Note 12). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Uniform Financial Accounting and Reporting Standards Compliance Table, as required by Minnesota Department of Education, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

Other Information (Continued)

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
September 20, 2021

REQUIRED SUPPLEMENTARY INFORMATION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

This section of Glencoe-Silver Lake Public Schools – Independent School District No. 2859's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2021. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-2021 fiscal years include the following:

- The District has been able to maintain a positive fund balance in all funds.
- The net position of the District increased by \$434,780, which included \$390,553 from the prior period restatement, during the year ended June 30, 2021.
- The fund balance in the General Fund increased to \$5,640,565 compared to \$5,075,305 at June 30, 2020. \$390,553 of this increase related to a prior period adjustment to beginning fund balance in the General Fund related to the overstatement of payables and expenditures in the prior year.
- The ending fund balance within the General Fund remains above the fund balance policy set by the board.
- General Fund restricted accounts having fund balances at June 30, 2021 included Staff Development, Operating Capital, Student Activities, Gifted and Talented, and Teacher Development and Evaluation, Safe Schools.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements

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

Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-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 services, and community education. Property taxes and state aids finance most of these activities.

The fund financial statements provide more detailed information about the District's *funds* – focusing on its most significant or "major" funds – not 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 (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The District has two kinds of funds:

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

District-Wide Statements (Continued)

- *Fiduciary funds* – The District is a trustee, or custodian, for assets that belong to others, such as the scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used for only their intended purposes and by those to whom the assets belong. All the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's *combined* net position was (\$3,321,349). This was a 11.58% increase from the prior year. (See Table A-1.)

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

	Governmental Activities as of June 30,		Percent Change
	2021	2020	
ASSETS			
Current and Other Assets	\$ 12,322,259	\$ 11,967,923	2.96 %
Capital Assets	31,321,443	31,706,126	(1.21)
Total Assets	43,643,702	43,674,049	(0.07)
DEFERRED OUTFLOWS OF RESOURCES	5,205,963	8,732,326	(40.38)
LIABILITIES			
Current Liabilities	2,848,165	3,190,204	(10.72)
Long-Term Liabilities	35,947,089	35,649,192	0.84
Total Liabilities	38,795,254	38,839,396	(0.11)
DEFERRED INFLOWS OF RESOURCES	13,375,760	17,323,108	(22.79)
NET POSITION			
Net Investment in Capital Assets	7,884,897	7,512,177	4.96
Restricted	1,936,748	1,660,063	16.67
Unrestricted	(13,142,994)	(12,928,369)	1.66
Total Net Position	\$ (3,321,349)	\$ (3,756,129)	(11.58)

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position

The District's total revenues were \$23,211,521 for the year ended June 30, 2021. Property taxes and state formula aid accounted for 68% of total revenues for the year. The remaining 32% came from other general revenues combined with investment earnings and program revenues.

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

	Governmental Activities for the Fiscal Year Ended June 30,		Percent Change
	2021	2020	
REVENUES			
Program Revenues:			
Charges for Services	\$ 636,952	\$ 941,992	(32.38)%
Operating Grants and Contributions	5,992,212	4,754,851	26.02
Capital Grants and Contributions	426,406	461,796	(7.66)
General Revenues:			
Property Taxes	3,978,717	3,434,330	15.85
Unrestricted State Aid	11,854,463	11,922,710	(0.57)
Investment Earnings	188,726	312,078	(39.53)
Other	134,045	120,592	11.16
Total Revenues	23,211,521	21,948,349	5.76
EXPENSES			
Administration	985,949	933,872	5.58
District Support Services	402,822	363,583	10.79
Regular Instruction	10,389,275	9,720,207	6.88
Vocational Education Instruction	284,564	278,448	2.20
Special Education Instruction	3,580,811	3,683,647	(2.79)
Instructional Support Services	1,024,098	699,593	46.38
Pupil Support Services	1,706,200	1,756,560	(2.87)
Sites and Buildings	2,193,917	2,334,095	(6.01)
Fiscal and Other Fixed Cost Programs	55,979	51,091	9.57
Food Service	967,962	982,315	(1.46)
Community Service	737,877	818,539	(9.85)
Interest and Fiscal Charges on Long-Term Liabilities	837,840	943,224	(11.17)
Total Expenses	23,167,294	22,565,174	2.67
CHANGE IN NET POSITION	44,227	(616,825)	
NET POSITION - BEGINNING	(3,756,129)	(3,139,304)	
Prior Period Restatement	390,553	-	
NET POSITION - BEGINNING, AS RESTATED	(3,365,576)	(3,139,304)	
NET POSITION - END	<u>\$ (3,321,349)</u>	<u>\$ (3,756,129)</u>	

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Total revenues surpassed expenses by \$44,227, mainly due net activity on the fund level that was slightly reduced by government wide conversion entries mostly related to capital assets and related depreciation, pensions, severance, compensated absences and , long-term debt.

The cost of all *governmental* activities this year was \$23,167,294. The District's expenses are predominantly related to educating and caring for students.

- \$636,952 of the cost was paid by the users of the District's programs.
- The federal and state governments subsidized certain programs with grants and contributions of \$5,992,212.
- Most of the District's costs, however, were paid for by District taxpayers and the taxpayers of our state.
- This portion of governmental activities was paid for with \$3,978,717 in property taxes and \$11,854,463 in state aid based on the statewide education aid formula. In addition, the District earned additional revenues of \$322,771 related to investment earnings and other general revenues.

Figure A-1 Sources of District's Revenues for Fiscal 2021

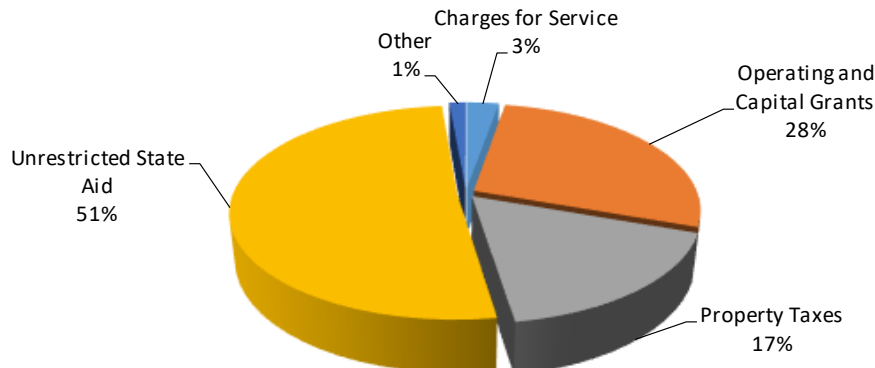
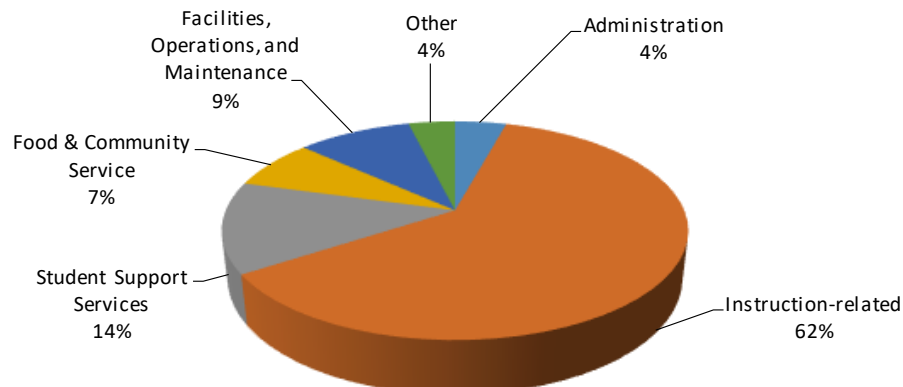


Figure A-2 District Expenses for Fiscal 2021



**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)

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

	Total Cost of Services		Percent Change	Net Cost of Services		Percent Change
	2021	2020		2021	2020	
Administration	\$ 985,949	\$ 933,872	5.58 %	\$ 962,336	\$ 921,846	4.39 %
District Support Services	402,822	363,583	10.79	402,822	363,188	10.91
Regular Instruction	10,389,275	9,720,207	0.07	8,380,958	7,753,808	8.09
Vocational Education Instruction	284,564	278,448	2.20	275,478	266,842	3.24
Special Education Instruction	3,580,811	3,683,647	(2.79)	1,343,124	1,538,315	(12.69)
Instructional Support Services	1,024,098	699,593	46.38	436,105	478,239	(8.81)
Pupil Support Services	1,706,200	1,756,560	(2.87)	1,530,482	1,723,918	(11.22)
Sites and Buildings	2,193,917	2,334,095	(6.01)	1,698,874	2,115,939	(19.71)
Fiscal and Other Fixed Cost Programs	55,979	51,091	9.57	55,979	51,091	9.57
Food Service	967,962	982,315	(1.46)	70,204	7,504	835.55
Community Service	737,877	818,539	(9.85)	117,522	242,621	(51.56)
Interest and Fiscal Charges on Long-Term Liabilities	837,840	943,224	(11.17)	837,840	943,224	(11.17)
Total	<u>\$ 23,167,294</u>	<u>\$ 22,565,174</u>	2.67	<u>\$ 16,111,724</u>	<u>\$ 16,406,535</u>	(1.80)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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 \$6,623,460, which is more than last year's ending fund balance of \$5,992,395. Most of the increase relates to the General Fund due to the restatement of fund balance and net position due to a prior year adjustment of \$390,553 related to an entry for accounts payable for LTFM expenditures.

GENERAL FUND

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

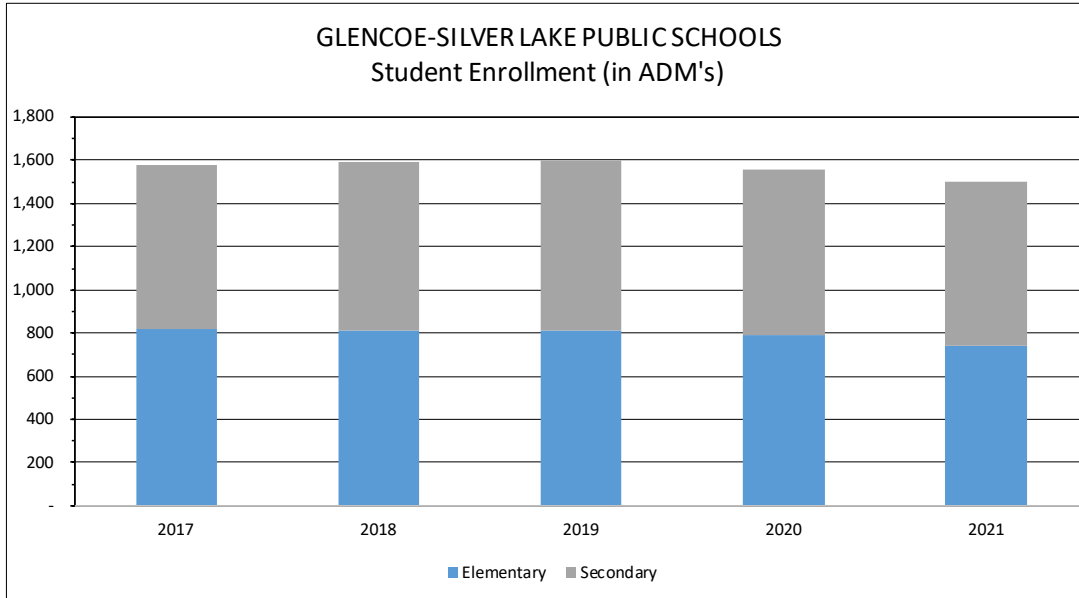
Table A-4 and Figure A-3 show the average daily membership for the last five years.

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

	2017	2018	2019	2020	2021
Elementary	818	811	813	788	739
Secondary	763	780	784	769	765
Total Students for Aid	<u>1,581</u>	<u>1,591</u>	<u>1,597</u>	<u>1,556</u>	<u>1,504</u>
Percent Change	1.35 %	0.63 %	0.38 %	(2.55)%	(3.38)%

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)



The following schedule presents a summary of General Fund revenues.

**Table A-5
General Fund Revenues**

	Year Ended		Change	
	June 30, 2021	June 30, 2020	Increase (Decrease)	Percent Change
Local Sources:				
Property Taxes	\$ 2,595,243	\$ 2,078,458	\$ 516,785	24.9 %
Earnings on Investments	29,401	105,130	(75,729)	(72.0)
Other	521,751	699,914	(178,163)	(25.5)
State Sources	15,170,393	15,195,364	(24,971)	(0.2)
Federal Sources	1,550,794	597,696	953,098	159.5
Total General Fund Revenue	<u>\$ 19,867,582</u>	<u>\$ 18,676,562</u>	<u>\$ 1,191,020</u>	6.4

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)

Revenues from state and federal sources totaled \$16,721,187 a net increase of \$928,127. Total General Fund revenues increased by \$1,191,020, or 6.4%, from the previous year. Property tax revenue increased by \$516,785 or 24.9% from the prior year. Basic general education revenue is determined by a state per student funding formula and consists of an equalized mix of property tax and state aid revenue. Other state-authorized revenue includes excess levy referendum and equity aid revenue. Therefore, the mix of property tax and state aid can change significantly from year to year without any net change in revenues.

The \$24,971 decrease in state sources for fiscal 2021 is mainly attributable to an increase in general education aid offset by a decrease in enrollment.

Federal funds increased by \$953,098 which is related to Federal revenues received in response to the COVID-19 pandemic.

The following Table A-6 represents a summary of General Fund expenditures.

**Table A-6
General Fund Expenditures**

	Year Ended		Amount of Increase (Decrease)	Percent Increase (Decrease)
	June 30, 2021	June 30, 2020		
Salaries	\$ 10,432,847	\$ 9,904,526	\$ 528,321	5.3 %
Employee Benefits	3,004,013	2,942,958	61,055	2.1
Purchased Services	3,875,995	4,134,955	(258,960)	(6.3)
Supplies and Materials	1,505,462	847,882	657,580	77.6
Capital Expenditures	537,166	258,223	278,943	108.0
Debt Service Expenditures	344,129	266,904	77,225	28.9
Other Expenditures	169,209	162,089	7,120	4.4
Total General Fund Expenditures	<u>\$ 19,868,821</u>	<u>\$ 18,517,537</u>	<u>\$ 1,351,284</u>	7.3

Total General Fund expenditures increased by \$1,351,284 or 7.3% from the previous year.

Salaries and benefits fall in line with the contract settlements and the additional staff who were hired.

The decrease in purchased services is due to COVID related expenses. The District operated modified student schedules during the year, so at times there were only half the students or no students in the building. Utility and operational costs were down \$127,772. There was also an effect on student activities. A number of events did not take place, so no entry fees were paid out. Costs to the 200 programs decreased by \$104,678. This also affected some staff mileage and staff development activities that were held virtually. The increase in supplies and materials is related to the additional items purchased with the Federal COVID revenue for items needed for Distance and Hybrid Learning. The increase in Capital expenses is related to the purchase of COVID related equipment and technology items. The total fund balance of the General Fund increased to \$5,640,565 at June 30, 2021 compared to \$5,465,858 at June 30, 2020, as restated, a total increase of \$174,707. The restated amount is related to a prior overstatement of payables and expenditures, see Note 12.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND (CONTINUED)

The School Board and administration have worked extremely hard in monitoring the budget and controlling the spending of the school district. The fund balance policy is reviewed annually by the Business Manager, Superintendent, and School Board. The fund balance policy clarifies to ensure the financial strength and stability of the District. The Board will endeavor to maintain a minimum of 20% 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.

The June 30, 2021, ending unassigned and nonspendable General Fund balance, which includes Fund 01 and Fund 10, is \$4,009,661 and is at 23.91% of expenditures per MDE's statutory operating debt (SOD) calculation based on \$16,773,094 of unassigned expenditures.

General Fund Budgetary Highlights

When budget changes are adopted by the Board they fall into one of the following categories:

- Adjusting for changes in pupil enrollment including revenue and potential staff additions
- Adjustments for utility consumptions and costs or building repairs or maintenance
- Transportation costs
- Implementing budgets for specially funded projects (Health and Safety), and projects which include both federal and state grants
- Special education
- Legislative changes

During fiscal year 2021, the General Fund revenues budgeted were \$19,826,555. Actual revenues received were \$19,867,582. During fiscal year 2021, General Fund revenues were over budgeted amounts by \$41,027. Some of the variances included other revenues which exceeded budgeted amounts by \$90,036 which was partially offset by Federal sources ending the year \$44,314 under budget.

The expenditure budget was \$20,134,692. Actual expenditures in the General Fund were \$19,868,821. The General Fund expenditures were under budget by \$265,871. To account for the difference, \$93,766 was related to salaries and benefits, and most of the rest of the expenditures coming in under budget related to supplies, purchased services, equipment, dues, and memberships, which were partially offset by capital outlay and other expenditures ending the year \$91,990 and \$54,803 over budget, respectively.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

OTHER MAJOR FUNDS

Food Service Fund

The Food Service Fund experienced a slight decrease of \$37,738 leaving the fund balance at \$266,658. The 2020-2021 school year was the fourth year of a four-year contract with Chartwell's.

Chartwell's has worked extremely well with the District to increase our food service offerings as well as provide a healthy menu that meets the dietary requirements and stay within the budget. The District continues to offer a free breakfast program for all K-12 students, a milk and snack break for K-6 students and an after-school snack program for students involved in an after school activity and a free 6 week summer food service program. During FY21, due to the disruptions of COVID, and under guidance from the Minnesota Department of Education and the US Department of Agriculture, districts changed their program from the National School Lunch Program to the Summer Food Service Program. Students were offered free breakfast and free lunch for all of FY21 without having to complete an Application for Educational Benefits. Districts were then reimbursed by the Federal Government through the SFSP. This change will also be in effect for FY22.

Community Service

The Community Service Fund fund balance increased from \$314,497 at June 30, 2020 to \$395,489 at June 30, 2021. From the standpoint of maintaining current operating expenditures within the range of annual revenues, the Community Service Fund continues to operate on a sound financial basis. The Community Service Fund consists of Community Education, School Readiness, Early Childhood Family Education, and Pre-School Screening and Nonpublic Education. All of these programs are providing a service to varying levels of the community.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2021, the District had invested \$44,027,803 in a broad range of capital assets, including school buildings, athletic facilities, vehicles; computer and audio-visual equipment (see Table A-7). Total depreciation expense for the year was \$1,029,630. The construction in progress amounts related to expenditures incurred for upgraded security cameras. This project was started in the Spring of 2021 and finished in August of 2021. Most of the increase in assets relates to the Lakeside bathroom improvements, new ventilators at Lakeside, the high school, and Lincoln, and new analog cameras, and a new copier capital lease. Overall accumulated depreciation increased due to current depreciation expense exceeding disposals.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

**Table A-7
Capital Assets**

	2021	2020	Percent Change
Land	\$ 130,000	\$ 130,000	-
Construction in Progress	28,362	59,705	N/A
Land Improvements	2,336,610	2,336,610	-
Buildings and Improvements	36,248,096	35,917,456	0.9
Equipment	5,284,735	5,058,508	4.5
Less: Accumulated Depreciation	(12,706,360)	(11,796,153)	7.7
Total District Capital Assets	<u>\$ 31,321,443</u>	<u>\$ 31,706,126</u>	(1.2)

Long-Term Liabilities

At year-end, the District had \$22,245,000 in general obligation bonds, \$383,663 in lease purchases payable, and \$140,942 in capital leases, as shown in Table A-8. The District also had \$301,726 in severance benefits payable at June 30, 2021 (more detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements).

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

	2021	2020	Percent Change
General Obligation Bonds	\$ 22,245,000	\$ 22,880,000	(2.8)%
Net Bond Premium and Discount	666,941	707,581	(5.7)
Capital Leases Payable	140,942	144,178	(2.2)
Lease Purchase Payable	383,663	528,930	(27.5)
Compensated Absences Payable	301,726	325,854	(7.4)
Total Long-Term Liabilities	<u>\$ 23,738,272</u>	<u>\$ 24,586,543</u>	(3.5)
Long-Term Liabilities:			
Due Within One Year	\$ 870,868	\$ 900,688	
Due in More Than One Year	22,867,404	23,685,855	
Total	<u>\$ 23,738,272</u>	<u>\$ 24,586,543</u>	

The majority of the change in the long-term liabilities relates to principal payments being made on the general obligation bonds and the lease purchase payable. Capital leases decreased due to the principal payments being made exceeding the amount of the new copier capital lease.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The 2020-2021 school year was a challenging year as we continued to deal with the effects of the COVID-19 Pandemic that began in March of 2020. The District struggled throughout the year as we offered in-person learning, hybrid learning and distance learning. At times, all types of learning were in place at our K-12 buildings. We saw a drop in enrollment as some parents chose to provide Home-Schooling for their child(ren) or they enrolled in a non-public school. Non-public schools did not have to adhere to the same laws and regulations that the public school did. Some parents felt that was a better solution for their family.
- All of the new requirements regarding face masks, face shields, desk shields, additional technology for distance learning, cleaning supplies, PPE supplies, additional staffing to cover classrooms all come with additional costs and adds a new level of burden on school budgets that are already limited. The state and federal government recognized those additional budgeting costs and passed the CARES Act Funding Bill – Coronavirus Aid, Relief and Economic Security. This funding was distributed to Counties, Cities and School Districts in various forms with various timelines of when the money had to be spent along with what expenditures are allowable. The district received funds from the City of Glencoe, McLeod County and the Minnesota Department of Education for approximately \$1,053,009 in additional funds. The District will receive an additional \$1,523,420 in ESSER III funds that can be utilized over the next three years. The additional funds should help the district sustain their regular budgets. It will also allow the district to offer smaller class sizes and additional support services for the 2021-2022 and 2022-2023 school years. The on-going lingering effects of the pandemic will determine what budgets and fund balances will look like going forward.
- Compensatory Revenue will continue to be an area of concern. During the 2020-2021 school year, all students received free lunches due to the effects of the pandemic. Because all students were determined to be free, families did not complete the Application for Educational Benefits. Because the Free and Reduced numbers for a district determines the funding for compensatory revenue, the amount of compensatory revenue dropped. In the FY20 school year, the district received \$602,669 in Compensatory Revenue. For the FY21 school year, the district received \$552,574. The estimate for the FY22 school year is \$393,182. A drop of \$209,487. This is an area of concern as the revenue estimates are based on the October 1 free and reduced numbers and the federal government has determined that all lunch and breakfast will be automatically free for the FY22 school, parents are not eagerly responsive to filling out the application.
- With the completion of the 2021 Legislative Session, the formula allowance per pupil unit was increased by 2.45% for the 2021-2022 school year and 2% for the 2022-2023 school year. The basic formula allowance changes from \$6,567 in the 2020-2021 school year to \$6,728 for the 2021-2022 school year and \$6,863 for the 2022-2023 school year. These increases are also linked to other revenues that are linked to the formula allowance. Compensatory, sparsity aid, nonpublic transportation and ECFE. This increase will help the district in maintaining the fund balance policy.
- The Pathway II funding is continued for FY22 at the 2017 funding level. Established priority for children who have a parent under age 21 and who is pursuing a high school diploma, children that are in foster care or protective services and any child that is homeless. The amount the district receives is \$37,500 which is part of the School Readiness program in Fund 04.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The ECFE funding increase that is linked to the general education formula allowance increases the allowance from \$151.04 for FY21 to \$154.74 for FY22.
- Allows districts to enter into a one-year contract with a food service management company with the option of up to four years for renewal. (Currently, districts were allowed to renew the contract for up to two years.) The district will have to go out for bids for a food service management company in the spring of 2022 for a new contract to be effective July 1, 2022 for the 2022-2023 school year.
- School Building Bond Agriculture Credit – Agriculture classified land will receive a 40% credit on the property that is attributable to a school district's bonded debt for taxes payable beginning in 2018. The District started receiving the credits through the State IDEAS payment system after July 1, 2018 for the 2018-2019 school year. Legislators have now increased the Ag Credit to 50% with the Pay 2020 levy, 55% in Pay 21, 60% in Pay 22 and 70% in Pay 23 and after. This will have a huge tax relief impact on our agriculture property owners as it affects all of the districts building bond and abatement bond debt.
- Minnesota school districts are paid based on pupil units served. A decline or increase in enrollment results in variable revenue that is received for operations. The District enrollment for 2018-2019 ended at 1,597 Adjusted Pupil Units compared to 1,591 in 2017-2018. Enrollment for the 2019-2020 school year showed a decrease of 2.55%. Enrollment ended at 1,566. Enrollment for the 2020-2021 ended at 1,504 with projected estimated enrollment for the 2021-2022 school year is 1,470. As you can see the steady decline in enrollment, this will continue to be a concern for the district for future planning for staff.
- The Administration and School Board continue to work on plans for improving the school facilities. In December of 2012, the School Board approved to move forward with building a 5,000 square foot Early Childhood Learning Center as an addition to the Lincoln Junior High Building. The Review and Comment Plan was submitted to the Minnesota Department of Education and final approval was received in June of 2013. The building houses the Early Childhood Special Education, (ECSE), the Early Childhood Family Education (ECFE), and the School Readiness (SR) programs. Along with office space, Director's office, Speech teacher office and a large motor room that could also be utilized as a classroom. Remodeling of the main level Lincoln restrooms and old kitchen area were included in the project plans. Total project costs are \$1,966,909. The Board moved forward with a 10-year lease levy option for \$1,375,000 that will be spread to the taxpayers over the 10-year period. The additional cost of the project was paid by district funds. The project was completed in January of 2014 and students and staff began using the facility at that time.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- After two failed building referendums in 2011, the School Board voted to hold a special election on May 12th, 2015 asking the voters to approve a building bond referendum for \$24,190,000. The ballot question was to authorize the District to issue bonds to provide funds to relocate grades K-2 to the existing Lincoln building, repurpose current program space, construction of new space between the current Lincoln and High school buildings and to complete window upgrades at the Lakeside building. The election was successful with 1,534 yes votes and 908 no votes. The election was successful in the Brownton, Glencoe, Plato, and Silver Lake precincts and failed in the New Auburn precinct.
- The District sold the bonds on July 13, 2015 with a closing date of August 13, 2015, in the amount of \$23,695,000 with a bond obligation of 29.5 years. \$24,111,934 was wired to Security Bank on behalf of the District and was invested in a guaranteed money market investment account at .77% earnings. Ehlers and Associates was the financial institute that handled the sale of the bonds. All transactions related to the building project were accounted for in Fund 06, Building Construction Fund to be in compliance with state, federal, and UFARS accounting procedures.
- The building construction project got underway in May of 2016. The project was divided into three separate bid packages. Bid package #1 was the civil package containing the ground and utility work, bid package #2 was the majority of the construction and bid package #3 was the boiler room equipment. The District utilized ARY Architects and Donlar Construction as the construction management company. All construction activity was tracked using Fund 06 and the debt for the project will be posted to Fund 07. The majority of the project was completed at the start of the 2018 school year. Additional punch list items continued until December of 2018. The project did come in over budget by \$1.8 million. The District will utilize a combination of LTFM, Operating Capital and Internal Service Funds to pay off the balance of the project after the construction checking account is depleted. As of June 30, 2018, \$1,815,234 was shown as a negative balance in the Fund 6 construction account. This amount accounts for all construction in progress and amounts payable.
- At the close of FY19, June 30 the project was closed with only one possible outstanding invoice. Transfers were made utilizing the Operating Capital Fund, Internal Service Fund, and LTFM Revenue to eliminate the negative fund balance in Fund 06.
- At the September 14, 2015 School Board meeting, the Board also held a public hearing and approved a motion to move forward with the sale of the Helen Baker Building. The sale of the Helen Baker building was completed May 31, 2018. The building was sold for \$1.00 to a local contractor.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- The November 2011 election results showed that the renewal of the operating referendum for \$727 per pupil unit was passed by the voters. There were 2,163 yes votes and 1,212 no votes. The passage of this operating referendum is for a period of seven years. The renewal of the referendum was essential to maintain the current level of funding that the District currently has. The successful election shows a positive statement of support from the taxpayers. With the new legislative changes from the 2013 legislative session, the impact to the votes could change dramatically when putting the question to the ballot when the referendum expires in 2020. Which would indicate an election would be held in 2019. The current operating referendum was for \$727 per pupil unit. When all the conversions are completed due to the legislative changes, the new amount of the referendum is \$900.88. The location equity revenue allowance of \$424 is then subtracted from the \$900.88, so the new referendum amount is \$476.88. If the Board moves forward with converting the \$300 of voter approved to Board approved referendum, the amount of the referendum available is \$176.88 without seeking an election. At this time, the School Board approved the \$300 Board levy authority at the August, 2018 Board meeting. A Resolution was also approved to move forward with a referendum election at the November 6, 2018 general Election. The ballot question will ask the voters to approve replacing the \$176.88 levy authority with \$460.00, which is an increase of \$283.12 per pupil unit. The proposed referendum language would include the inflationary language and would be effective for taxes payable beginning in 2020. The ballot question failed by 660 votes. A total of 2,190 Yes votes and 2,850 No votes were cast as part of the general election. The school board is proceeding with a Referendum Election on November 5, 2019 asking the voters for the exact same amount of \$460.00 including the inflationary language effective for taxed payable beginning in 2020. If this election fails, the district will lose approximately \$300,000 in revenue and will have to look at expenditure reductions to maintain the fund balance policy. This could affect staffing and programming moving forward until another election could be held.
- Because of the positive fund balance in both unassigned General Fund and operating capital, a number of building and grounds projects have been completed. The facility committee has been active in addressing the deferred maintenance, health and safety, and operating capital plans and outlining the projects to be completed. Having a positive fund balance again has proven to be a very positive reinforcement for the District, the staff and the community. Facility upgrades will continue to take place as long as the projects stay within our budget means. A number of technology upgrades have also been taking place. Computer labs have been upgraded along with additional interactive boards in more classrooms. Technology upgrades will continue to happen as 21st Century Learning continues to focus more and more towards up to date technology capabilities. Along with the construction of the new facility, a number of high school and Lincoln building improvements were made in conjunction with the project.
- During the summer of 2012, the field house gym floors in gym 1 and gym 2 were completely replaced with a wood performance floor at a cost of \$120,000. The field house was also completely re-painted. The Board also approved the replacement of windows and doors on the Lincoln building and the north entrance doors and windows to the high school. The cost of this project was \$520,000.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- During the summer of 2013, additional projects were completed. In addition to the new Early Childhood Learning Center and remodeling that was started, an extension to the garage east of the high school was completed along with new cement and asphalt. A new track surface was installed at the Athletic Complex for \$124,900. Additional playing fields were added west of the Athletic Complex stadium at a cost of \$70,000.
- During the summer of 2014, a new tennis court complex was developed in the north athletic complex. The old 8 courts were demolished and 12 new courts were put in place at a cost of \$693,000. Along with the construction of the courts, lights were installed on the front three courts at a cost of \$61,000. This portion of the project was funded through the Panther Association over a five-year period. The District pursued a \$50,000 lease lighting agreement with the local Glencoe Light and Power similar to the agreement that had been worked out with the football field lights. The lease for the lights was paid off as of June 30, 2018. The football field light lease was paid in full in August of 2014. The football field lights were re-lamped during the summer of 2014 as part of the original warranty. A partial repair and replacement was made to the Field House roof along with new asphalt surfacing in the Lincoln parking lot.
- During the summer of 2015, the District started the replacement of the hallway hall tile at the high school. This project is part of the deferred maintenance schedule and will be phased in over a two or three-year plan. The first phase was \$25,346. During the summer of 2016, another section of hallway tile was completed for \$50,670. During the summer of 2017, another section of hallway tile was completed for \$49,502. In 2018 and 2019, two more sections of hallway tile were completed. As of June 1, 2019 only one section of hallway remains to be completed at the high school. Also completed in 2015 was a special education room remodel in the Lakeside Elementary building for \$48,115. This was funded using federal special education funds. Cement work at the Lakeside site was also completed at a cost of \$11,364. Tuck-pointing was completed at the high school for \$27,770 and \$24,800 was spent in tuck-pointing at the Lakeside building in 2016. The high school gym and hallways were painted in 2016 for a cost of \$9,840. The District spent \$48,470 in painting upgrades during the summer of 2017 in the Lincoln Elementary and at the High School. The District also spent \$44,000 to remodel a special education bathroom for the new Lincoln Elementary in the summer of 2017. The District continues to maintain a fund balance in the operating capital fund while addressing the needs of the District and the building sites.
- Part of the building project included window and door replacement on the Lakeside building. As part of that project, the District decided to move forward with the doors and the windows at the high school in conjunction with the Lakeside project to get better pricing and to get the high school project completed to match the new construction. The total cost of this project is \$511,600. \$260,000 will be paid out of the construction account with the remainder of the amount coming out of LTFMR and Operating Capital. This was completed in 2017.
- In June of 2019, the District sold \$1,035,000 in General Obligation Tax Abatement Bonds for the purpose of parking lot upgrades at the high school and at Lakeside Elementary in Silver Lake. The project was bid and awarded to Duinick Construction for a bid price of \$965,768.00. There were six bidders for the project. AJA (Anderson-Johnson Associates) was the design engineer for the project. Work was started in June of 2019 and completed in September of 2019. The project is recorded in Fund 06 – Construction Fund.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FACTORS BEARING ON THE DISTRICT'S FUTURE (CONTINUED)

- During the summer of 2019, the pool at the school was drained for work to be completed in the pool including step replacements, replacement of the gaskets around the lights, acid washing the pool, and painting of the poolroom walls and tile.
- During the summer of 2020, the parking lot in front of the high school, the bus lane and the west parking lot by the Lincoln building was seal coated, and restriped. Cement work was completed in front of the Lincoln building and the front of the Lakeside building.
- A new dust collection system was installed in the high school wood shop during the summer of 2020. One set of bathrooms were remodeled at Lakeside along with new ceilings and lights in three classrooms at Lakeside.
- During the summer of 2020 and 2021 bathroom remodels at the high school and Lakeside have been completed, hallway lights and ceilings at Lakeside and ceiling lights and tile at the high school and at Lakeside. The cafeteria floor at Lakeside was painted and additional cement work at the high school and a parking area for the athletic complex east of the ball fields was completed. Also completed in 2021 were the addition of five windows in the field house and a new front entrance at the high school.
- As of October 2021, contracts with the Principals, Teachers Union and Local 284 have all been completed. Contracts that remain to be settled include the ECFE/SR Director and two individual interpreter contracts.
- The District continues to contract with the South West/West Central Service Cooperative – Region 4 (the Coop) for a number of services including finance, payroll, and student assistance (MARRS) and Special Education. The Coop also offers a Special Education Level IV Program in Cosmos that our district is able to use for a limited number of students that require additional services when we are unable to meet their needs. This poses an additional transportation cost for the District but allows us to be in compliance with state and federal regulations regarding the individual learning plans for students. With all the changes in Special Education, including the statewide tuition billing, this continues to be a difficult area to monitor in the budget. The Coop continues to be a great resource for the District to be able to be a part of to assist in all of these areas of budget and financing.
- Glencoe-Silver Lake Public Schools is a very stable district with strong community support. The District provides a full range of public education services for Pre-school through grade 12. Food service and transportation are provided as supporting programs. The District's community education program includes early childhood, school readiness along with adult learning opportunities. The public school also provides some shared time services for the nonpublic schools in the District. There is currently a K-8 Lutheran School in Glencoe.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report contact the District Office, Independent School District No. 2859, 1621 East 16th Street, Glencoe, MN 55336.

BASIC FINANCIAL STATEMENTS

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF NET POSITION
JUNE 30, 2021**

ASSETS

Cash and Investments	\$ 8,469,402
Receivables:	
Property Taxes	2,179,923
Other Governments	1,631,314
Other	15,876
Inventories	25,744
Capital Assets:	
Land and Construction in Progress	158,362
Other Capital Assets, Net of Depreciation	31,163,081
Total Assets	<u>43,643,702</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows - Pensions	5,104,175
Deferred Outflows - Other Postemployment Benefits	101,788
Total Deferred Outflows	<u>5,205,963</u>

LIABILITIES

Salaries Payable	1,395,947
Accounts and Contracts Payable	142,472
Accrued Interest	377,833
Due to Other Governmental Units	56
Unearned Revenue	60,989
Long-Term Liabilities:	
Portion Due Within One Year	870,868
Portion Due in More Than One Year	22,867,404
Net Pension Liability	11,924,322
Other Postemployment Benefits Liability	1,155,363
Total Liabilities	<u>38,795,254</u>

DEFERRED INFLOWS OF RESOURCES

Property Taxes Levied for Subsequent Year	4,064,190
Deferred Inflows - Other Postemployment Benefits	361,459
Deferred Inflows - Pensions	8,950,111
Total Deferred Inflows of Resources	<u>13,375,760</u>

NET POSITION

Net Investment in Capital Assets	7,884,897
Restricted for:	
General Fund Operating Capital Purposes	898,029
General Fund State-Mandated Reserves	332,875
Food Service	266,658
Community Service	439,186
Unrestricted	(13,142,994)
Total Net Position	<u><u>\$ (3,321,349)</u></u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

					Net (Expense) Revenue and Change in Net Position
Functions	Expenses	Program Revenues			Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Administration	\$ 985,949	\$ 241	\$ 23,372	\$ -	\$ (962,336)
District Support Services	402,822	-	-	-	(402,822)
Regular Instruction	10,389,275	137,789	1,678,097	192,431	(8,380,958)
Vocational Education Instruction	284,564	-	9,086	-	(275,478)
Special Education Instruction	3,580,811	-	2,237,687	-	(1,343,124)
Instructional Support Services	1,024,098	-	587,993	-	(436,105)
Pupil Support Services	1,706,200	-	175,718	-	(1,530,482)
Sites and Buildings	2,193,917	1,000	260,068	233,975	(1,698,874)
Fiscal and Other Fixed					
Cost Programs	55,979	-	-	-	(55,979)
Food Service	967,962	75,938	821,820	-	(70,204)
Community Service	737,877	421,984	198,371	-	(117,522)
Interest and Fiscal Charges on					
Long-Term Liabilities	837,840	-	-	-	(837,840)
Total School District	<u>\$ 23,167,294</u>	<u>\$ 636,952</u>	<u>\$ 5,992,212</u>	<u>\$ 426,406</u>	(16,111,724)
GENERAL REVENUES					
Property Taxes Levied for:					
General Purposes					2,599,763
Community Service					152,865
Debt Service					1,226,089
State Aid Not Restricted to Specific Purposes					11,854,463
Earnings on Investments					188,726
Miscellaneous					134,045
Total General Revenues					<u>16,155,951</u>
CHANGE IN NET POSITION					44,227
Net Position - Beginning of Year					(3,756,129)
Prior Period Restatement - See Note 12					390,553
Net Position - Beginning, as Restated					<u>(3,365,576)</u>
NET POSITION - END OF YEAR					<u>\$ (3,321,349)</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021**

	General	Food Service	Major Funds Community Service
ASSETS			
Cash and Investments	\$ 6,755,174	\$ 308,059	\$ 456,579
Receivables:			
Current Property Taxes	1,190,419	-	74,123
Delinquent Property Taxes	23,466	-	1,692
Accounts and Interest Receivable	15,876	-	-
Due from Other Minnesota School Districts	-	-	13,372
Due from Minnesota Department of Education	1,476,731	24	20,060
Due from Federal through Minnesota Department of Education	74,587	13,037	-
Inventory	-	25,744	-
Total Assets	<u>\$ 9,536,253</u>	<u>\$ 346,864</u>	<u>\$ 565,826</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Salaries and Compensated Absences Payable	\$ 776,843	\$ -	\$ -
Payroll Deductions and Employer Contributions Payable	619,104	-	-
Accounts Payable	113,696	26,041	2,735
Due to Other Governmental Units	56	-	-
Unearned Revenue	-	54,165	6,824
Total Liabilities	<u>1,509,699</u>	<u>80,206</u>	<u>9,559</u>
DEFERRED INFLOWS OF RESOURCES			
Property Taxes Levied for Subsequent Year	2,362,523	-	159,086
Unavailable Revenue - Delinquent Property Taxes	23,466	-	1,692
Total Deferred Inflows of Resources	<u>2,385,989</u>	<u>-</u>	<u>160,778</u>
FUND BALANCE			
Nonspendable:			
Inventory	-	25,744	-
Restricted for:			
Staff Development	132,866	-	-
Operating Capital	553,058	-	-
Community Education	-	-	431,416
Early Childhood and Family Education	-	-	5,420
Student Activities	90,299	-	-
Gifted and Talented	22,114	-	-
Teacher Development and Evaluation	6,684	-	-
Safe Schools Levy	80,913	-	-
Long-Term Facilities Maintenance	344,970	-	-
Restricted for Other Purposes	-	240,914	658
Assigned for:			
Severance Benefits	400,000	-	-
Unassigned	4,009,661	-	(42,005)
Total Fund Balance	<u>5,640,565</u>	<u>266,658</u>	<u>395,489</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 9,536,253</u>	<u>\$ 346,864</u>	<u>\$ 565,826</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
BALANCE SHEET – GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2021**

<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 949,590	\$ 8,469,402
880,236	2,144,778
9,987	35,145
-	15,876
-	13,372
33,503	1,530,318
-	87,624
-	25,744
<u>\$ 1,873,316</u>	<u>\$ 12,322,259</u>
\$ -	\$ 776,843
-	619,104
-	142,472
-	56
-	60,989
<u>-</u>	<u>1,599,464</u>
1,542,581	4,064,190
9,987	35,145
<u>1,552,568</u>	<u>4,099,335</u>
-	25,744
-	132,866
-	553,058
-	431,416
-	5,420
-	90,299
-	22,114
-	6,684
-	80,913
-	344,970
320,748	562,320
-	400,000
-	3,967,656
<u>320,748</u>	<u>6,623,460</u>
<u>\$ 1,873,316</u>	<u>\$ 12,322,259</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Total Fund Balance for Governmental Funds	\$	6,623,460
--	----	-----------

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land		130,000
Construction in Progress		28,362
Land Improvements, Net of Accumulated Depreciation		1,759,128
Buildings and Improvements, Net of Accumulated Depreciation		27,843,735
Equipment, Net of Accumulated Depreciation		1,560,218

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current- period's expenditures and, therefore, are reported as unavailable revenue in the funds.		35,145
---	--	--------

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditures when due.		(377,833)
--	--	-----------

The District's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability		(11,924,322)
Deferred Inflows of Resources - Pensions		(8,950,111)
Deferred Outflows of Resources - Pensions		5,104,175

The District's OPEB liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Other Postemployment Benefit Liability		(1,155,363)
Deferred Inflows of Resources - Other Postemployment Benefits		(361,459)
Deferred Outflows of Resources - Other Postemployment Benefits		101,788

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net position. Balances at year-end are:

Bonds Payable		(22,245,000)
Unamortized Premiums		(666,941)
Capital Leases Payable		(140,942)
Lease Purchase Payable		(383,663)
Severance Benefits Payable		(301,726)

Total Net Position of Governmental Activities	\$	(3,321,349)
--	-----------	--------------------

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021**

			Major Funds
	General	Food Service	Community Service
REVENUES			
Local Sources:			
Property Taxes	\$ 2,595,243	\$ -	\$ 152,651
Earnings and Investments	29,401	1,492	1,965
Other	521,751	75,938	481,648
State Sources	15,170,393	15,744	186,185
Federal Sources	1,550,794	806,076	7,186
Total Revenues	<u>19,867,582</u>	<u>899,250</u>	<u>829,635</u>
EXPENDITURES			
Current:			
Administration	926,713	-	-
District Support Services	370,524	-	-
Elementary and Secondary Regular Instruction	8,957,711	-	-
Vocational Education Instruction	256,912	-	-
Special Education Instruction	3,451,657	-	-
Instructional Support Services	959,072	-	-
Pupil Support Services	1,676,256	-	-
Sites and Buildings	2,292,062	-	-
Fiscal and Other Fixed Cost Programs	96,619	-	-
Food Service	-	914,685	-
Community Service	-	-	739,181
Capital Outlay	537,166	22,303	20,854
Debt Service:			
Principal	323,170	-	2,982
Interest and Fiscal Charges	20,959	-	334
Total Expenditures	<u>19,868,821</u>	<u>936,988</u>	<u>763,351</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,239)	(37,738)	66,284
OTHER FINANCING SOURCES (USES)			
Sale of Equipment	13,005	-	-
Issuance of Capital Lease	162,941	-	14,708
Total Other Financing Sources (Uses)	<u>175,946</u>	<u>-</u>	<u>14,708</u>
Net Change in Fund Balance	174,707	(37,738)	80,992
FUND BALANCES			
Beginning of Year	5,075,305	304,396	314,497
Prior Period Restatement	390,553	-	-
Beginning of Year - Restated	<u>5,465,858</u>	<u>304,396</u>	<u>314,497</u>
End of Year	<u>\$ 5,640,565</u>	<u>\$ 266,658</u>	<u>\$ 395,489</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

<u>Debt Service</u>	<u>Total Governmental Funds</u>
\$ 1,224,614	\$ 3,972,508
2,902	35,760
-	1,079,337
335,023	15,707,345
-	2,364,056
<u>1,562,539</u>	<u>23,159,006</u>
-	926,713
-	370,524
-	8,957,711
-	256,912
-	3,451,657
-	959,072
-	1,676,256
-	2,292,062
-	96,619
-	914,685
-	739,181
-	580,323
635,000	961,152
904,988	926,281
<u>1,539,988</u>	<u>23,109,148</u>
22,551	49,858
-	13,005
-	177,649
<u>-</u>	<u>190,654</u>
22,551	240,512
298,197	5,992,395
-	390,553
<u>298,197</u>	<u>6,382,948</u>
<u>\$ 320,748</u>	<u>\$ 6,623,460</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES – GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balance - Total Governmental Funds **\$ 240,512**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation in the current period is:

Capital Outlays	738,634
Gain (Loss) on Disposal of Capital Assets	(93,687)
Depreciation Expense	(1,029,630)

Delinquent property taxes receivable will be collected this year, but are not available soon enough to pay for the current-period's expenditures and, therefore, are unearned in the governmental funds.	6,209
--	-------

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Issuance of Capital Lease	(177,649)
Change in Accrued Interest - Capital Leases	2,009
Principal Payments - Capital Leases	180,885

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.	(705,268)
---	-----------

Payments to the District's OPEB liability are recognized as expenditures at the fund level while the change in the OPEB obligation and the related deferred inflows and outflows of resources are recognized in the statement of net position.	29,273
--	--------

In the statement of activities, certain operating expenses - severance benefits and compensated absences - are measured by amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (amounts actually paid).	24,128
---	--------

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	635,000
Repayment of Lease Purchase Payable	145,267
Change in Accrued Interest - General Obligation Bonds	5,997
Change in Accrued Interest - Lease Purchase Payable	1,907
Amortization of Bond Premium	40,640

Change in Net Position of Governmental Activities	\$ 44,227
--	------------------

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 2,637,900	\$ 2,606,922	\$ 2,595,243	\$ (11,679)
Earnings and Investments	35,000	35,000	29,401	(5,599)
Other	460,650	431,715	521,751	90,036
State Sources	15,293,061	15,157,810	15,170,393	12,583
Federal Sources	601,241	1,595,108	1,550,794	(44,314)
Total Revenues	19,027,852	19,826,555	19,867,582	41,027
EXPENDITURES				
Current:				
Administration	954,348	1,007,758	926,713	(81,045)
District Support Services	406,706	399,583	370,524	(29,059)
Elementary and Secondary Regular Instruction	8,571,185	9,014,405	8,957,711	(56,694)
Vocational Education Instruction	228,184	230,034	256,912	26,878
Special Education Instruction	3,767,524	3,636,236	3,451,657	(184,579)
Instructional Support Services	700,361	984,169	959,072	(25,097)
Pupil Support Services	1,923,854	1,658,204	1,676,256	18,052
Sites and Buildings	2,126,363	2,316,203	2,292,062	(24,141)
Fiscal and Other Fixed Cost Programs	124,150	135,535	96,619	(38,916)
Capital Outlay	272,000	523,704	537,166	13,462
Debt Service:				
Principal	212,006	212,006	323,170	111,164
Interest and Fiscal Charges	16,855	16,855	20,959	4,104
Total Expenditures	19,303,536	20,134,692	19,868,821	(265,871)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(275,684)	(308,137)	(1,239)	306,898
OTHER FINANCING SOURCES (USES)				
Sale of Equipment	-	-	13,005	13,005
Issuance of Capital Lease	-	-	162,941	162,941
Total Other Financing Sources (Uses)	-	-	175,946	175,946
NET CHANGE IN FUND BALANCE	<u>\$ (275,684)</u>	<u>\$ (308,137)</u>	174,707	<u>\$ 482,844</u>
FUND BALANCE				
Beginning of Year			5,075,305	
Restatement of Fund Balance			390,553	
Beginning of Year - Restated			5,465,858	
END OF YEAR			<u>\$ 5,640,565</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
REVENUES				
Local Sources:				
Earnings and Investments	\$ -	\$ -	\$ 1,492	\$ 1,492
Other - Primarily Meal Sales	531,000	85,000	75,938	(9,062)
State Sources	60,462	16,178	15,744	(434)
Federal Sources	439,740	806,995	806,076	(919)
Total Revenues	<u>1,031,202</u>	<u>908,173</u>	<u>899,250</u>	<u>(8,923)</u>
EXPENDITURES				
Current:				
Food Service	925,603	888,070	914,685	26,615
Capital Outlay	<u>16,500</u>	<u>25,000</u>	<u>22,303</u>	<u>(2,697)</u>
Total Expenditures	<u>942,103</u>	<u>913,070</u>	<u>936,988</u>	<u>23,918</u>
NET CHANGE IN FUND BALANCE	<u>\$ 89,099</u>	<u>\$ (4,897)</u>	<u>(37,738)</u>	<u>\$ (32,841)</u>
FUND BALANCE				
Beginning of Year			<u>304,396</u>	
END OF YEAR			<u>\$ 266,658</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE –
BUDGET AND ACTUAL – COMMUNITY SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Actual	Over (Under)
	Original	Final	Amounts	Final Budget
REVENUES				
Local Sources:				
Property Taxes	\$ 159,796	\$ 154,467	\$ 152,651	\$ (1,816)
Earnings and Investments	2,000	2,000	1,965	(35)
Other - Primarily Tuition and Fees	441,970	451,430	481,648	30,218
State Sources	173,731	182,636	186,185	3,549
Total Revenues	<u>777,497</u>	<u>796,806</u>	<u>829,635</u>	<u>32,829</u>
EXPENDITURES				
Current:				
Community Service	828,345	802,571	739,181	(63,390)
Capital Outlay	12,300	12,963	20,854	7,891
Debt Service:				
Principal	-	-	2,982	2,982
Interest	-	-	334	334
Total Expenditures	<u>840,645</u>	<u>815,534</u>	<u>763,351</u>	<u>(52,183)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(63,148)	(18,728)	66,284	85,012
OTHER FINANCING SOURCES (USES)				
Issuance of Capital Lease	-	-	14,708	14,708
NET CHANGE IN FUND BALANCE	<u>\$ (63,148)</u>	<u>\$ (18,728)</u>	80,992	<u>\$ 99,720</u>
FUND BALANCE				
Beginning of Year			<u>314,497</u>	
END OF YEAR			<u>\$ 395,489</u>	

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021**

	Custodial Fund
ASSETS	
Cash and Investments	\$ 913,915
Interest Receivable	2,685
Total Assets	<u>\$ 916,600</u>
NET POSITION	
Restricted for Individuals	<u>\$ 916,600</u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2021**

	Custodial Fund
ADDITIONS	
Gifts and Donations	\$ 5,500
Earnings on Investments	4,925
Total Additions	<u>10,425</u>
DEDUCTIONS	
Scholarships Awarded	<u>13,950</u>
CHANGE IN NET POSITION	(3,525)
Net Position - Beginning of Year	<u>920,125</u>
NET POSITION - END OF YEAR	<u><u>\$ 916,600</u></u>

See accompanying Notes to Basic Financial Statements.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Independent School District No. 2859 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Independent School District No. 2859 (the District) is an instrumentality of the state of Minnesota established to function as an educational institution. The elected board of education (the Board) is responsible for legislative and fiscal control of the District. A superintendent is appointed by the Board and is responsible for administrative control of the District.

Accounting principles generally accepted in the United States of America 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 and account groups of the District. There are no other entities for which the District is financially accountable.

C. Basic Financial Statement Presentation

The District-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the Fiduciary Fund. The Fiduciary Fund is only reported in the statement of fiduciary net position at the fund financial statement level.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basic Financial Statement Presentation (Continued)

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 is available. Depreciation expense that can be specifically identified by function is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Generally, the effect of material interfund activity has been removed from the District-wide financial statements.

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied is determined by its measurement focus and basis of accounting. The District-wide fiduciary fund 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, except for amounts advance recognized in accordance with a statutory "tax shift" described later in these notes. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

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

- a. 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 accounting principles generally accepted in the United States of America. Minnesota statutes include state aid funding formulas for specific fiscal years. Federal revenue is recorded in the year in which the related expenditure is made. Food service sales, community education tuition, and other miscellaneous revenue (except investment earnings) are recorded as 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 revenues.
- b. 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.

1. Description of Funds

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

1. Description of Funds (Continued)

Major Governmental Funds

General Fund

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

Food Service Special Revenue Fund

The Food Service Fund is used to account for food service revenues and expenditures. Revenues for the Food Service Fund come from user fees, and reimbursements from the Federal and State governments.

Community Service Special Revenue Fund

The Community Service Fund is used to account for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, veterans, adult or early childhood programs, K-6 extended day programs or other similar services. Revenues for the Community Service Special Revenue Fund are composed of user fees, local levy dollars, and State credits.

Debt Service Fund

The Debt Service Fund is used to account for and report financial resources restricted committed, or assigned to pay general long-term obligation bond principal, interest, and related costs. The regular debt service account is used for all general obligation bond debt service.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

1. Description of Funds (Continued)

Fiduciary Fund

Custodial Fund

The Custodial Fund is used to report fiduciary activities that are not required to be reported in pension or OPEB trust funds, investment trust funds, or private purpose trust funds.

E. Budgeting

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

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

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

Budgeted amounts include mid-year budget amendments that amended revenue and expenditure budgets as follows:

	Original Budget	Amendments	Amended Budget
Revenues:			
General Fund	\$ 19,027,852	\$ 798,703	\$ 19,826,555
Special Revenue Funds:			
Food Service Fund	1,031,202	(123,029)	908,173
Community Service Fund	777,497	19,309	796,806
Expenditures:			
General Fund	\$ 19,303,536	\$ 831,156	\$ 20,134,692
Special Revenue Funds:			
Food Service Fund	942,103	(29,033)	913,070
Community Service Fund	840,645	(25,111)	815,534

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgeting (Continued)

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

At the end of each fiscal year, if the General Fund has a net unassigned deficit fund balance, calculated in accordance with the uniform financial accounting and reporting standards for Minnesota school districts which excludes certain restricted balances specified in Minnesota statutes, exceeding 2.5% of expenditures, a condition referred to as "statutory operating debt" exists. That debt requires retirement through the accumulation of subsequent operating surpluses in accordance with "special operating plan" approved by the Commissioner of the Department of Education.

F. Cash and Investments

Cash balances consist of interest bearing accounts, deposits in the Minnesota Trust Investment Shares Portfolio and negotiable certificates of deposit. Cash balances from all funds are combined and invested to the extent available in various securities as authorized by Minnesota statutes. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

G. Accounts Receivable

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

H. Inventories

Inventories are recorded using the consumption method of accounting and consist of wood shop supplies and paper in the General Fund and purchased food, supplies, and surplus commodities received from the federal government within the Food Service Fund. 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. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Expenses are allocated over the periods benefited.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Property Taxes

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

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

In accordance with State law, the current tax shift consists of an amount equal to 31% of the District's 2000 Pay 2001 operating referendum levy, which is frozen at \$168,353 for the District. The tax shift also includes certain other levies that are recognized early based on statutory requirements.

Taxes that remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent property taxes that is not collected within 60 days of year-end is reported as a deferred inflow of resources because it is not known to be available to finance the operations of the District in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material. Current levies of local taxes, less the amount recognized as revenue in the current period, including portions assumed by the State which will be recognized as revenue in the next fiscal year beginning July 1, 2021, are included in "Property Taxes Levied for Subsequent Year" to indicate that, while they are current assets, they will not be recognized as revenue until the following year.

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 acquisition value at the date of donation. The District maintains a threshold level of \$5,000 or more 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets (Continued)

Capital assets are recorded in the District-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.

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. Deferred Outflows of Resources

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

M. Long-Term Obligations

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

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

N. Pensions

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Accrued Employee Benefits

Vacation Pay

Since vacation pay does not vest to employees, no long-term portion of vacation liabilities are recorded in the financial statements.

Sick Pay

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

Severance and Health Benefits

Severance consist of lump sum early retirement incentive payments. Accounting policies for severance benefits are described below.

Early Retirement Incentive and Convertible Sick Leave

Certain bargaining unit members are eligible to be compensated for unused accumulated sick leave upon termination subject to certain conditions.

Full-time employees, other than teachers, who have completed at least 15 years of continuous service with the District and who are at least 55 years of age are eligible for severance pay. Eligible employees, upon early retirement, receive as severance pay, an amount representing 66% of their unused accumulation of sick leave days.

During fiscal year 2021, the District's expenditures for convertible sick leave totaled \$34,247. At June 30, 2021, the long-term portion of the convertible sick leave liability is included as part of severance payable in the long-term debt.

Other Postemployment Benefits Payable

Under the terms of certain collectively bargained employment contracts, including the teachers' contract, the District is required to pay \$150 per month or \$250 per month, if the employee has 25 or more years of service and 34 or more years of teaching, toward the premium cost of the individual health insurance for 96 months. The employee pays the difference toward the full premium for any coverage elected. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 75. See Note 8 for further information.

P. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Unearned Revenue

Unearned revenues are those in which resources are received by the District before it has a legal claim to them. The District has reported unearned revenues for the school lunch deposits.

R. Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable portions of fund balance relate to prepaids and inventories. Restricted funds are constrained by outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the Board of Education. The District currently doesn't report any committed fund balances. The Board of Education passed a resolution authorizing the Finance Committee and the Business Manager the ability to assign fund balances and its intended uses. Unassigned fund balances are considered the remaining amounts, usually in the General Fund only.

In accordance with the District's fund balance policy, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the District's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned fund balance is available, it is the District's policy to use committed first, then assigned and finally unassigned fund balance.

The District has a minimum fund balance policy, which identifies a minimum total of committed, assigned, and unassigned fund balance in the General Fund as 20% of the District's operating budgeted expenditures.

S. Net Position

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 STEWARDSHIP AND ACCOUNTABILITY

A. Excess of Expenditures Over Budget

Expenditures exceeded budgeted amounts in the following funds:

	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds:			
Food Service Fund	\$ 913,070	\$ 936,988	\$ 23,918

These overages were considered by District management to be the result of necessary expenditures critical to operations.

NOTE 3 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

The District's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota statutes.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS

B. Investments

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

- Direct obligations or obligations guaranteed by the United States or its agencies.
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less.
- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by a least two nationally recognized rating agencies, and maturing in 270 days or less.
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in the top two rating categories.
- Repurchase or reverse purchase agreement and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

At June 30, 2021, the District had the following investments:

External Investment Pools

	External Investment Pools
MN Trust Investment Shares Portfolio	<u>\$ 4,698,492</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the District manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from the maturities to meet cash requirements for ongoing operations. Information about the sensitivity of the fair values of the District's investments to market interest rate risk fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Type	Total	Maturity Duration in Years	
		Less Than 1	1 to 2
Negotiable Certificates of Deposit	\$ 748,213	\$ 748,213	\$ -
MN Trust Limited Term Duration Series	500,047	500,047	-
MN Trust Investments Shares Portfolio	4,698,492	4,698,492	-
Total	<u>\$ 5,946,752</u>	<u>\$ 5,946,752</u>	<u>\$ -</u>

Custodial Credit Risk

For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that insurance of all balances held with each investment account. As of June 30, 2021, the investment balances were fully covered by insurance for each brokerage firm.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The following chart summarizes year-end ratings for the District's investments as rated by Moody's.

Type	Rating
MN Trust Limited Term Duration Series	AAAM
MN Trust Investments Shares Portfolio	AAAM

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

C. Balance Sheet Presentation

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

Deposits	\$ 3,435,865
Negotiable Certificates of Deposit	748,213
MN Trust Limited Term Duration Series	500,047
MN Trust Investments Shares Portfolio	4,698,492
Cash on Hand	700
Total Pooled Cash and Investments	<u>\$ 9,383,317</u>
Cash and Investments - Statement of Net Position	\$ 8,469,402
Cash and Investments	
- Statement of Fiduciary Net Position	913,915
Total Cash and Investments	<u>\$ 9,383,317</u>

D. Fair Value Measurement

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

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

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

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)

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

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

Assets measured at fair value on a recurring basis:

<u>Investment</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable Certificates of Deposit	\$ -	\$ 748,213	\$ -	\$ 748,213
Investments Measured at Amortized Cost				5,198,539
Total District Investments				<u>\$ 5,946,752</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$ 130,000	\$ -	\$ -	\$ 130,000
Construction in Progress	59,705	28,362	(59,705)	28,362
Total Capital Assets, Not Being Depreciated	189,705	28,362	(59,705)	158,362
Capital Assets, Being Depreciated:				
Land Improvements	2,336,610	-	-	2,336,610
Buildings and Improvements	35,917,456	330,640	-	36,248,096
Equipment	5,058,508	439,337	(213,110)	5,284,735
Total Capital Assets, Being Depreciated	43,312,574	769,977	(213,110)	43,869,441
Less Accumulated Depreciation for:				
Land Improvements	(460,872)	(116,610)	-	(577,482)
Buildings and Improvements	(7,742,395)	(661,966)	-	(8,404,361)
Equipment	(3,592,886)	(251,054)	119,423	(3,724,517)
Total Accumulated Depreciation	(11,796,153)	(1,029,630)	119,423	(12,706,360)
Total Capital Assets, Being Depreciated, Net	31,516,421	(259,653)	(93,687)	31,163,081
Governmental Activities Capital Assets, Net	<u>\$ 31,706,126</u>	<u>\$ (231,291)</u>	<u>\$ (153,392)</u>	<u>\$ 31,321,443</u>

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

Governmental Activities:	
Administration	\$ 6,789
District Support Services	299
Regular Instruction	845,154
Special Education Instruction	6,339
Community Ed & Services	9,392
Instructional Support Services	38,034
Pupil Support Services	23,409
Sites and Buildings	69,240
Food Service	30,974
Total Depreciation Expense, Governmental Activities	<u>\$ 1,029,630</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM LIABILITIES

A. Components of Long-Term Liabilities

Long-term liabilities consisted of the following at June 30, 2021:

Issue Date	Net Interest Rate	Series Number	Original Issue	Maturity Date	Principal Outstanding	
					Due Within One Year	Total
8/13/2015	3.0% - 4.0%	2015A	\$ 23,695,000	2/1/2045	\$ 555,000	\$ 21,305,000
6/6/2019	5%	2019A	1,035,000	2/1/2029	100,000	940,000
Total General Obligation Bonds					655,000	22,245,000
Bond Premiums					-	666,941
Lease Purchase Payable					149,878	383,663
Capital Leases Payable					31,743	140,942
Severance Benefits Payable					34,247	301,726
Total					<u>\$ 870,868</u>	<u>\$ 23,738,272</u>

B. Future Minimum Debt Payments

Minimum annual principal and interest payments necessary to retire bonds payable and lease purchase payable are as follows:

Year Ending June 30.	G.O. Building Bonds Series 2015A		Lease Purchase Payable	
	Principal	Interest	Principal	Interest
2022	\$ 555,000	\$ 836,088	\$ 149,878	\$ 10,914
2023	575,000	819,438	154,637	6,156
2024	590,000	802,188	79,148	1,247
2025	615,000	778,588	-	-
2026	640,000	753,988	-	-
2027-2031	3,595,000	3,365,335	-	-
2032-2036	4,380,000	2,586,138	-	-
2037-2041	5,300,000	1,661,150	-	-
2042-2046	5,055,000	515,400	-	-
Total	<u>\$ 21,305,000</u>	<u>\$ 12,118,313</u>	<u>\$ 383,663</u>	<u>\$ 18,317</u>

Year Ending June 30.	GO Tax Abatement Bonds 2019A		Total	
	Principal	Interest	Principal	Interest
2022	\$ 100,000	\$ 47,000	\$ 804,878	\$ 894,002
2023	100,000	42,000	829,637	867,594
2024	110,000	37,000	779,148	840,435
2025	115,000	31,500	730,000	810,088
2026	120,000	25,750	760,000	779,738
2027-2031	395,000	40,250	3,990,000	3,405,585
2032-2036	-	-	4,380,000	2,586,138
2037-2041	-	-	5,300,000	1,661,150
2042-2046	-	-	5,055,000	515,400
Total	<u>\$ 940,000</u>	<u>\$ 223,500</u>	<u>\$ 22,628,663</u>	<u>\$ 12,360,130</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Future Minimum Debt Payments (Continued)

Description of Long-Term Liabilities

Lease Purchase Payable

On September 12, 2013, the District entered into a lease-purchase agreement for \$1,375,000. The debt was issued to help fund the construction of the new Early Childhood Center, along with necessary equipment and other site improvements. The District will use General Fund levy in future years to pay for the debt payments.

Capital Leases Payable

Capital leases are utilized by the District as a means to finance the Facility projects that are too small for issuing bonds and too large for the operating capital funds to cover the costs. These projects over the years have included modifications to the field house, equipment for the field house, technology throughout the District, stadium lights, and improvements to the Helen Baker Elementary. Total cost of assets capitalized and held under capital leases is \$177,649. Related accumulated depreciation of assets under capital leases at June 30, 2021 is \$29,608.

The following is a schedule of the future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of June 30, 2021:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 40,824
2023	40,824
2024	40,824
2025	40,823
Total Minimum Lease Payments	163,295
Less: Amounts Representing Interest	(22,353)
Present Value of Net Minimum Lease Payments	<u>\$ 140,942</u>

General Obligation School Building Bonds, Series 2015A

On August 13, 2015, the District issued \$23,695,000 of General Obligation School Building Bonds, Series 2015A. The proceeds of the issues will be used to finance the betterment of school facilities.

General Obligation Tax Abatement Bonds, Series 2019A

On June 6, 2019, the District issued \$1,035,000 of General Obligation Tax Abatement Bonds, Series 2019A. The proceeds of the issues will be used to finance the construction of and improvements to parking lots at Glencoe-Silver Lake Junior/Senior High School and Lakeside Elementary School as well as parking lot maintenance and improvements at school sites districtwide.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

B. Future Minimum Debt Payments (Continued)

Description of Long-Term Liabilities (Continued)

Severance Benefits Payable

Severance benefits payable consist of convertible sick leave payable to employees upon retirement. Severance benefits have been paid by the General and Special Revenue Funds. Annual payments to retire the severance benefits liability have not been determined and will depend on actual employee turnover.

C. Changes in Long-Term Liabilities

	June 30, 2020	Additions	Retirements	June 30, 2021
Bonds Payable	\$ 22,880,000	\$ -	\$ 635,000	\$ 22,245,000
Bond Premiums	707,581	-	40,640	666,941
Lease Purchase Payable	528,930	-	145,267	383,663
Capital Leases Payable	144,178	177,649	180,885	140,942
Severance Benefits Payable	325,854	-	24,128	301,726
Total	<u>\$ 24,586,543</u>	<u>\$ 177,649</u>	<u>\$ 1,025,920</u>	<u>\$ 23,738,272</u>

NOTE 6 RESTRICTED FUND BALANCES

Certain portions of fund balance are restricted based on state requirements to track special program funding, to provide for funding on certain long-term liabilities, or as required by other outside parties. The following is a summary of the restricted fund balances for the governmental funds:

A. Restricted for Staff Development

Restricted for staff development represents general education aid resources to be expended for staff development programs.

B. Restricted for Operating Capital

Restricted for operating capital represents available resources to be used only for operating capital purposes, including but not limited to the purchase, lease, repair and improvement of school buildings, and the purchase or lease of computers, vehicles, textbooks, and telecommunications equipment.

C. Restricted for Community Education Programs

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 RESTRICTED FUND BALANCES (CONTINUED)

D. Restricted for Early Childhood and Family Education Programs

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

E. Restricted for Student Activities

This fund balance restriction represents accumulated resources available to provide student activity programs.

F. Restricted for Gifted and Talented

The fund balance restriction represents accumulated resources available to be spent on the Gifted and Talented program within the District.

G. Restricted for Teacher Development and Evaluation

The fund balance restriction represents accumulated resources available for teacher development and evaluation uses.

H. Restricted for Safe Schools – Crime Levy

The fund balance restriction represents accumulated resources available to provide for safe schools programs in accordance with funding made available for that purpose.

I. Restricted for Long Term Facilities Maintenance (LTFM)

Represents available resources to be used for LTFM capital projects in accordance with the 10-year plan.

J. Restricted for Other Purposes

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

Other Restricted:

Restricted for Food Service	\$ 240,914
Restricted for Community Service	658
Restricted for Bond Payments	320,748
Total Other Restricted	<u>\$ 562,320</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

1. General Employees Retirement Plan (General Employees Plan)

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

2. Teachers Retirement Fund (TRA)

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

Educators employed in Minnesota's public elementary and secondary schools, charter schools, and certain other TRA-covered educational institutions maintained by the state are required to be TRA members (except those employed by St. Paul schools or University of Minnesota System).

B. Benefits Provided

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

1. General Employees Plan Benefits

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits (Continued)

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

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

2. TRA Benefits

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

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

Tier 1 Benefits

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. TRA Benefits (Continued)

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3.0% per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

Tier II Benefits

For years of service prior to July 1, 2006, a level formula of 1.7% per year for coordinated members and 2.7% per year for basic members. For years of service July 1, 2006 and after, a level formula of 1.9% per year for Coordinated members and 2.7% for Basic members applies. Beginning July 1, 2015, the early retirement reduction factors are based on rates established under Minnesota Statute. Smaller reductions, more favorable to the member, will be applied to individuals who reach age 62 and have 30 years or more of service credit.

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2021 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, 2021, were \$182,756. The District's contributions were equal to the required contributions as set by state statute.

2. TRA Contributions

Per Minnesota Statutes, Chapter 354 rates for the fiscal year for coordinated were 7.5% for the employee and 8.13% for the employer. Basic rates were 11.00% for the employee and 12.13% for the employer. The District's contributions to TRA for the plan's fiscal year ended June 30, 2021 were \$667,606. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At June 30, 2021, the District reported a liability of \$1,972,505 for its proportionate share of the General Employees Fund's net pension liability. The District's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the District totaled \$60,799, for a total net pension liability of \$2,033,304 associated with the District. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportionate share of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0329% at the end of the measurement period and 0.0321% for the beginning of the period.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

For the year ended June 30, 2020, the District recognized pension expense of \$48,946 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional \$5,291 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2021, the District reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 17,984	\$ 7,463
Changes in Actuarial Assumptions	-	73,128
Net Difference Between Projected and Actual		
Earnings on Plan Investments	34,076	-
Changes in Proportion	38,224	34,552
District Contributions Subsequent to the Measurement Date	182,756	-
Total	<u><u>\$ 273,040</u></u>	<u><u>\$ 115,143</u></u>

\$182,756 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Pension Expense Amount
2022	\$ (121,211)
2023	(1,548)
2024	50,243
2025	47,657

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs

At June 30, 2021 the District reported a liability of \$9,951,817 for its proportionate share of TRA's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the state of Minnesota, city of Minneapolis, and Minneapolis School District. The District's proportionate share was .1347% at the end of the measurement period and .1386% at the beginning of the period.

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

Description	Amount
District's Proportionate Share of the TRA Net Pension Liability	\$ 9,951,817
State's Proportionate Share of the Net Pension Liability Associated with the District	834,058
Total	<u>\$ 10,785,875</u>

For the year ended June 30, 2021, the District recognized pension expense of \$1,508,151. It also recognized \$76,399 as pension expense and grant revenue for the support provided by direct aid.

At June 30, 2021, the District reported its proportionate share of the TRA's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 199,579	\$ 150,839
Changes in Actuarial Assumptions	3,570,718	8,354,298
Net Difference Between Projected and Actual		
Earnings on Plan Investments	154,097	-
Changes in Proportion	239,135	329,831
District Contributions Subsequent to the Measurement Date	667,606	-
Total	<u>\$ 4,831,135</u>	<u>\$ 8,834,968</u>

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. TRA Pension Costs (Continued)

\$667,606 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense Amount</u>
2022	\$ 225,447
2023	(2,989,938)
2024	(2,076,512)
2025	194,124
2026	(24,560)

3. Total Pension Expense

The District's total pension expense for all plans for the year ended June 30, 2021 was \$1,638,787.

E. Actuarial Assumptions

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

<u>Assumptions</u>	<u>General Employees Plan</u>	<u>TRA</u>
Inflation	2.25% per Year	2.50% per Year
Salary Growth	3.00% per Year	2.85% to 8.85% before July 1, 2028, 3.25% to 9.25 after June 30, 2028
Investment Rate of Return	7.50%	7.50%

PERA salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan, with slight adjustments to fit PERA's experience., with slight adjustments to fit PERA's experience. PERA cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

TRA pre-retirement mortality rates were based on the RP-2014 white collar employee table, male rates set back 6 years and female rates set back 5 years. Generational projection uses the MP-2015 scale. Postretirement mortality rates were based on the RP-2014 white collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates.

Generational projection uses the MP-2015 scale. Post-disability mortality rates were based on the RP-2014 disabled retiree mortality table, without adjustment. TRA cost of living benefit increases 1.0% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.5% annually.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes for PERA occurred in 2020:

Changes in Actuarial Assumptions:

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Changes in Plan Provisions:

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

The following changes in actuarial assumptions for TRA occurred in 2020:

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

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

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

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

F. Discount Rate

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

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Plan Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the General Employees Plan Net Pension Liability	\$ 3,161,242	\$ 1,972,505	\$ 991,893
TRA Discount Rate	6.50%	7.50%	8.50%
District's Proportionate Share of the TRA Net Pension Liability	\$ 15,236,126	\$ 9,951,817	\$ 5,597,813

H. 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.

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

I. Defined Contribution Plan

The District provides eligible employees future retirement benefits through the District's 403(b) Plan (the Plan). Employees of the District are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Some employees are eligible to receive a District match of employee contributions up to the qualifying amounts set forth in their respective collective bargaining agreements. Contributions are invested in tax deferred annuities selected and owned by Plan participants. The District contributions for the years ended June 30, 2021, 2020 and 2019 are \$132,000, \$129,100, and \$128,350, respectively. The related employee contributions were \$247,338, \$230,569, and \$242,788, for the years ended June 30, 2021, 2020 and 2019, respectively.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The District operates a single-employer postemployment defined benefit plan (the Plan) that provides health and dental insurance to eligible employees and their spouses through the District's health insurance plan. There are 217 active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the District and various unions representing District employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. Funding Policy

The District does not have assets accumulated in a trust to pay for OPEB related costs. Contribution requirements are negotiated between the District and union representatives. The District contributes \$150 per month or \$250 per month, with 25 years of service and 34 years of teaching, of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2021, the District contributed \$83,041 to the plan.

C. Actuarial Methods and Assumptions

The District's OPEB liability was measured as of July 1, 2020, and the total OPEB liability used to calculate the OPEB liability was determined by an actuarial valuation as of July 1, 2020.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
20-Year Municipal Bond Yield	2.40%
Health Care Trend Rates	6.50% Decreasing to 5.00% Over 5 Years and then to 4.00% Over 48 Years

Mortality rates were based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2020 valuation included a salary scale similar to the table used to value pension liabilities for Minnesota school district employees. The rates for teachers, principals and the superintendent are based on the Teacher Retirement Association of Minnesota actuarial experience study for the period July 1, 2008 through June 30, 2014 and a study of economic assumptions dated November 2017. The rates for other employees are based on the Public Employees Retirement Association of Minnesota most recent six-year experience study for the General Employees Plan completed in 2015 and a review of the inflation assumption dated September 11, 2017. The retirement and withdrawal assumptions used to value GASB 75 liabilities are 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 discount rate used to measure the total OPEB liability was 2.40%. The discount rate is based on the estimated yield of 20-year AA-rated bonds.

Since the most recent GASB Statement No. 75 Other Postemployment Benefits valuation, the following changes have been made:

- 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 Generational Improvement Scale.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

- 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 3.10% to 2.40%.

D. Changes in the OPEB Liability

The following table shows the components of the changes in the District's OPEB liability:

	Total OPEB Liability
Balances at June 30, 2020	\$ 1,354,207
Changes for the Year:	
Service Cost	81,462
Interest Cost	42,968
Differences Between Expected and Actual Experience	(203,176)
Assumption Changes	(20,154)
Benefit Payments	(99,944)
Net Changes for the Year	<u>(198,844)</u>
Balances at June 30, 2021	<u>\$ 1,155,363</u>

E. OPEB Liability Sensitivity

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

	1% Decrease (1.4%)	Discount Rate (2.4%)	1% Increase (3.4%)
Net OPEB Liability (Asset)	\$ 1,222,075	\$ 1,155,363	\$ 1,089,462

The following presents the OPEB liability of the Districts, as well as what the District's OPEB liability would be if it were calculated using healthcare cost trend rates that are

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

E. OPEB Liability Sensitivity (Continued)

1% point lower (5.50% decreasing to 4.00% over 5 years and then 3.00%) or 1% point higher (7.50% decreasing to 6.00% over 5 years and then 5.00%) than the current healthcare cost trend rates:

	Healthcare Cost		
	Current Trend		
	1% Decrease (5.50%) Decreasing to 4.00% over 5 Years and then 3.00%)	Rates (6.50%) Decreasing to 5.00% over 5 Years and then 4.00%)	1% Increase (7.50%) Decreasing to 6.00% over 5 Years and then 5.00%)
Net OPEB Liability (Asset)	\$ 1,062,942	\$ 1,155,363	\$ 1,266,220

F. OPEB Liability Costs

For the year ended June 30, 2021, the District recognized OPEB expense of \$53,765. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 329,596
Change of Assumptions	18,747	31,863
Net Difference Between Projected and Actual Investment Earnings	-	-
Contributions Between Measurement Date and Reporting Date	83,041	-
Total	<u>\$ 101,788</u>	<u>\$ 361,459</u>

At June 30, 2020, the District reported \$83,041 of deferred outflows of resources resulting from District contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended June 30, 2022.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

F. OPEB Liability Costs (Continued)

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

<u>Year Ending June 30,</u>	<u>Future Recognition</u>
2022	\$ (70,663)
2023	(70,663)
2024	(70,663)
2025	(70,663)
2026	(28,155)
Thereafter	(31,905)
Total	<u>\$ (342,712)</u>

NOTE 9 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; 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. In addition, there have been no settlements in excess of the District's insurance coverage in any of the prior three years.

NOTE 10 COMMITMENTS AND CONTINGENCIES

Federal and State Receivables

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 JOINTLY GOVERNED ORGANIZATION

The District is a member of the Little Crow Special Education Cooperative. The Little Crow Special Education Cooperative was established for the primary objective to provide specialized services for special education students, as defined by state law, and to provide other programs and services as approved by the Joint Powers Governing Board. The Cooperative was established by 13 separate member districts. Each member district shares in the cost of the programming, which is paid to the education district in the form of membership fees, reimbursements and other charges for services. The education district is able to recover the cost of its programs through the previously mentioned revenue sources.

NOTE 12 RESTATEMENT OF BEGINNING NET POSITION

The District restated beginning fund balance of the General Fund and net position of governmental activities due to accounts payable and expenditures being overstated in the previous year in the amount of \$390,533, so fund balance and net position was understated in the same amount.

Description	Governmental Activities	General Fund
Net Position/Fund Balance, June 30, 2020, as Previously Reported	\$ (3,756,129)	\$ 5,075,305
Affect of Restatement	390,553	390,553
Net Position/Fund Balance, July 1, 2020, as Restated	<u>\$ (3,365,576)</u>	<u>\$ 5,465,858</u>

REQUIRED SUPPLEMENTARY INFORMATION

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
JUNE 30, 2021**

Measurement Date:	<u>July 1, 2020</u>	<u>July 1, 2019</u>	<u>July 1, 2018</u>	<u>July 1, 2017</u>
Total OPEB Liability				
Service Cost	\$ 81,462	\$ 88,658	\$ 80,751	\$ 88,740
Interest	42,968	46,320	53,264	51,497
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual				
Experience	(203,176)	-	(272,029)	-
Changes of Assumptions	(20,154)	26,246	(25,529)	-
Benefit Payments	(99,944)	(82,881)	(92,116)	(68,613)
Net Change in Total OPEB Liability	<u>(198,844)</u>	<u>78,343</u>	<u>(255,659)</u>	<u>71,624</u>
Total OPEB Liability - Beginning	<u>1,354,207</u>	<u>1,275,864</u>	<u>1,531,523</u>	<u>1,459,899</u>
Total OPEB Liability - Ending	<u><u>\$ 1,155,363</u></u>	<u><u>\$ 1,354,207</u></u>	<u><u>\$ 1,275,864</u></u>	<u><u>\$ 1,531,523</u></u>
 Covered-Employee Payroll	 <u><u>\$ 9,971,236</u></u>	 <u><u>\$ 9,733,906</u></u>	 <u><u>\$ 9,450,394</u></u>	 <u><u>\$ 9,373,030</u></u>
 District's Total OPEB Liability as a Percentage of Covered-Employee Payroll	 11.6%	 13.9%	 13.5%	 16.3%

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

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	Measurement Date June 30,						
	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund							
District's Proportion of the Net Pension Liability	0.0329%	0.0321%	0.0329%	0.0335%	0.0348%	0.0358%	0.0368%
District's Proportionate Share of the Net Pension Liability	\$ 1,972,505	\$ 1,774,737	\$ 1,825,157	\$ 2,138,618	\$ 2,825,587	\$ 1,855,342	\$ 1,728,680
State's Proportionate Share of the Net Pension Liability Associated with District Total	<u>60,799</u> <u>\$ 2,033,304</u>	<u>55,164</u> <u>\$ 1,829,901</u>	<u>59,905</u> <u>\$ 1,885,062</u>	<u>26,925</u> <u>\$ 2,165,543</u>	<u>36,951</u> <u>\$ 2,862,538</u>	<u>-</u> <u>\$ 1,855,342</u>	<u>-</u> <u>\$ 1,728,680</u>
District's Covered Payroll	\$ 2,308,613	\$ 2,282,133	\$ 2,197,067	\$ 2,179,539	\$ 2,174,745	\$ 2,142,717	\$ 1,933,600
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	85.44%	77.77%	83.07%	98.12%	129.93%	86.59%	89.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.06%	80.20%	79.45%	75.90%	68.90%	78.20%	78.20%
	Measurement Date June 30,						
	2020	2019	2018	2017	2016	2015	2014
TRA							
District's Proportion of the Net Pension Liability	0.1347%	0.1386%	0.1363%	0.1363%	0.1336%	0.1322%	0.1480%
District's Proportionate Share of the Net Pension Liability	\$ 9,951,817	\$ 8,834,393	\$ 8,558,346	\$ 27,207,953	\$ 31,866,788	\$ 8,177,877	\$ 6,819,733
State's Proportionate Share of the Net Pension Liability Associated with District Total	<u>834,058</u> <u>\$ 10,785,875</u>	<u>781,995</u> <u>\$ 9,616,388</u>	<u>804,291</u> <u>\$ 9,362,637</u>	<u>2,630,533</u> <u>\$ 29,838,486</u>	<u>3,198,377</u> <u>\$ 35,065,165</u>	<u>1,002,989</u> <u>\$ 9,180,866</u>	<u>479,724</u> <u>\$ 7,299,457</u>
District's Covered Payroll	\$ 7,817,816	\$ 7,957,354	\$ 7,618,773	\$ 7,159,960	\$ 7,399,129	\$ 7,211,486	\$ 6,788,143
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	127.30%	111.02%	112.33%	380.00%	430.68%	113.40%	100.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.48%	78.21%	78.07%	51.57%	44.90%	76.80%	81.50%

NOTE: Information is presented prospectively, and an accumulation of ten years will be provided.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	Fiscal Year Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
PERA - General Employees Fund								
Statutorily Required Contribution	\$ 182,756	\$ 173,146	\$ 171,160	\$ 164,780	\$ 160,741	\$ 157,669	\$ 155,347	\$ 140,186
Contributions in Relation to the Statutorily Required Contribution	(182,756)	(173,146)	(171,160)	(164,780)	(160,741)	(157,669)	(155,347)	(140,186)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,436,747	\$ 2,308,613	\$ 2,282,133	\$ 2,197,067	\$ 2,179,539	\$ 2,174,745	\$ 2,142,717	\$ 1,933,600
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.50%	7.38%	7.25%	7.25%	7.25%
	Fiscal Year Ending June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
TRA								
Statutorily Required Contribution	\$ 667,606	\$ 619,171	\$ 613,512	\$ 571,408	\$ 536,997	\$ 517,939	\$ 504,804	\$ 475,170
Contributions in Relation to the Statutorily Required Contribution	(667,606)	(619,171)	(613,512)	(571,408)	(536,997)	(517,939)	(504,804)	(475,170)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 8,211,636	\$ 7,817,816	\$ 7,957,354	\$ 7,618,773	\$ 7,159,960	\$ 7,399,129	\$ 7,211,486	\$ 6,788,143
Contributions as a Percentage of Covered Payroll	8.13%	7.92%	7.71%	7.50%	7.50%	7.00%	7.00%	7.00%

NOTE: Information is presented prospectively, and an accumulation of ten years will be provided.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 CHANGES IN SIGNIFICANT OPEB PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

Since the most recent GASB Statement No. 45 Other Postemployment Benefits valuation, the following changes have been made:

2021

- 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-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Teachers) with MP-2019 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 3.10% to 2.40%.

2020

- The discount rate was changed from 3.50% to 3.10%.

2019

- 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-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The discount rate was changed from 3.40% to 3.50%.
- The percentage of future retirees not eligible for a subsidy who are assumed to continue on one of the District's medical plans postemployment was reduced from 30% to 25%.

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

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

2020

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2020 (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

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

2019

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018

Changes in Actuarial Assumption

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2018 (Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- 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.

2017

Changes in Actuarial Assumption

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

Changes in Plan Provisions

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

2016

Changes in Actuarial Assumptions

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

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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

2020

Changes in Actuarial Assumptions

- Assumed termination rates were changed to more closely reflect actual experience.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 5 years and female rates set back 7 years.
- Generational projection uses the MP-2015 scale. Assumed form of annuity election proportions were changed to more closely reflect actual experience for female retirees.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2019

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The COLA was reduced from 2.0% each January 1 to 1.0%, effective January 1, 2019. Beginning January 1, 2024, the COLA will increase 0.1% each year until reaching the ultimate rate of 1.5% in January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% if the funded ratio was at least 90% for two consecutive years, was eliminated.
- Augmentation in the early retirement reduction factors is phased out over a five-year period beginning July 1, 2019 and ending June 30, 2024 (this reduces early retirement benefits). Members who retire and are at least age 62 with 30 years of service are exempt.
- Augmentation on deferred benefits will be reduced to zero percent beginning July 1, 2019. Interest payable on refunds to members was reduced from 4.0% to 3.0%, effective July 1, 2018. Interest due on payments and purchases from members, employers is reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next 4 years, (7.92% in 2019, 8.13% 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.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2017

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The cost of living adjustment was not assumed to increase (it remained at 2.0% for all future years).
- The price inflation assumption was lowered from 3.0% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes at some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP-2014 white collar employee table, male rates set back 6 years, and female rates set back 5 years. Generational projection uses the MP-2015 scale.
- The postretirement mortality assumption was changed to the RP-2014 while collar annuitant table, male rates set back 3 years and female rates set back 3 years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
- The post-disability mortality assumption was changed to the RP-2014 disabled retiree mortality table, without adjustments.
- Separate retirement assumptions for members hired before or after July 1, 1989 were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional forms of payment at retirement were made.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

**NOTE 2 CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS,
AND ASSUMPTIONS (CONTINUED)**

2016 (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2014

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

SINGLE AUDIT AND OTHER REQUIRED REPORTS



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

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

Compliance and Other Matters

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

The District's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
September 20, 2021



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

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Independent School District No. 2859's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. Independent School District No. 2859's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Independent School District No. 2859's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Austin, Minnesota
September 20, 2021

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

Grantor/Program	Assistance Listing Number	Agency or Pass-Through Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Agriculture:				
Noncash Assistance (Commodities):				
National School Lunch Program	# 10.555	1-2859-000	\$ 50,323	\$ -
Cash Assistance:				
Special Milk Program for Children	# 10.556	1-2859-000	1,068	-
Summer Food Service Program for Children	# 10.559	1-2859-000	727,491	-
Total Cash Assistance			728,559	-
Total Child Nutrition Cluster			778,882	-
COVID-19 Pandemic EBT Administrative Costs	10.649	1-2859-000	1,008	-
Total U.S. Department of Agriculture			779,890	-
U.S. Department of Treasury				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
COVID-19 Coronavirus Relief Fund	21.019	N/A	425,170	-
Passed Through McLeod County:				
Cash Assistance:				
COVID-19 Coronavirus Relief Fund	21.019	N/A	130,028	-
Passed Through City of Glencoe:				
Cash Assistance:				
COVID-19 Coronavirus Relief Fund	21.019	N/A	250,000	-
Total U.S. Department of Treasury			805,198	-
U.S. Department of Education				
Passed Through Minnesota Department of Education:				
Cash Assistance:				
Title I, Part A - Grants to Local Educational Agencies	84.010	S010A160023A	228,623	-
Title I, Part C - Migrant Education State Grant Program	84.011	4706	77,770	-
Perkins Basic State Grants	84.048	@	10,343	-
Title III - English Language Acq Grants	84.365	S365A200023A	21,863	-
Title II, Part A - Improving Teacher Quality	84.367	S367A200022	41,147	-
Title IV, Part A - Student Support and Academic Enrichment Program	84.424	S424A200024	4,889	-
COVID-19 Governor's Emergency Education Relief (GEER I and II) Fund	84.425C	S425C200015	\$ 22,876	
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425D	S425D200045	186,770	
COVID-19 Elementary and Secondary School Emergency Relief (ESSER I and II) Fund	84.425D	S425D210045	37,156	
Total Education Stabilization Fund			246,802	-
Passed Through SW/WC Service Cooperative #991:				
Cash Assistance:				
Special Education - Grants to States	& 84.027	83-0991-000	145,376	-
Special Education - Preschool Incentive	& 84.173	83-0991-000	2,154	-
Total Special Education Cluster			147,530	-
Total U.S. Department of Education			778,967	-
Total Federal Financial Assistance Expended			\$ 2,364,055	\$ -

- Child Nutrition Cluster

& - Special Education Cluster

@ - Unknown Agency or Pass-Through Number

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards presents the expenditures of all federal financial assistance programs of Independent School District No. 2859. The reporting entity is defined in Note 1 to the financial statements. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Independent School District No. 2859, it is not intended to and does not present the financial position or changes in net position of Independent School District No. 2859. The District did not pass amounts to subrecipients.

NOTE 2 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Independent School District No. 2859's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has not elected to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Education
Independent School District No. 2859
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Independent School District No. 2859, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 20, 2021.

In connection with our audit, we noted that Independent School District No. 2859 failed to comply with provisions of the contracting and bidding of *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, in so far as they relate to accounting matters as described in the schedule of findings and questioned costs as items 2021-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Independent School District No. 2859 failed to comply with the provisions of the deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Independent School District No. 2859's written response to the legal compliance finding identified in our audit are described in the schedule of findings and questioned costs. Independent School District No. 2859's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

Austin, Minnesota
September 20, 2021

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

PART I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes x none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.019 84.425C, 84.425D	Coronavirus Relief Fund Education Stabilization Fund

Dollar threshold used to distinguish between

Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee pursuant to Uniform Guidance? yes x no

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS:

FINDING: 2021-001 ANNUAL FINANCIAL REPORTING UNDER GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Condition: The District has a control in place for the review of the drafted financial statements. However, the District does not have the expertise to ensure all disclosures required by generally accepted accounting principles are included in the annual financial statements.

Criteria: The District must be able to prevent or detect the omission of a material disclosure in the annual financial statements.

Effect: The potential exists that a material disclosure could be omitted from the financial statements and not be prevented or detected by the District's controls.

Cause: The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. However, management has reviewed and approved the annual financial statements and the related footnote disclosures.

Repeat Finding: Yes, see finding 2020-001.

Recommendation: The District should continue to evaluate its internal staff and expertise to determine if an internal control policy over the annual financial reporting is beneficial.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

Corrective Action Planned

A corrective action plan is in place.

Anticipated Completion Date

June 30, 2022

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

**PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
(CONTINUED):**

**FINDING: 2021-002 RESTATEMENT OF FUND BALANCE AND NET POSITION DUE TO
MATERIAL PRIOR PERIOD ERROR**

Condition: A construction-related contracts payable was paid but not reversed out of payables in fiscal year 2020. This resulted in contracts payable and expenditures being overstated and fund balance being understated in the amount of \$390,553 for the prior year. Therefore, the District's General Fund's fund balance and the net position of governmental activities was restated to reflect the proper reversal of the related payable.

Criteria: The District should have sufficient internal controls in place, including formal review procedures, to ensure contracts payable are properly stated each year.

Effect: The design of internal controls and procedures related to construction-related contracts payable may limit the District's ability to detect or prevent a misstatement of the financial statements.

Cause: The District's usual controls that are in place did not detect and correct the error timely. This was due to this being an isolated instance of a payable that was recoded to the general fund from the capital projects fund after the contractor went over the contracted budget amounts. Also, during this recoding to the general fund, it was recoded to the automated accounts payable code that usually automatically reverses when paid, instead of the District's manual account payable code. Finally, this payable was unique due to the contractor allowing it to be paid over two years, as they went over the contract budget, and then the general ledger software properly reversed the first payment against the payable but not the second payment.

Repeat Finding: No.

Recommendation: The District should put in place procedures and internal controls, such as a review of the year end contracts payable and reconciliation to detailed accounts payable listings, to ensure contracts payable is properly stated.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

**PART II: FINDINGS RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
(CONTINUED):**

**FINDING: 2021-002 RESTATEMENT OF FUND BALANCE AND NET POSITION DUE TO
MATERIAL PRIOR PERIOD ERROR (CONTINUED)**

Corrective Action Planned

The related payable was properly reversed out of the system for the June 30, 2021 financial statements, and a review process, including reconciliation of payables per the general ledger to detailed listings, has been implemented.

Anticipated Completion Date

June 30, 2021

PART III: FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None noted

PART IV: FINDINGS – MN LEGAL COMPLIANCE FINDINGS

FINDING: 2021-003 RESPONSIBLE CONTRACTOR REQUIREMENT

Condition: During the audit of the District, it was noted that the District did not properly obtain a signed verification of compliance with Minnesota Statute §16C.25, subdivision 3 for a contract.

Criteria: Minnesota Statute §16C.25, subdivision 3 requires that, for each construction contract in excess of \$50,000, contractors must submit a verification of compliance form signed under oath by an owner or officer of the contracting entity stating that they are in compliance with state statutes prior to the District working with that contractor.

Effect: The District was not in compliance with this statute.

Cause: The contract was less than the \$175,000 sealed bid threshold, and the District thought this requirement only applies to sealed bids.

Repeat Finding: No.

Recommendation: We recommend that the District review their processes and procedures for obtaining the verification of compliance document from contractors prior to working with them and ensure they are properly filled out and submitted as part of their contracting process.

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

PART IV: FINDINGS – MN LEGAL COMPLIANCE FINDINGS (CONTINUED)

FINDING: 2021-003 RESPONSIBLE CONTRACTOR REQUIREMENT (CONTINUED)

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person

Michelle Sander, Business Manager

Corrective Action Planned

A corrective action plan is in place to ensure these forms are properly obtained for each construction contract in excess of \$50,000.

Anticipated Completion Date

June 30, 2022

**GLENCOE-SILVER LAKE PUBLIC SCHOOLS
INDEPENDENT SCHOOL DISTRICT NO. 2859
UNIFORM FINANCIAL ACCOUNTING AND REPORTING STANDARDS
COMPLIANCE TABLE
YEAR ENDED JUNE 30, 2021**

	AUDIT	UFARS	DIFFERENCE		AUDIT	UFARS	DIFFERENCE
01 GENERAL FUND				06 BUILDING CONSTRUCTION			
Total Revenue	\$ 19,867,582	\$ 19,867,582	\$ -	Total Revenue	\$ -	\$ -	\$ -
Total Expenditures	19,868,821	19,868,821	-	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Nonspendable:</i>			
460 Nonspendable Fund Balance	-	-	-	460 Nonspendable Fund Balance	-	-	-
<i>Restricted:</i>				<i>Restricted:</i>			
401 Student Activities	90,299	90,299	-	407 Capital Projects Levy	-	-	-
403 Staff Development	132,866	132,866	-	409 Alternative Facility Program	-	-	-
407 Capital Project Levy	-	-	-	413 Projects Funded by COP	-	-	-
408 Cooperative Programs	-	-	-	464 Restricted Fund Balance	-	-	-
413 Projects Funded by COP	-	-	-	<i>Unassigned:</i>			
414 Operating Debt	-	-	-	463 Unassigned Fund Balance	-	-	-
416 Levy Reduction	-	-	-				
417 Taconite Building Maintenance	-	-	-	07 DEBT SERVICE			
424 Operating Capital	553,058	553,058	-	Total Revenue	1,562,539	1,562,539	-
426 \$25 Taconite	-	-	-	Total Expenditures	1,539,988	1,539,988	-
427 Disabled Accessibility	-	-	-	<i>Nonspendable:</i>			
428 Learning and Development	-	-	-	460 Nonspendable Fund Balance	-	-	-
434 Area Learning Center	-	-	-	<i>Restricted:</i>			
435 Contracted Alternative Programs	-	-	-	425 Bond Refunding	-	-	-
436 State-Approved Alternative Programs	-	-	-	451 QZAB and QSCB Payments	-	-	-
438 Gifted and Talented	22,114	22,114	-	464 Restricted Fund Balance	320,748	320,748	-
440 Teacher Development and Evaluations	6,684	6,684	-	<i>Unassigned:</i>			
441 Basic Skills Programs	-	-	-	463 Unassigned Fund Balance	-	-	-
445 Career and Technical Programs	-	-	-				
448 Achievement and Integration	-	-	-	08 TRUST			
449 Safe Schools Crime Levy	80,913	80,913	-	Total Revenue	-	-	-
451 QZAB Payments	-	-	-	Total Expenditures	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	<i>Net Position:</i>			
453 Unfunded Severance & Retirement Levy	-	-	-	464 Net Position	-	-	-
467 LTFM	344,970	344,970	-				
464 Restricted Fund Balance	-	-	-	18 CUSTODIAL			
<i>Committed:</i>				Total Revenue	10,425	10,424	1
418 Committed for Separation	-	-	-	Total Expenditures	13,950	13,950	-
461 Committed Fund Balance	-	-	-	<i>Net Position:</i>			
<i>Assigned:</i>				401 Student Activities	-	-	-
462 Assigned Fund Balance	400,000	400,000	-	402 Scholarships	916,600	916,599	1
<i>Unassigned:</i>				448 Achievement and Integration	-	-	-
422 Unassigned Fund Balance	4,009,661	4,009,661	-	464 Restricted Fund Balance	-	-	-
02 FOOD SERVICE				20 INTERNAL SERVICE			
Total Revenue	899,250	899,250	-	Total Revenue	-	-	-
Total Expenditures	936,988	936,987	1	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	25,744	25,744	-	422 Net Position	-	-	-
<i>Restricted:</i>				25 OPEB REVOCABLE TRUST			
452 OPEB Liability Not Held in Trust	-	-	-	Total Revenue	-	-	-
464 Restricted Fund Balance	240,914	240,915	(1)	Total Expenditures	-	-	-
<i>Unassigned:</i>				<i>Net Position:</i>			
463 Unassigned Fund Balance	-	-	-	422 Net Position	-	-	-
04 COMMUNITY SERVICE				45 OPEB IRREVOCABLE TRUST			
Total Revenue	829,635	829,637	(2)	Total Revenue	-	-	-
Total Expenditures	748,643	748,643	-	Total Expenditures	-	-	-
<i>Nonspendable:</i>				<i>Net Position:</i>			
460 Nonspendable Fund Balance	-	-	-	422 Net Position	-	-	-
<i>Restricted:</i>				47 OPEB DEBT SERVICE			
426 \$25 Taconite	-	-	-	Total Revenue	-	-	-
431 Community Education	431,416	431,416	-	Total Expenditures	-	-	-
432 E.C.F.E.	5,420	5,420	-	<i>Nonspendable:</i>			
440 Teacher Development and Evaluations	-	-	-	460 Nonspendable Fund Balance	-	-	-
444 School Readiness	(42,005)	(42,005)	-	<i>Restricted:</i>			
447 Adult Basic Education	-	-	-	425 Bond Refunding	-	-	-
452 OPEB Liability Not Held in Trust	-	-	-	464 Restricted Fund Balance	-	-	-
464 Restricted Fund Balance	658	658	-	<i>Unassigned:</i>			
<i>Unassigned:</i>				463 Unassigned Fund Balance	-	-	-
463 Unassigned Fund Balance	-	-	-				

