



Financial Statements  
June 30, 2021

**Independent School District No. 716**  
Belle Plaine, Minnesota

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Independent School District No. 716  
Belle Plaine, Minnesota  
List of Elected School Officials and Administration (Unaudited)  
June 30, 2021

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**School Board**

<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Terry Kahle	Chairperson	2024
Tracy O'Brien	Vice Chairperson	2024
Amanda Gregory	Clerk	2022
Karl Keup	Treasurer	2022
Matt Lenz	Director	2022
Terry Morrison	Director	2024

**Administration**

Ryan Laager	Superintendent
Chuck Keller	Business Manager



## Independent Auditor's Report

Members of the School Board  
Independent School District No. 716  
Belle Plaine, 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 the Independent School District No. 716 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in supplemental benefits liability and supplemental benefits liability, budgetary comparison schedule, schedule of changes in the District's total OPEB liability and related ratios, and schedule of employer's share of net pension liability and schedule of employer'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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 financial statements. The introductory section, general fund schedule of changes in UFARS fund balances, combining and individual fund schedules and the Uniform Financial Accounting and Reporting Standards (UFARS) Compliance Table are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements of the District.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 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 results 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.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Legal Compliance Audit Guide prepared by the Office of the State Auditor pursuant to Minn. Stat. §6.65, we have also issued a report dated November 18, 2021 on our consideration of the District’s compliance with aspects of the provisions of the Minnesota Legal Compliance Audit Guide for School Districts. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not directed primarily toward obtaining knowledge of noncompliance. That report is an integral part of procedures performed in accordance with the Office of the State Auditor’s Minnesota Legal Compliance Audit Guide for School Districts in considering the District’s compliance with certain regulatory requirements pursuant to Minn. Stat. §6.65.



Mankato, Minnesota  
November 18, 2021

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

This section of Independent School District No. 716'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.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model required by the Governmental Accounting Standards Board's (GASB) Statement No 34 –*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* in June 1999. Statement No. 34 contains significant requirements that enhance financial reporting. These requirements are also designed to make annual reports easier for the public to understand and more useful to stakeholders. Specifically, Statement No. 34 establishes new reporting requirements that include new financial statements, expanded disclosure, and supplemental information, including the MD&A (this section).

**FINANCIAL HIGHLIGHTS**

- Net position increased \$4,793,263 from the prior year.
- Overall general fund revenues were \$17,911,941 while overall general fund expenditures totaled \$17,033,022 for the year ended June 30, 2021.
- The General fund balance increased by \$1,118,855, the Debt Service fund balance decreased by \$29,963, the Food Service fund balance increased by \$102,894, Community Service fund balance increased by \$81,971 and the Building Construction fund decreased by \$181,704.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two statements are *district-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary fund* statements used to account for the activities of the District's self-insured health and dental plans.

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The diagram shows how the various parts of this annual report are arranged and related to one another.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain, are summarized below. The remainder of the overview section of the MD&A highlights the structure and content of each of the statements.

**Fund Financial Statements**

	District-Wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire district (except Fiduciary funds(s))	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities
Required Financial Statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset / Liability Information	All assets, deferred inflows of resources, liabilities, and deferred outflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**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 inflows of resources, liabilities, and deferred outflows 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, deferred inflows, liabilities, and deferred outflows 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.

- **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.

**Fund Financial Statements**

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.

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 you 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 following the governmental funds statements that explains the relationship (or difference) between them.

**Proprietary funds** – The District's proprietary funds are used to report and account for the District's self-insured health and dental. These funds are accounted for in a separate section in the audit report to provide accounting methods similar to those used by private sector companies. Consequently, the proprietary funds statements provide a short-term view that helps to determine whether their programs are beneficial to the members.

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

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

Net Position:

The District's combined net position was \$11,275,413 on June 30, 2021, (see details in Table A-1). This represents an increase in comparison to June 30, 2020.

**Table A-1**

Statement of Net Position  
June 30, 2021 and 2020

	2021	2020
Assets		
Current assets	\$ 14,823,114	\$ 13,886,590
Capital assets	35,914,213	36,851,220
Total assets	50,737,327	50,737,810
Deferred Outflows of Resources	5,706,444	9,171,593
Liabilities		
Other liabilities	2,440,458	2,170,821
Long-term liabilities	28,245,916	31,431,171
Total liabilities	30,686,374	33,601,992
Deferred Inflows of Resources	14,481,984	19,825,261
Net Position (Deficit)		
Net investment in capital assets	19,251,261	15,978,148
Restricted for specific purposes	3,631,725	3,106,478
Unrestricted	(11,607,573)	(12,602,476)
Total net position	\$ 11,275,413	\$ 6,482,150

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

Change in Net Position

**Table A-2**

Statements of Activities  
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for service	\$ 884,925	\$ 1,332,427
Operating grants and contributions	3,827,195	2,859,289
General		
Property taxes	4,137,014	4,023,170
Fiscal disparities	679,360	702,436
Aids and payments from state and other	13,040,271	13,103,060
Interest earnings	15,760	115,687
Gain on sale of equipment	21,985	13,612
Miscellaneous revenues	1,596,565	183,468
Total revenues	<u>24,203,075</u>	<u>22,333,149</u>
Expenses		
Administration	883,389	898,841
District support services	841,246	559,457
Regular instruction	7,486,143	8,874,929
Vocational instruction	476,244	438,048
Special education instruction	3,046,576	2,862,517
Community education and services	766,738	789,166
Instructional support services	646,088	582,889
Pupil support services	2,010,531	2,276,000
Sites and buildings	2,092,876	2,158,949
Fiscal and other fixed-cost programs	281,119	71,116
Interest and fiscal charges	878,862	447,549
Total expenses	<u>19,409,812</u>	<u>19,959,461</u>
Change in Net Position	4,793,263	2,373,688
Net Position - Beginning	<u>6,482,150</u>	<u>4,108,462</u>
Net Position - Ending	<u>\$ 11,275,413</u>	<u>\$ 6,482,150</u>

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Changes in Net Position.** The District's total revenues were \$24,203,075 for the year ended June 30, 2021 (See Table A-2). Unallocated state and federal aid along with local property taxes accounted for 74% of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 16% and the remainder from fees charged for services and miscellaneous sources 10%.

The total cost of all programs and services was \$19,409,812 for the year ended June 30, 2021. The District's expenses are predominantly related to student education and student educational support (74%). The District's administrative activities accounted for 5% of the total costs. Total revenues surpassed total expenses, increasing net position \$4,793,263 from the prior fiscal year.

**Governmental Activities:**

- The cost of all governmental activities this year was \$19,409,812.
- The users of the District's programs financed \$884,925 of the cost of services through charges for services.
- District and state taxpayers financed \$17,856,645 of the District's costs. This portion of governmental activities was financed with \$4,137,014 in property taxes, \$679,360 in fiscal disparities, and \$13,040,271 unrestricted state aid based on the statewide educational aid formula.
- The balance of \$5,461,505 was financed from operating and capital grants and contributions, interest, and miscellaneous earnings.

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

The financial performance of the District as a whole is reflected in its governmental funds. At the end of the 2021 fiscal year, the District's governmental funds reported combined fund balances of \$7,300,087. This is compared to \$6,208,034 for the previous year. This includes nonspendable, restricted, committed, assigned, and unassigned fund balances.

Total revenue and expenditures for the District's governmental funds were \$22,713,883 and \$21,909,059, respectively. As a result, the District completed the year with an excess of revenues over expenditures in the amount of \$804,824. Additionally, other financing sources for the District's governmental funds resulted in sources of \$287,229.

**General Fund:**

The General Fund is used to account for all revenues and expenditures of the District not accounted for elsewhere. This fund is used to account for: K-12 educational activities, District instructional and student support programs, expenditures for both District and school administration, normal operations and maintenance, pupil transportation, capital expenditures, and all other legal expenditures not specifically designated to be accounted for in any other fund.

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Revenues:**

Revenues totaled \$17,911,941, an increase of \$1,107,925 from the prior fiscal year. The following schedule presents a summary of General Fund revenues.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
Local property taxes	\$ 1,797,692	\$ 1,199,454	\$ 598,238	49.9%
Other local sources	465,237	793,372	(328,135)	-41.4%
State sources	14,403,605	14,379,233	24,372	0.2%
Federal sources	1,245,407	431,957	813,450	188.3%
<b>Total General Fund Revenues</b>	<b>\$ 17,911,941</b>	<b>\$ 16,804,016</b>	<b>\$ 1,107,925</b>	<b>6.6%</b>

**Expenditures:**

Expenditures totaled \$17,033,022, an increase of \$796,614 from the prior fiscal year. The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30,		Amount of Increase (Decrease)	Percent Increase (Decrease)
	2021	2020		
Salaries and benefits	\$ 12,338,370	\$ 11,901,737	\$ 436,633	3.7%
Purchased services	2,735,821	2,524,861	210,960	8.4%
Supplies and materials	1,147,678	993,896	153,782	15.5%
Capital expenditures	721,451	746,425	(24,974)	-3.3%
Other expenditures	89,702	69,489	20,213	29.1%
<b>Total General Fund Expenditures</b>	<b>\$ 17,033,022</b>	<b>\$ 16,236,408</b>	<b>\$ 796,614</b>	<b>4.9%</b>

**Food Service Fund:**

The Food Service Fund revenues for 2021 totaled \$609,512 and expenditures were \$506,618. The June 30, 2021, fund balance is \$332,862, an increase of \$102,894 from the prior fiscal year.

**Community Service Fund:**

The Community Service Fund revenue for 2021 totaled \$848,396 and expenditures were \$766,425. The June 30, 2021, fund balance is \$434,159, a \$81,971 increase from the prior fiscal year.

**Debt Service Fund:**

The Debt Service fund revenue for 2021 totaled \$3,344,034 and expenditures were \$3,421,290. The June 30, 2021, fund balance is \$772,630, a decrease of \$29,963 from the prior fiscal year. During the current year, the District issued General Obligation School Building Refunding Bonds, Series 2020A to refund the District's outstanding General Obligation School Building Refunding Bonds, Series 2012A.

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Building Construction**

The Building Construction fund revenue for 2021 totaled \$0 and expenditures were \$181,704. The June 30, 2021, fund balance is \$0, a decrease from the prior year of \$181,704.

**Fund Balance:**

The unassigned general fund balance is \$2,839,953 and the various restricted and committed fund balances totaled \$1,570,351 and \$81,607, respectively. The fund balance increased due to a variety of factors including an increase in Federal Aid related to the COVID-19 pandemic.

The single best measurement of the District's overall financial health in the General Fund is the unassigned fund balance. The District closely monitors this fund balance through budget planning sessions.

**Budgetary Highlights:**

The District's operating budget (revised in May of 2021) showed revenues would exceed expenditures in the General Fund by \$347,196, the actual results for the year show revenues and other financing sources exceeded expenditures by \$1,118,855, largely due to increased Federal Aid related to the COVID-19 pandemic, and other financing sources related to entering into a capital lease. The remaining variance was due to increased General State Aid and a significant reduction in costs for utilities, transportation, licensed substitutes, travel, professional fees and supplies due to closure of school buildings and moving to a Distance Learning environment at certain times throughout the school year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets:**

By the end of 2021, the District had invested \$60,787,312 in a broad range of capital assets, including school buildings, land, computer and equipment for various instructional programs (see Table A-7). Total depreciation expense for the year was \$1,334,759. More detailed information about capital assets can be found in Note 3 to the financial statements.

**Table A-7  
Capital Assets**

Capital Assets Governmental Activities  
June 30, 2021 and 2020

	2021	2020
Land	\$ 1,068,384	\$ 1,068,384
Buildings	53,543,883	53,532,702
Land Improvements	361,358	361,358
Equipment	5,813,687	5,427,116
Accumulated Depreciation	(24,873,099)	(23,538,340)
Total capital assets	\$ 35,914,213	\$ 36,851,220

**INDEPENDENT SCHOOL DISTRICT #716  
BELLE PLAINE SCHOOLS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2021**

**Long-Term Liabilities:**

As of June 30, 2021, the District had bonds payable, bond premium, and capital lease payable of \$16,662,952. Additionally, The District has a net pension liability of \$10,765,590, total other post-employment benefit liability of \$759,317 and other supplemental benefits payable of \$58,057 at year end. More detailed information about long-term liabilities can be found in Notes 4 - 6 to the financial statements.

**Factors Bearing on the District's Future:**

The District is dependent on the State of Minnesota for its revenue authority. Recent experience demonstrates that legislated revenue increases have not been sufficient to meet instructional program needs and increased costs due to inflation.

The Legislative session passed numerous bills that will be beneficial to our district. These benefits include a 2.45% or \$161 per pupil unit basic formula increase for FY 2022 and 2% or a \$135 per pupil unit basic formula increase for FY 2023. The District also expects enrollment to remain slightly down from previous years, however we do not know the impact that COVID-19 will have on future enrollment.

**Contacting the District's Financial Management:**

This financial report is designed to provide the District's citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or would like additional information, contact the District Office, ISD #716, 130 South Willow Street, Belle Plaine, MN 56011.

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Net Position  
 June 30, 2021

<b>Assets</b>	
Cash	\$ 10,042,470
Receivables	
Current property taxes	2,482,997
Delinquent property taxes	26,323
Accounts	17,602
Due from other Minnesota school districts	4,214
Due from Minnesota Department of Education	1,505,304
Due from Federal through Minnesota Department of Education	739,628
Inventories	4,576
Capital assets not being depreciated:	
Land	1,068,384
Capital assets, net of accumulated depreciation:	
Land improvements	67,856
Buildings	33,175,163
Equipment	1,602,810
<b>Total assets</b>	<b>50,737,327</b>
<b>Deferred Outflows of Resources</b>	
Other postemployment benefits	118,498
Other supplemental benefits	18,476
Pension plans	5,569,470
<b>Total deferred outflows of resources</b>	<b>5,706,444</b>
<b>Liabilities</b>	
Salaries payable	581,428
Accounts payable	122,527
Interest payable	537,652
Due to other Minnesota school districts	217,453
Due to other governmental units	320
Payroll deductions	776,592
Unearned revenue	33,590
Unamortized bond premium	
Claims incurred but not reported	170,896
Noncurrent liabilities:	
Due within one year - bonds payable, related premium, and capital lease	3,238,230
Due in more than one year - bonds payable, related premium, and capital lease	13,424,722
Due in more than one year - total OPEB liability	759,317
Due in more than one year - supplemental benefits	58,057
Due in more than one year - net pension liability	10,765,590
<b>Total liabilities</b>	<b>30,686,374</b>
<b>Deferred Inflows of Resources</b>	
Other postemployment benefits	123,597
Pension plans	9,454,400
Property taxes levied for subsequent year	4,903,987
<b>Total deferred inflows of resources</b>	<b>14,481,984</b>
<b>Net Position (Deficit)</b>	
Net investment in capital assets	19,251,261
Restricted	3,631,725
Unrestricted	(11,607,573)
<b>Net position</b>	<b>\$ 11,275,413</b>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Activities  
 Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Administration	\$ 883,389	\$ -	\$ -	\$ (883,389)
District support services	841,246	-	-	(841,246)
Regular instruction	7,486,143	198,598	1,177,108	(6,110,437)
Vocational instruction	476,244	1,081	-	(475,163)
Special education instruction	3,046,576	-	1,913,065	(1,133,511)
Community education and services	766,738	561,758	132,295	(72,685)
Instructional support services	646,088	-	-	(646,088)
Pupil support services	2,010,531	118,078	604,727	(1,287,726)
Sites and buildings	2,092,876	5,410	-	(2,087,466)
Fiscal and other fixed cost programs	281,119	-	-	(281,119)
Interest and fiscal charges	878,862	-	-	(878,862)
Total governmental activities	<u>\$ 19,409,812</u>	<u>\$ 884,925</u>	<u>\$ 3,827,195</u>	<u>(14,697,692)</u>
General Revenues				
Property taxes and other county sources				4,137,014
Fiscal disparities				679,360
Aids and payments from the state				13,040,271
Interest earnings				15,760
Gain on sale of equipment				21,985
Miscellaneous				1,596,565
Total general revenues				<u>19,490,955</u>
Changes in Net Position				4,793,263
Net Position - Beginning				<u>6,482,150</u>
Net Position - Ending				<u>\$ 11,275,413</u>

The notes to the financial statements are an integral part of the financial statements

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Balance Sheet – Governmental Funds  
 June 30, 2021

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 6,098,672	\$ 2,212,712	\$ 869,758	\$ 9,181,142
Receivables				
Current property taxes	896,583	1,533,573	52,841	2,482,997
Delinquent property taxes	10,097	15,622	604	26,323
Accounts	6,028	-	11,574	17,602
Due from other Minnesota school districts	4,214	-	-	4,214
Due from Minnesota Department of Education	1,444,242	47,675	13,387	1,505,304
Due from Federal through Minnesota Department of Education	659,361	-	80,267	739,628
Inventories	4,576	-	-	4,576
<b>Total assets</b>	<b>\$ 9,123,773</b>	<b>\$ 3,809,582</b>	<b>\$ 1,028,431</b>	<b>\$ 13,961,786</b>
<b>Liabilities</b>				
Salaries payable	\$ 513,311	\$ -	\$ 68,117	\$ 581,428
Accounts payable	77,083	3,150	42,294	122,527
Due to other Minnesota school districts	217,398	-	55	217,453
Due to other governmental units	320	-	-	320
Payroll deductions	776,592	-	-	776,592
Unearned revenue	-	-	33,590	33,590
<b>Total liabilities</b>	<b>1,584,704</b>	<b>3,150</b>	<b>144,056</b>	<b>1,731,910</b>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent taxes	9,873	15,342	587	25,802
Property taxes levied for subsequent year	1,768,760	3,018,460	116,767	4,903,987
<b>Total deferred inflows of resources</b>	<b>1,778,633</b>	<b>3,033,802</b>	<b>117,354</b>	<b>4,929,789</b>
<b>Fund Balances</b>				
Nonspendable	4,576	-	-	4,576
Restricted	1,570,351	772,630	767,021	3,110,002
Committed	81,607	-	-	81,607
Assigned	1,263,949	-	-	1,263,949
Unassigned	2,839,953	-	-	2,839,953
<b>Total fund balances</b>	<b>5,760,436</b>	<b>772,630</b>	<b>767,021</b>	<b>7,300,087</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,123,773</b>	<b>\$ 3,809,582</b>	<b>\$ 1,028,431</b>	<b>\$ 13,961,786</b>

Independent School District No. 716

Belle Plaine, Minnesota

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2021

Total Fund Balances for Governmental Funds	\$	7,300,087	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			35,914,213
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as unearned revenue in the funds.			25,802
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.			(537,652)
The internal service fund accounts for the district's health and dental self-insurance plan. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position.			690,432
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.			(5,099)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.			(3,884,930)
Deferred outflows and inflows of resources related to supplemental benefits are applicable to future periods and, therefore, are not reported in the governmental funds.			18,476
Long-term liabilities that pertain to governmental funds 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, including bond premium	\$	15,803,720	
Capital Lease Payable		859,232	
OPEB Liability		759,317	
Single Employer Plan Net Pension Liability		58,057	
Multi-Employer Plans Net Pension Liability		10,765,590	
		<u>10,765,590</u>	<u>(28,245,916)</u>
Total Net Position for Governmental Activities	\$		<u><u>11,275,413</u></u>

Independent School District No. 716  
Belle Plaine, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2021

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
<b>Revenues</b>				
Local property tax levies	\$ 1,797,692	\$ 2,864,516	\$ 114,674	\$ 4,776,882
Other local and county sources	465,237	3,034	564,470	1,032,741
State sources	14,403,605	476,484	173,448	15,053,537
Federal sources	1,245,407	-	568,644	1,814,051
Local sales and insurance recovery	-	-	36,672	36,672
Total revenues	<u>17,911,941</u>	<u>3,344,034</u>	<u>1,457,908</u>	<u>22,713,883</u>
<b>Expenditures</b>				
Administration	859,865	-	-	859,865
District support services	708,329	-	-	708,329
Regular instruction	7,503,780	-	-	7,503,780
Vocational instruction	479,812	-	-	479,812
Special education instruction	3,036,745	-	-	3,036,745
Community education and services	-	-	766,425	766,425
Instructional support services	984,372	-	-	984,372
Pupil support services	1,600,173	-	506,618	2,106,791
Sites and buildings	1,744,810	-	181,704	1,926,514
Fiscal and other fixed cost programs	115,136	-	-	115,136
Debt service:				
Principal	-	2,755,000	-	2,755,000
Interest and fiscal charges	-	666,290	-	666,290
Total expenditures	<u>17,033,022</u>	<u>3,421,290</u>	<u>1,454,747</u>	<u>21,909,059</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	878,919	(77,256)	3,161	804,824
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	10,910,000	-	10,910,000
Capital lease proceeds	217,951	-	-	217,951
Payment to refunded bond escrow agent	-	(12,215,000)	-	(12,215,000)
Underwriter's discount on bond issuance	-	(109,100)	-	(109,100)
Premium on refunding bonds issued	-	1,461,393	-	1,461,393
Gain on sale of equipment	21,985	-	-	21,985
Total other financing sources (uses)	<u>239,936</u>	<u>47,293</u>	<u>-</u>	<u>287,229</u>
Net Change in Fund Balances	1,118,855	(29,963)	3,161	1,092,053
Fund Balances - Beginning	4,641,581	802,593	763,860	6,208,034
Fund Balances - Ending	<u>\$ 5,760,436</u>	<u>\$ 772,630</u>	<u>\$ 767,021</u>	<u>\$ 7,300,087</u>

Independent School District No. 716

Belle Plaine, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2021

Total Net Change in Fund Balances for Governmental Funds	\$ 1,092,053
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period those amounts are:	
Capital outlay	397,752
Depreciation expense	(1,334,759)
In governmental funds, issuance of new debt is reported as an other financing source (in the amount of the proceeds received). However, in the statement of activities, a new debt issuance is not revenue, rather it constitutes a long-term liability in the statement of net position.	(10,910,000)
In governmental funds, issuance of a capital lease is reported as a source of financing (in the amount of net proceeds received). However, in the statement of activities, a new capital lease is not revenue, rather it constitutes a long-term liability in the statement of net position.	(217,951)
In governmental funds, OPEB obligations are measured by the amount of resources used. However, in the statement of activities, an increase in an OPEB obligation is based on the amount earned by the employees during the period. This amount is the net effect of these differences.	23,854
In governmental funds, pension liabilities are measured by the amount of resources used. However, in the statement of activities, an increase in pension liability is based on the amount earned by the employees during the period. This amount is the net of these differences.	13,968
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences.	7,661
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	783,528
The governmental funds report repayment of bond principal and capital lease principal as expenditures. In the statement of net position, however, repayment of principal reduces the liability.	15,330,410
Long-term debt interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.	(277,118)
The internal service fund accounts for the district's health and dental self-insurance plan. The net revenue of the internal service fund is included in the governmental activities.	(120,957)
Property taxes levied and due in previous fiscal years that have not been received as of the end of the current fiscal year are recorded as unavailable revenue - delinquent taxes in the governmental funds. In the statement of activities, these taxes are considered revenue in the period for which they are levied.	4,822
Change in Net Position of Governmental Activities	<u>\$ 4,793,263</u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Budgetary Comparison Schedule: General Fund  
 Year Ended June 30, 2021

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local property tax levies	\$ 1,787,719	\$ 1,793,701	\$ 1,797,692	\$ 3,991
Other local and county sources	505,853	377,777	465,237	87,460
State sources	14,409,480	14,340,082	14,403,605	63,523
Federal sources	422,694	1,148,853	1,245,407	96,554
<b>Total revenues</b>	<b>17,125,746</b>	<b>17,660,413</b>	<b>17,911,941</b>	<b>251,528</b>
<b>Expenditures</b>				
Administration	904,702	886,507	859,865	26,642
District support services	506,814	647,097	708,329	(61,232)
Regular instruction	7,992,754	7,874,012	7,503,780	370,232
Vocational instruction	407,512	405,720	479,812	(74,092)
Special education instruction	2,962,806	2,944,263	3,036,745	(92,482)
Instructional support services	920,287	913,727	984,372	(70,645)
Pupil support services	1,587,425	1,680,208	1,600,173	80,035
Sites and buildings	2,036,903	1,834,522	1,744,810	89,712
Fiscal and other fixed cost programs	134,556	149,146	115,136	34,010
<b>Total expenditures</b>	<b>17,453,759</b>	<b>17,335,202</b>	<b>17,033,022</b>	<b>302,180</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,013)	325,211	878,919	553,708
<b>Other Financing Sources</b>				
Capital lease	-	-	217,951	217,951
Gain on sale of equipment	21,985	21,985	21,985	-
<b>Total Other Financing Sources</b>	<b>21,985</b>	<b>21,985</b>	<b>239,936</b>	<b>217,951</b>
<b>Net Change in Fund Balances</b>	<b>\$ (306,028)</b>	<b>\$ 347,196</b>	<b>1,118,855</b>	<b>\$ 771,659</b>
Fund Balances - Beginning			4,641,581	
Fund Balances - Ending			<b>\$ 5,760,436</b>	

Independent School District No. 716  
Belle Plaine, Minnesota  
Statement of Net Position – Proprietary Fund  
June 30, 2021

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	<u>Governmental Activities - Internal Service Fund</u>
Current Assets	
Cash	<u>\$ 861,328</u>
Liabilities	
Claims incurred but not reported	<u>170,896</u>
Net Position	
Unrestricted	<u><u>\$ 690,432</u></u>

Independent School District No. 716  
Belle Plaine, Minnesota  
Statement of Changes in Net Position – Proprietary Fund  
Year Ended June 30, 2021

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	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues	
Health and dental premiums	<u>\$ 2,299,450</u>
Operating Expenses	
Health and dental claims	2,048,235
Administration fees	<u>372,172</u>
Total operating expenses	<u>2,420,407</u>
Change in Net Position	(120,957)
Net Position - Beginning	<u>811,389</u>
Net Position - Ending	<u><u>\$ 690,432</u></u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Statement of Cash Flows – Proprietary Fund  
 Year Ended June 30, 2021

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	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	\$ 2,299,450
Payments for insurance claims and administration	(2,448,765)
Net cash used for operating activities	(149,315)
Net Change in Cash	(149,315)
Cash, July 1, 2020	1,010,643
Cash, June 30, 2021	\$ 861,328
Reconciliation of Operating Loss to	
Net Cash used for Operating Activities	
Operating loss	\$ (120,957)
Changes in assets and liabilities	
Claims incurred but not reported	(28,358)
Net cash used for operating activities	\$ (149,315)

## **Note 1 - Summary of Significant Accounting Policies**

The Independent School District No. 716 (District) is a school district governed by a board elected by eligible voters of the District. The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant District accounting policies are described below.

### **A. Financial Reporting Entity**

The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The District does not have any blended or discretely presented component units.

The District is the basic level of government which has oversight responsibility and control over all activities related to the public school education in the District's area. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB pronouncements, since board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, intergovernmental revenues, and other items not properly included among program revenues are reported instead as general revenues.

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

### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period, except as stated below. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for the following: (1) commodity inventory items are recorded when received, (2) interest and principal on long-term debt are recorded when paid, and (3) claims and judgments, group health claims, and compensated absences are recorded as expenditures when paid with expendable available financial resources. Prepaid items are recorded for approved disbursements made in advance of the year in which the item is budgeted.

Property tax revenues for all funds, which are payable by property owners in a calendar year, are recognized in the fiscal year beginning July 1 of that calendar year. State revenues are recognized in the year to which they apply according to Minnesota Statutes. Federal revenues are recorded in the year in which the related expenditure is made. If the amounts of Minnesota or Federal revenues cannot be reasonably estimated or realization is not assured, they are not recorded as revenue in the current year. Revenue from other school districts is generally recognized when related expenditures occur. All other revenue items are considered to be measurable and available as stated above.

The District reports unearned revenue on its governmental fund financial statements and government wide financial statements when resources are received by the District before the revenue has been earned. The District records unavailable revenue on its governmental fund financial statements when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the unavailable revenue is removed from the financial statements and revenue is recognized.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the District's internal service fund is receipts from participants. Operating expenses for the internal service fund includes payments for insurance claims and administration. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District reports the following major governmental funds:

- *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is used to account for educational activities, District instructional and student support programs, expenditures for the superintendent, district administration, normal operations and maintenance, pupil transportation, capital expenditures, and legal school district expenditures not specifically designated to be accounted for in any other fund. The District's Student Activity Funds of \$159,332 are under board control and are reported and audited in the general fund as restricted funds.
- *Debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The District reports the following non-major governmental funds:

- *Food service fund* accounts for food service revenues and expenditures.
- *Community service fund* accounts for services provided to residents in the areas of recreation, civic activities, nonpublic pupils, adults or early childhood programs, extended day programs, or other similar services.
- *Building construction fund* accounts for the financial resources that are required for the acquisition of capital assets.

Additionally, the government reports the following fund types:

- *Internal service fund* is a proprietary fund used to account for the activities of the District's self-insured health and dental plans.

#### **D. Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position or Fund Balance**

##### **1. Cash**

Cash balances of the District's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash includes amounts in demand deposits, as well as short-term investments, with an original maturity date within three months of the date acquired by the District.

## **2. Inventories, Commodities, and Prepaid Items**

All inventories are expensed when consumed rather than when purchased and are valued at the lower of cost or net realizable value, using the first-in/first-out (FIFO) method. United States Department of Agriculture commodities received are recorded as revenue at the fair market value of such commodities and included in the food service fund revenue and expenditures when received.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

## **3. Receivables**

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, state and federal aids, and revenue from other Minnesota school districts. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible.

Interest and certain receivables are recorded as revenue in the year earned and available to pay liabilities of the current period.

On or before September 15th of each year, the School Board certifies to the county auditor the dates it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All school districts must hold public hearings on their proposed property tax levies. Also, at this time the School Board certifies its proposed property tax levy to the county auditor for collection in the following year.

Beginning on November 29th and through December 20th of each year, the District is required by state law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the School Board certifies its final adopted property taxes payable the following year to the county auditor. If the District has not certified its final property tax by this time, its property tax will be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the District at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on May 15 and November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to Districts three times a year, in January, June, and November.

Property tax revenue is recorded under the intact levy concept whereby taxes collectible during a calendar year are recorded as revenue in the fiscal year beginning with the year of collection. Current taxes receivable represent taxes levied in 2020 which are not payable until 2021 less amounts received before June 30, 2021. Delinquent taxes receivable represent levies collectible during 2020 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2020, but not payable until 2021 and are not expendable by the District until the 2021-2022 school year, adjusted for the property tax shift amount.

#### 4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Plumbing and Electrical	30
Building Improvements Interior, Portable Classrooms, and Fire System	25
Heating and Ventilation System, Long-term Admin Software, Furniture and Fixtures, Outdoor Equipment, Roofing, and Site Improvements	20
Custodial Equipment, Grounds Equipment, Kitchen Equipment, and Machinery and Tools	15
All Other Equipment, Short-term Admin Software, and Long-term Instructional Software	10
Vehicles and Buses	8
Carpet Replacement	7
Computer Hardware, Copiers, Short-term Instructional Software, and Library Books	5

## **5. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds and issuance costs are expensed in the period incurred. In the fund financial statements, governmental fund types recognize premiums received on debt issuances 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.

Compensated Absences - It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. Vacation leave is accrued as a liability and recorded as an expense of those funds as the benefits are earned by the employees. A liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements. All unused vacation leave at June 30, 2021, expired.

## **6. Other Postemployment Benefits**

Under the provisions of the various employee and union contracts the District provides health coverage until age 65 if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB Statement No. 75, at July 1, 2020. The plan does not issue a stand-alone financial report. Additional information can be found in Note 4.

## **7. Supplemental Benefits Liability**

Under the provisions of the various employee contracts the District provides a lump sum payment (maximum \$42,000) to retirees if certain criteria are met. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis and plan members are not required to contribute. This amount was actuarially determined, in accordance with GASB 73, at July 1, 2020. The plan does not issue a stand-alone financial report. Additional information can be found in Note 5.

## **8. 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 the 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.

TRA has a special funding situation created by direct aid contributions made by the State of Minnesota, City of Minneapolis and Minneapolis School District. The direct aid is a result of the Minneapolis Teachers Retirement Fund Association merger into TRA in 2006. A second direct aid source is from the State of Minnesota for the merger of the Duluth Teacher's Retirement Fund Association (DTRFA) in 2015. Additional information can be found in Note 6.

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.

### **9. Deferred Outflows of Resources**

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

The District has three items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenses in future years.

### **10. Deferred Inflows of Resources**

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

The District has three types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Funds Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB activity as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position.

### **11. Net Position**

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the District's government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

### **12. Fund Balance**

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The District's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the School Board through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the District's intent to be used for specific purposes, but neither restricted nor committed. The School Board has the authority to assign a fund balance and the School Board has also delegated the authority to assign fund balances to the superintendent and business manager.
- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The District will strive to maintain a minimum unassigned general fund balance of 10 percent of the annual budget. If resources from more than one fund balance classification could be spent, the District will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

#### **E. Inter-Fund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses in the government-wide financial statements and fund financial statements. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Transfers have been removed from the government-wide financial statements.

#### **F. Property Taxes**

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

Generally, property taxes are recognized as revenue by the District in the fiscal year that begins midway through the calendar year in which the tax levy is collectible. To help balance the state budget, the Minnesota Legislature utilizes a tool referred to as the "tax shift," which periodically changes the District's recognition of property tax revenue. The tax shift advance recognizes cash collected for the subsequent year's levy as current year revenue, allowing the state to reduce the amount of aid paid to the District. The remaining portion of the taxes collectible in 2021 is recorded as deferred inflows of resources (property taxes levied for subsequent years).

Property tax levies are certified to the County Auditor in December of each year for collection from taxpayers in May and October of the following calendar year. In Minnesota, counties act as collection agents for all property taxes. The county spreads all levies over taxable property. Such taxes become a lien on property on the following January 1. The county general remits taxes to the District at periodic intervals as they are collected. A portion of the property taxes levied is paid by the State of Minnesota through various tax credits, which are included in revenue from state sources in the financial statements.

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

#### **G. 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 for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in the District's insurance coverage in fiscal year 2021.

## **H. Estimates**

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

## **Note 2 - Stewardship, Compliance, and Accountability**

### **A. Budgetary Information**

The District adopts an annual budget for all funds in accordance with Minnesota State Statutes. The budget is prepared on the modified accrual basis of accounting. Before July 1, the proposed budget is presented to the School Board for review. The School Board holds public hearings and a final budget must be prepared and adopted no later than one week after the School Board approves the audited financial statements and has published the final budget in the local newspaper. Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end. The actual revenues, expenditures, and transfers for the year ended June 30, 2021, have been compared to the District's budget for the year where applicable. Variances in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Any revisions that alter total expenditures of any fund must be approved by the School Board.

Budgetary control is maintained by fund, at the object of expenditure category level within each program, and in compliance with state requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the School Board. Budgeted expenditure appropriations lapse at year end. The School Board made several supplemental budgetary appropriations throughout the year.

**Note 3 - Detailed Notes on All Funds**

**A. Cash**

In accordance with Minnesota Statutes, the District maintains deposits at those depository banks authorized by the School Board. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all District 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 bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the District Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk—Deposits. 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. As of June 30, 2021, none of the District’s bank balances were exposed to custodial credit risk.

**B. Receivables**

Receivables as of the year ended June 30, 2021 for the District are reported on the Statement of Net Position and the Balance Sheet.

The Balance Sheet reports unavailable revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The Statement of Net Position and the Balance Sheet also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of unearned revenue reported were as follows:

	<u>Received but Unearned</u>
Prepaid food service meals (food service fund)	<u>\$ 33,590</u>

**C. Capital Assets**

Depreciation expense was charged to functions/programs of the primary government as follows:

District support services	\$ 24,053
Regular instruction	849,579
Vocational instruction	1,888
Special education instruction	9,831
Community education and services	313
Instructional support services	22,126
Pupil support services	165,022
Sites and buildings	<u>261,947</u>
 Total depreciation expense	 <u><u>\$ 1,334,759</u></u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 1,068,384	\$ -	\$ -	\$ 1,068,384
Capital Assets, Being Depreciated:				
Land improvements	361,358	-	-	361,358
Buildings	53,532,702	11,181	-	53,543,883
Equipment	5,427,116	386,571	-	5,813,687
Total Capital Assets, Being Depreciated	<u>59,321,176</u>	<u>397,752</u>	<u>-</u>	<u>59,718,928</u>
Less Accumulated Depreciation for:				
Land improvements	277,328	16,174	-	293,502
Buildings	19,379,653	989,067	-	20,368,720
Equipment	3,881,359	329,518	-	4,210,877
Total Accumulated Depreciation	<u>23,538,340</u>	<u>1,334,759</u>	<u>-</u>	<u>24,873,099</u>
Total Capital Assets, Being Depreciated, Net	<u>35,782,836</u>	<u>(937,007)</u>	<u>-</u>	<u>34,845,829</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 36,851,220</u></u>	<u><u>\$ (937,007)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,914,213</u></u>

**D. Capital Leases**

The District entered into a lease agreement in December 2008 for the financing of energy cost savings projects. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date. The lease is payable in monthly installments of \$8,257 over fifteen years through December 2024 at a 4.7 percent interest rate. The lease obligation is being retired by the general fund.

The District entered into a 10-year lease purchase agreement in August 2013, in the amount of \$705,000 in order to purchase land to be used for future expansion. The book value of the land purchased was \$662,434. The average coupon rate is 2.35 percent and the lease is payable in annual installments ranging from \$80,238 to \$84,550. The lease obligation is being retired by the general fund.

The District entered into a lease agreement in July 2018 as lessee for the financing of technology equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is payable in annual installments of \$151,976 over four years through July 2021 at a 1.6 percent interest rate. The lease obligation is being retired by the general fund.

The District entered into a lease agreement in April 2020 as lessee for the financing of technology equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The lease is payable in annual installments of \$56,141 over four years through July 2023 at a 1.9 percent interest rate. The lease obligation is being retired by the general fund.

Following is a summary of capital leases payable as of June 30, 2021:

Lease Description	Final	Interest Rate	Principal Payments	Original	Outstanding
Energy Savings Upgrades	12/24	4.70%	\$40,808 - \$94,776	\$ 1,870,000	\$ 312,430
Land Purchase	8/23	1.00% - 3.50%	\$60,000 - \$70,000	705,000	235,000
Technology Equipment	7/21	1.60%	\$144,908 - \$150,393	592,110	149,583
Technology Equipment	7/23	1.90%	\$53,058 - \$55,094	217,951	162,219
				<u>\$ 3,385,061</u>	<u>\$ 859,232</u>

The capital leases are paid from the general fund. The outstanding capital leases contain a provision that in the event of default, the assets under capital lease will be repossessed.

Annual debt service requirements to maturity for the capital leases are as follows:

Years Ending June 30,	
2022	\$ 390,945
2023	241,381
2024	238,301
2025	41,285
	<u>911,912</u>
Total Lease Payments	911,912
Less: Interest	<u>(52,680)</u>
Present Value of Minimum Lease Payments	<u>\$ 859,232</u>

The assets acquired through the capital leases are as follows:

<u>Asset:</u>	<u>Energy Savings Upgrades</u>	<u>Technology Equipment</u>	<u>Technology Equipment</u>
Asset Cost	\$ 5,917,671	\$ 592,110	\$ 217,951
Accumulated Depreciation	<u>(1,361,064)</u>	<u>(296,055)</u>	<u>(21,795)</u>
Total Assets Acquired through Capital Lease	<u>\$ 4,556,607</u>	<u>\$ 296,055</u>	<u>\$ 196,156</u>

### E. Long-Term Debt

General Obligation Bonds. The District issued general obligation bonds to provide funds for the improvement and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District and are paid from the debt service fund. General obligation bonds currently outstanding are as follows:

<u>Bond Description</u>	<u>Final</u>	<u>Interest Rate</u>	<u>Principal Payments</u>	<u>Original</u>	<u>Outstanding</u>
General Obligation Capital Facilities Bonds of 2009B	2/24	2.50% - 4.20%	\$85,000 - \$105,000	\$ 1,185,000	\$ 305,000
General Obligation Alternative Facilities Refunding Bonds of 2016A	2/30	2.00% - 3.00%	\$200,000 - \$365,000	2,970,000	2,560,000
General Obligation Facilities Maintenance Bonds of 2017A	2/28	2.00% - 3.00%	\$80,000 - \$605,000	1,870,000	595,000
General Obligation School Building Refunding Bonds of 2020A	2/21	4.00% - 5.00%	\$2,100,000 - \$2,290,000	<u>10,910,000</u>	<u>10,910,000</u>
				<u>\$ 16,935,000</u>	<u>\$ 14,370,000</u>

The District issued General Obligation School Building Refunding Bonds, Series 2020A, during the year ended June 30, 2021. These bonds were used to refund in advance of maturity and pay off the 2022 through 2026 maturities of the District's outstanding General Obligation School Building Refunding Bonds, Series 2012A. The district refunded the bond to obtain an economic gain of \$825,538.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Years Ending June 30,	Governmental Activities	
	Principal	Interest
2022	\$ 2,540,000	\$ 666,370
2023	2,505,000	494,360
2024	2,590,000	397,810
2025	2,525,000	275,350
2026	2,620,000	155,600
2027 - 2030	1,590,000	79,500
<b>Total</b>	<b><u>\$ 14,370,000</u></b>	<b><u>\$ 2,068,990</u></b>

Changes in Long-Term Liabilities. During the year ended June 30, 2021, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 18,430,000	\$ 10,910,000	\$ 14,970,000	\$ 14,370,000	\$ 2,540,000
Bond Premium	1,441,381	1,461,393	1,469,054	1,433,720	334,219
<b>Total Bonds Payable</b>	<b>19,871,381</b>	<b>12,371,393</b>	<b>16,439,054</b>	<b>15,803,720</b>	<b>2,874,219</b>
Direct Borrowing, Capital Leases Payable	1,001,691	217,951	360,410	859,232	364,011
<b>Total</b>	<b><u>\$ 20,873,072</u></b>	<b><u>\$ 12,589,344</u></b>	<b><u>\$ 16,799,464</u></b>	<b><u>\$ 16,662,952</u></b>	<b><u>\$ 3,238,230</u></b>

Legal Debt Margin. Minnesota State Statutes do not allow net debt (as defined in Minn. Stat. Para. 475.51 subd. 4) to exceed 15 percent of the actual market value of all taxable property within the District. The District's market value per the School Tax Report 2020 Payable 2021 was \$979,916,100.

**F. Fund Balances**

Certain portions of fund balances 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 fund balances as of June 30, 2021:

	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventories	\$ 4,576	\$ -	\$ -	\$ 4,576
Restricted				
Student activities	160,671	-	-	160,671
Staff development	132,591	-	-	132,591
Operating capital	519,784	-	-	519,784
Basic skills ext time	6,514	-	-	6,514
Long-term facilities maintenance	539,378	-	-	539,378
Medical assistance	211,413	-	-	211,413
Debt service	-	772,630	-	772,630
Food service	-	-	332,862	332,862
Early childhood family education	-	-	320,299	320,299
School readiness	-	-	84,751	84,751
Community education	-	-	25,800	25,800
Community service	-	-	3,309	3,309
Total restricted	<u>1,570,351</u>	<u>772,630</u>	<u>767,021</u>	<u>3,110,002</u>
Committed				
Severance	<u>81,607</u>	-	-	<u>81,607</u>
Assigned				
Technology	<u>1,263,949</u>	-	-	<u>1,263,949</u>
Unassigned	<u>2,839,953</u>	-	-	<u>2,839,953</u>
Total fund balance	<u>\$ 5,760,436</u>	<u>\$ 772,630</u>	<u>\$ 767,021</u>	<u>\$ 7,300,087</u>

The Uniform Financial Accounting and Reporting Standards (UFARS) fund balance reporting standards are slightly different than reporting standards under GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Below is a reconciliation between the fund balances following GASB standards and UFARS reporting standards:

	GASB Balance	Reconciling Transfer	UFARS Balance
Nonspendable			
Inventories	\$ 4,576	-	\$ 4,576
Restricted			
Student activities	160,671	-	160,671
Staff development	132,591	-	132,591
Operating capital	519,784	-	519,784
Basic skills ext time	6,514	-	6,514
Long-term facilities maintenance	539,378	-	539,378
Medical assistance	211,413	-	211,413
Debt service	772,630	-	772,630
Food service	332,862	-	332,862
Community education	320,299	-	320,299
Early childhood family education	84,751	-	84,751
School readiness	25,800	-	25,800
Community service	3,309	-	3,309
Total Restricted	3,110,002	-	3,110,002
Committed			
Severance	81,607	-	81,607
Assigned			
Technology	1,263,949	-	1,263,949
Unassigned	2,839,953	-	2,839,953
Total Fund Balances	\$ 7,300,087	\$ -	\$ 7,300,087

**Note 4 - Other Postemployment Benefits (OPEB)**

**A. Plan Description**

All employees are allowed, upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the District’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the District and the union representing District employees and are renegotiated at the end of each contract period. Contract groups receive other post-retirement benefits as follows:

- *Teachers* – For retirees reaching 55 years of age with 3 years of service who are Rule of 90 eligible, the District will pay \$1,800 per year into a Health Retirement Annuity for 8 years.
- *Retired Superintendent* – For the current retiree only, the District will pay the Board Contribution the same as BPEA toward family medical, dental, and life insurance until age 65.
- *Retired Community Service Director and Retired Principals* – For the current eligible retirees only, the District will pay \$2,000 per year for 8 years into a VEBA account.
- *All Others* – For retirees reaching 55 years of age with 3 years of service, there are no subsidized benefits.

The retiree health plan does not issue a publicly available financial report.

**B. Benefits Provided**

The contract groups have access to other post-retirement benefits of blended medical premiums of \$690 for single and \$1,386 for employee + 1 coverage. The implicit rate subsidy is only until Medicare eligibility. See plan descriptions above for subsidized benefits.

**C. Employees Covered by Benefit Terms**

At the valuation date of July 1, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	17
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	181
	198
	198

**D. Total OPEB Liability**

The District’s total OPEB liability of \$759,317 was measured as of July 1, 2020, and was determined by an actuarial valuation as of July 1, 2020.

**E. Actuarial Assumptions**

The total OPEB liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50 percent
Salary increases	Service graded table
Discount Rate	2.40 percent
Healthcare cost trend rates	6.50% as of July 1, 2020 grading to 5.00% over 6 years and then to 4.00% over the next 48 years
Retiree plan participation	
Future retirees electing coverage:	
Pre-65 subsidy available:	90%
Pre-65 subsidy not available:	
BPESPA	15%
All Others	50%
Percent of married retirees electing spouse coverage	
Future retirees electing Pre-65 Spouse Coverage	
Spouse subsidy available:	N/A
Spouse subsidy not available:	10%

Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-Year municipal Bond Yield.

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 were based on inputs from a variety of published sources of historical and projected future financial data.

The following changes in assumptions were made for the year ending June 30, 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%.

There were no changes in plan provisions for the year ending June 30, 2021.

**F. Changes in the Total OPEB Liability**

Balance at July 1, 2020	\$	921,471
Changes from the Prior Year:		
Service Cost		56,914
Interest Cost		28,736
Assumption Changes		(10,896)
Differences between Expected and Actual Experience		(133,302)
Benefit Payments		(103,606)
		(162,154)
Net Change		(162,154)
Balance at June 30, 2021	\$	759,317

**G. Sensitivity of the Total OPEB Liability to Changes in Discount Rate and the Healthcare Cost Trends Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.40%	2.40%	3.40%
Total OPEB Liability	\$ 803,755	\$ 759,317	\$ 716,233

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculate using a healthcare cost trend rate 1 percentage point lower and 1 percentage point higher than the current healthcare trend rates:

	1% Decrease in Healthcare Trend Rate	Selected Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Medical trend rate	5.50%, grading to 4.00% over 6 years, then to 3.00% over the next 48 years	6.50%, grading to 5.00% over 6 years, then to 4.00% over the next 48 years	7.50%, grading to 6.00% over 6 years, then to 5.00% over the next 48 years
Total OPEB Liability	\$ 686,804	\$ 759,317	\$ 846,773

**H. OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB**

For the year ended June 30, 2021, the District recognized OPEB expense of \$69,548. At June 30, 2021, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains/losses	\$ 9,219	\$ 114,258
Assumption changes	15,877	9,339
Employer contributions made after the measurement date	93,402	-
	\$ 118,498	\$ 123,597

The \$93,402 reported as deferred outflows of resources related to OPEB resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB 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:

Years Ended June 30,	OPEB Expense Amount
2022	\$ (16,102)
2023	(16,102)
2024	(16,102)
2025	(16,102)
2026	(16,108)
Thereafter	(17,985)

**Note 5 - Supplemental Benefit Plan**

**A. Plan Description**

The District provides a defined contribution supplemental pension benefit to certain eligible employees and report them following the guidance of GASB Statement No. 73. All of the pension benefits are based on contractual agreements with employee groups. Contract groups receive other supplement benefits as follows:

Teachers – For retirees meeting the “Rule of 90” eligibility, hired before June 30, 1989 and listed in the Master Contract, Appendix III, the benefit is minimum base annual salary \$42,000 minus accumulated District contributions to the Matching Annuity Plan. The limitation on the total benefit is \$42,000 and matching contributions are equal to \$1,350 per year up to \$50,000. The benefit is payable in 3 annual installments to the 403(b) plan.

**B. Employees Covered by Benefit Terms**

At the July 1, 2020, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	1
	2

**C. Supplemental Benefits Liability**

The District’s supplemental benefits liability of \$58,057 was measured as of July 1, 2020, and was determined by an actuarial valuation as of that date.

**D. Actuarial Assumptions**

The supplemental benefits liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Service graded table
Discount Rate	2.40 percent
20-Year Municipal Bond Yield	2.40 percent

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 were based on inputs from a variety of published sources of historical and projected future financial data.

The following changes in actuarial assumptions occurred in 2021:

- 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%.

The following changes in plan provisions occurred in 2021:

- The District matching contribution to the 403(b) plan was increased from \$1,300 per year to \$1,350 per year.

**E. Discount Rate**

The discount rate used to measure the supplemental benefits liability was 2.40 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

**F. Changes in the Supplemental Benefits Liability**

Service cost	\$	937
Interest cost		2,345
Assumption changes		355
Plan changes		(71)
Differences between expected and actual experience		942
		4,508
Supplemental benefits cost		4,508
Benefit payments		(42,000)
		(37,492)
Change in supplemental benefits obligation		(37,492)
Supplemental benefits liability, beginning of year		95,549
		\$ 58,057

**G. Sensitivity of the Supplemental Benefits Liability to Changes in Discount Rate**

The following presents the supplemental benefits liability of the District, as well as what the District's supplemental benefits liability would be if it were calculated using a discount rate 1 percentage point lower and 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount rate	1.40%	2.40%	3.40%
Supplemental Benefits Liability	\$ 58,772	\$ 58,057	\$ 57,317

**H. Supplemental Benefits Expense and Deferred Outflows and Inflows of Resources Related to Supplemental Benefits**

For the year ended June 30, 2021, the District recognized supplemental benefits expense of \$4,508.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District's contributions subsequent to the measurement date	\$ 18,476	\$ -

The \$18,476 of 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.

**Note 6 - Pension Plans**

Substantially all employees of the District are required by state law to belong to defined benefit, multi-employer, cost-sharing pension plans administered by the Public Employees' Retirement Association (PERA) or the Teachers' Retirement Association (TRA), both of which are administered on a state-wide basis.

For the year ended June 30, 2021, the District reported its proportionate share of deferred outflows of resources, net pension liabilities, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense (Income)
PERA	\$ 268,813	\$ 1,744,678	\$ 98,301	\$ 170,137
TRA	5,300,657	9,020,912	9,356,099	858,068
Total all plans	\$ 5,569,470	\$ 10,765,590	\$ 9,454,400	\$ 1,028,205

Disclosures relating to these plans are as follows:

**1. Public Employees Retirement Association (PERA)**

**A. Plan Description**

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

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

**B. Benefits Provided**

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

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

**C. Contribution Rate**

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2021 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended June 30, 2021, were \$161,027. The District's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

At June 30, 2021, the District reported a liability of \$1,744,678 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 \$53,804. 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 0.0291 percent at the end of the measurement period and 0.0280 percent for the beginning of the period.

District's proportionate share of net pension liability	\$ 1,744,678
State's proportionate share of the net pension liability associated with the District	<u>53,804</u>
Total	<u><u>\$ 1,798,482</u></u>

For the year ended June 30, 2021, the District recognized pension expense of \$170,137 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized \$4,683 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,295	\$ 6,601
Changes in actuarial assumptions	-	62,972
Net collective difference between projected and actual investment earnings	33,010	-
Changes in proportion	59,481	28,728
Contributions paid to PERA subsequent to the measurement date	161,027	-
Total	\$ 268,813	\$ 98,301

The \$161,027 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:

Years Ended June 30,	Pension Expense Amount
2022	\$ (103,248)
2023	22,304
2024	48,277
2025	42,152

#### 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:

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.50% per year

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 for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

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

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	35.50%	5.10%
International Stocks	17.50%	5.30%
Bonds (Fixed Income)	20.00%	0.75%
Alternative Assets (Private Markets)	25.00%	5.90%
Cash	2.00%	0.00%
Total	100%	

**F. Discount Rate**

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

**G. Pension Liability Sensitivity**

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

Sensitivity Analysis  
 Net Pension Liability (Asset) at Different Discount Rates

	General Employees Fund		
1% Lower	6.50%	\$	2,796,114
Current Discount Rate	7.50%	\$	1,744,678
1% Higher	8.50%	\$	877,328

**H. Pension Plan Fiduciary Net Position**

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

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

**A. Plan Descriptions**

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

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

**B. Benefits Provided**

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

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

*Tier 1 Benefits*

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

With these provisions:

- (a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
- (b) 3 percent per year early retirement reduction factor for all years under normal retirement age.
- (c) Unreduced benefits for early retirement under a Rule-of-90 (age plus allowable service equals 90 or more).

or

#### *Tier II Benefits*

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

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

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

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

**C. Contribution Rate**

Per Minnesota Statutes, Chapter 354 sets the contribution rates for employees and employers. Rates for each fiscal year ending June 30, 2019, June 30, 2020 and June 30, 2021 were:

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

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

Employer contributions reported in TRA's Comprehensive Annual Financial Report, Statement of Changes in Fiduciary Net Position	\$ 425,223,000
Add employer contributions not related to future contribution efforts	(56,000)
Deduct TRA's contributions not included in allocation	<u>(508,000)</u>
Total employer contributions	424,659,000
Total non-employer contributions	<u>35,587,000</u>
Total contributions reported in <i>Schedule of Employer and Non-Employer Allocations</i>	<u><u>\$ 460,246,000</u></u>

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

**D. Actuarial Assumptions**

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

<b>Key Methods and Assumptions Used in Valuation of Total Pension Liability</b>	
<b>Actuarial Information</b>	
Valuation date	July 1, 2020
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25 % after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2020 through January 2023, then increasing by 0.1% each year up to 1.50% annually
<b>Mortality assumptions</b>	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	35.50%	5.10%
International Equity	17.50%	5.30%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
Unallocated Cash	2.00%	0.00%
Total	100%	

The TRA actuary has determined the average of the expected remaining service lives of all members for fiscal year 2016 is six years. The *Difference between Expected and Actual Experience*, *Changes of Assumptions*, and *Changes in Proportion* use the amortization period of six years in the schedule presented. The amortization period for *Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments* is five years as required by GASB 68.

Changes in actuarial assumptions since the 2018 valuation:

- 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 least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increase 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 6 years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**E. Discount Rate**

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

**F. Net Pension Liability**

At June 30, 2021, the District reported a liability of \$9,020,912 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. District proportionate share was 0.1221 percent at the end of the measurement period and 0.1254 percent for the beginning of the year.

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

District's proportionate share of net pension liability	<u>\$ 9,020,912</u>
State's proportionate share of the net pension liability associated with the District	<u>\$ 755,794</u>

For the year ended June 30, 2021, the District recognized pension expense of \$858,068. It also recognized \$69,236 as an increase to pension expense for the support provided by direct aid.

On June 30, 2021, the District had deferred resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 180,906	\$ 147,053
Changes in actuarial assumptions	3,776,353	7,442,596
Difference between projected and actual investment earnings	111,344	-
Change in proportion and differences between contributions made and District's proportionate share of contributions	631,305	1,766,450
District's contributions to TRA subsequent to the measurement date	600,749	-
Total	\$ 5,300,657	\$ 9,356,099

The \$600,749 reported as deferred outflows of resources related to pensions resulting from District contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Years Ended June 30,	Pension Expense Amount
2022	\$ 305,857
2023	(3,125,651)
2024	(2,114,160)
2025	296,038
2026	(18,275)

**G. Pension Liability Sensitivity**

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
TRA discount rate	6.50%	7.50%	8.50%
District's proportionate share of the TRA net pension liability	\$ 13,810,920	\$ 9,020,912	\$ 5,074,187

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

**H Pension Plan Fiduciary Net Position**

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

**Note 7 - 403(b) 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. Some employees are eligible to receive a match of employee contributions up to the qualifying amounts set forth in their Wage and Benefit Guidelines. Contributions are invested in tax deferred annuities hosted by a vendor from whom the District has obtained. The District's contributions for the years ended June 30, 2021, 2020, and 2019, were \$184,324, \$138,842, and \$127,664, respectively. The related employee contributions were \$285,203, \$263,469, and \$234,485 for the years ended June 30, 2021, 2020, and 2019, respectively.

**Note 8 - Health and Dental Self-Insurance**

The District is self-insured with respect to health and dental insurance costs. Terms of the health plan include a stop-loss prevention of \$75,000 per person, which limits the District’s liability. There is no stop-loss prevention on the dental plan as the maximum benefit is \$1,250. The following is the activity for the year ended June 30, 2021:

Claims incurred but not reported at beginning of year	\$ 199,254
Claims incurred	2,019,877
Claims paid	(2,048,235)
	_____
Claims incurred but not reported at end of year	\$ 170,896
	_____

**Note 9 - Other Information**

**A. Contingent Liabilities**

The District participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant. Based on past experience, the District believes that any disallowed costs as a result of such audits will be immaterial.

**B. Affiliated Organizations**

The District and nine other school districts, in conjunction with the Southwest Metro Educational Co-op (SWMEC), entered into an agreement for the purpose of providing educational programming as well as special education, vocational education, and any other educational programs requested by one or more participating school districts. The SWMEC’s board is defined in the agreement. A member may withdraw upon written notice given to the Board and to each participating school district in accordance with the agreement. In the event of dissolution, all real property remaining after payment of all debts will be divided among the 10 districts. Separate financial statements of the affiliated organization may be obtained from SWMEC.

The District had purchases from SWMEC of \$522,506 for the year ended June 30, 2021, and an outstanding balance due to SWMEC of \$58,914 at June 30, 2021.



Required Supplementary Information  
June 30, 2021

**Independent School District No. 716**  
Belle Plaine, Minnesota

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
 Year Ended June 30, 2021

**Schedule of Changes in the District's Total OPEB Liability and Related Ratios, Last 10 Fiscal years \***

	2021	2020	2019	2018
Service cost	\$ 56,914	\$ 53,592	\$ 48,606	\$ 45,239
Interest cost	28,736	32,576	32,227	33,180
Assumption changes	(10,896)	20,891	339	-
Differences between expected and actual experience	(133,302)	-	14,751	-
Benefit payments	(103,606)	(124,395)	(111,776)	(107,882)
Net change in total OPEB liability	(162,154)	(17,336)	(15,853)	(29,463)
Total OPEB liability - beginning	921,471	938,807	954,660	984,123
Total OPEB liability - ending	<u>\$ 759,317</u>	<u>\$ 921,471</u>	<u>\$ 938,807</u>	<u>\$ 954,660</u>
Covered payroll	\$ 8,781,059	\$ 8,758,528	\$ 8,503,425	\$ 8,567,462
Total OPEB liability as a percentage of covered payroll	8.65%	10.52%	11.04%	11.14%

\*GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Notes to the Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

**Benefit Changes**

- None

**Assumption Changes**

- For the year ending June 30, 2019, the health care trend rates and mortality tables were updated along with the discount rate changing from 3.40% to 3.50%.
- For the year ending June 30, 2020, the discount rate was changed from 3.50% to 3.10%.
- For the year ending June 30, 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.

Independent School District No. 716  
Belle Plaine, Minnesota

Schedule of Changes in Supplemental Benefits Liability and Supplemental Benefits Liability  
Year Ended June 30, 2021

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**Schedule of Changes in Supplemental Benefits Liability  
Last 10 Fiscal Years \***

	2021	2020	2019	2018	2017
Supplemental benefits liability, beginning of year	\$ 95,549	\$ 145,420	\$ 191,635	\$ 250,062	\$ 291,245
Service cost	937	1,653	1,481	2,214	2,375
Interest cost	2,345	4,176	5,622	6,366	7,776
Assumption changes	355	300	(285)	(1,007)	-
Plan changes	(71)	-	-	-	-
Differences between expected and actual experience	942	-	2,967	-	-
Benefit payments	(42,000)	(56,000)	(56,000)	(66,000)	(51,334)
Supplemental benefits liability, end of year	<u>\$ 58,057</u>	<u>\$ 95,549</u>	<u>\$ 145,420</u>	<u>\$ 191,635</u>	<u>\$ 250,062</u>

\* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Supplemental Benefits Liability  
Last 10 Fiscal Years \***

	2021	2019	2019	2018	2017
Supplemental benefits liability	<u>\$ 58,057</u>	<u>\$ 95,549</u>	<u>\$ 145,420</u>	<u>\$ 191,635</u>	<u>\$ 192,642</u>
Covered payroll	\$ 66,075	\$ 126,564	\$ 122,878	\$ 263,089	\$ 255,426
Supplemental benefits liability as a percentage of covered payroll	87.87%	75.49%	118.35%	72.84%	75.42%

\* GASB Statement No. 73 requires ten years of information to be presented in this table. However, until a full 10- year trend is compiled, the District will present information for those years for which information is available.

Independent School District No. 716  
Belle Plaine, Minnesota

Schedule of Changes in Supplemental Benefits Liability and Supplemental Benefits Liability  
Year Ended June 30, 2021

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**Notes to the Schedule of Changes in Supplemental Benefits Liability and Supplemental Benefits Liability**

There are no assets accumulated in an irrevocable trust to pay plan benefits.

**Benefit Changes:**

- For the year ending June 30, 2019: none
- For the year ending June 30, 2020: none
- For the year ending June 30, 2021: The District matching contribution to the 403(b) plan was increased from \$1,300 per year to \$1,350 per year.

**Assumption Changes:**

- For the year ending June 30, 2019: The mortality tables were updated along with the discount rate changing from 3.40% to 3.50%.
- For the year ending June 30, 2020: The discount rate was changed from 3.50% to 3.10%.
- For the year ending June 30, 2021: 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%.

Independent School District No. 716

Belle Plaine, Minnesota

Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Year Ended June 30, 2021

**Schedule of Employer's Share of Net Pension Liability**

**Last 10 Fiscal Years \***

Pension Plan	Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated With District (b)	Total (c) (a+b)	Employer's Covered Payroll (e)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (c/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	06/30/20	0.0291%	\$ 1,744,678	\$ 53,804	\$ 1,798,482	\$ 1,949,347	89.5%	79.1%
	06/30/19	0.0280%	1,548,057	48,165	1,596,222	1,973,920	78.4%	80.2%
	06/30/18	0.0275%	1,525,587	50,038	1,575,625	1,838,960	83.0%	79.5%
	06/30/17	0.0293%	1,870,493	23,529	1,894,022	1,868,787	100.1%	75.9%
	06/30/16	0.0305%	2,476,449	32,345	2,508,794	1,917,747	129.1%	68.9%
	06/30/15	0.0318%	1,648,041	N/A	1,648,041	1,851,013	89.0%	78.2%
	06/30/14	0.0330%	1,550,175	N/A	1,550,175	1,760,993	88.0%	78.8%
	TRA	06/30/20	0.1221%	\$ 9,020,912	\$ 755,794	\$ 9,776,706	\$ 7,094,785	127.1%
06/30/19		0.1254%	7,993,022	707,371	8,700,393	7,180,467	111.3%	78.1%
06/30/18		0.1159%	7,278,701	683,998	7,962,699	8,009,987	90.9%	78.1%
06/30/17		0.1387%	27,687,036	2,676,282	30,363,318	7,469,520	370.7%	44.9%
06/30/16		0.1425%	33,989,650	3,411,603	37,401,253	7,420,920	458.0%	144.9%
06/30/15		0.1390%	8,598,525	1,054,355	9,652,880	7,059,867	121.8%	76.8%
06/30/14		0.1462%	6,736,791	473,970	7,210,761	6,731,272	100.1%	81.5%

**Schedule of Employer's Contributions**

**Last 10 Fiscal Years \***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
PERA	06/30/21	\$ 161,027	\$ 161,027	\$ -	\$ 2,147,027	7.5%
	06/30/20	146,201	146,201	-	1,949,347	7.5%
	06/30/19	148,044	148,044	-	1,973,920	7.5%
	06/30/18	137,922	137,922	-	1,838,960	7.5%
	06/30/17	140,159	140,159	-	1,868,787	7.5%
	06/30/16	143,831	143,831	-	1,917,747	7.5%
	06/30/15	138,826	138,826	-	1,851,013	7.5%
	TRA	06/30/21	\$ 600,749	\$ 600,749	\$ -	\$ 7,389,287
06/30/20		561,907	561,907	-	7,094,785	7.9%
06/30/19		553,614	553,614	-	7,180,467	7.7%
06/30/18		600,749	600,749	-	8,009,987	7.5%
06/30/17		560,214	560,214	-	7,469,520	7.5%
06/30/16		556,569	556,569	-	7,420,920	7.5%
06/30/15		529,490	529,490	-	7,059,867	7.5%

\* GASB Statement No. 68 requires ten years of information to be presented in these tables. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions**

**PERA**

**2020 Changes**

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.
- 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**

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

## 2018 Changes

### Changes in Actuarial Assumptions

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

### Changes in Plan Provisions

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

## 2017 Changes

### Changes in Actuarial Assumptions

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

### Changes in Plan Provisions

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

**2016 Changes:**

## Changes in Actuarial Assumptions

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

## Changes in Plan Provisions

- There have been no changes since the prior valuation.

**2015 Changes:**

## Changes in Actuarial Assumptions

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

## Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**TRA****2020 Changes**

## Changes in Actuarial Assumptions

- 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 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2019 Changes**

## Changes in Actuarial Assumptions

- 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 6 years, (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2018 Changes**

## Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The cost of living adjustment (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% on January 1, 2028.
- Beginning July 1, 2024, eligibility for the first COLA changes to normal retirement age (age 65 to 66, depending on date of birth). However, members who retire under Rule of 90 and members who are at least age 62 with 30 years of service credit are exempt.
- The COLA trigger provision, which would have increased the COLA to 2.5% 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 July 1, 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% 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 was reduced from 8.5% to 7.5%, effective July 1, 2018.
- The employer contribution rate is increased each July 1 over the next six years (7.71% in 2018, 7.92% in 2019, 8.13% in 2020, 8.34% in 2021, 8.55% in 2022, and 8.75% in 2023). In addition, the employee contribution rate will increase from 7.50% to 7.75% on July 1, 2023. The state provides funding for the higher employer contribution rate through an adjustment in the school aid formula.

**2017 Changes**

## Changes in Actuarial Assumptions

- The discount rate was decreased to 5.12% from 4.66%.
- The cost of living adjustment (COLA) was assumed to increase from 2.0% annually to 2.5% annually on July 1, 2045.
- The COLA was not assumed to increase to 2.5% but remain at 2.0% for all future years.
- Adjustments were made to the combined service annuity loads. The active load was reduced from 1.4% to 0.0%, the vested inactive load increased from 4.0% to 7.0% and the non-vested inactive load increased from 4.0% to 9.0%.
- The investment return assumption was changed from 8.0% to 7.5%.
- The price inflation assumption was lowered from 2.75% to 2.5%.
- The payroll growth assumption was lowered from 2.5% 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.

**2016 Changes**

## Changes in Actuarial Assumptions

- The discount rate was decreased to 4.66% from 8.0%.
- The COLA was not assumed to increase for funding or the GASB calculation. It remained at 2% for all future years.
- The price inflation assumption was lowered from 3% to 2.75%.
- The general wage growth and payroll growth assumptions were lowered from 3.75% to 3.5%.
- Minor changes as some durations for the merit scale of the salary increase assumption.
- The pre-retirement mortality assumption was changed to the RP 2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP 2015 scale.
- The post-retirement mortality assumption was changed to the RP 2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP 2015 scale.
- The post-disability mortality assumption was changed to the RP 2014 disabled retiree mortality table, without adjustment.
- Augmentation in the early retirement reduction factors is phased out of Separate retirement assumptions for members hired before or after July 1, 1989, were created to better reflect each group's behavior in light of different requirements for retirement eligibility.
- Assumed termination rates were changed to be based solely on years of service in order to better fit the observed experience.
- A minor adjustment and simplification of the assumption regarding the election of optional form of annuity payment at retirement were made

**2015 Changes**

Changes of benefit terms:

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

Change of assumptions:

- The annual COLA for the June 30, 2015, valuation assumed 2%. The prior year valuation used 2% with an increase to 2.5% commencing in 2034. The discount rate used to measure the total pension liability was 8.0%. This is a decrease from the discount rate at the prior measurement date of 8.25%. Details, if necessary, can be obtained from the TRA Comprehensive Annual Financial Report

PERA's Comprehensive Annual Financial Report may be obtained on the PERA's website at [www.mnpera.org](http://www.mnpera.org) for notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions.

Additional financial and actuarial information can be found in TRA's GASB 67-68 report. Both reports can be obtained at [www.MinnesotaTRA.org](http://www.MinnesotaTRA.org).



Supplementary Information  
June 30, 2021

**Independent School District No. 716**  
Belle Plaine, Minnesota

Independent School District No. 716  
 Belle Plaine, Minnesota  
 General Fund Schedule of Changes in UFARS Fund Balances  
 June 30, 2021

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	\$ 38,495	\$ (33,919)	\$ 4,576
Restricted for student activities	164,690	(4,019)	160,671
Restricted for staff development	110,350	22,241	132,591
Restricted for operating capital	593,611	(73,827)	519,784
Restricted for basic skills ext time	-	6,514	6,514
Restricted for long-term facilities maintenance	203,932	335,446	539,378
Restricted for medical assistance	223,077	(11,664)	211,413
Committed for severance	81,607	-	81,607
Assigned for technology	552,440	711,509	1,263,949
Unassigned	<u>2,673,379</u>	<u>166,574</u>	<u>2,839,953</u>
	<u>\$ 4,641,581</u>	<u>\$ 1,118,855</u>	<u>\$ 5,760,436</u>

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Combining Balance Sheet – Nonmajor Governmental Funds  
 June 30, 2021

	<u>Special Revenue Funds</u>			Total Nonmajor Funds
	<u>Food Service</u>	<u>Community Service</u>	<u>Building Construction</u>	
<b>Assets</b>				
Cash	\$ 314,797	\$ 554,961	\$ -	\$ 869,758
Receivables				
Current property taxes	-	52,841	-	52,841
Delinquent property taxes	-	604	-	604
Accounts	11,574	-	-	11,574
Due from Minnesota Department of Education	-	13,387	-	13,387
Due from Federal through Minnesota Department of Education	<u>80,267</u>	<u>-</u>	<u>-</u>	<u>80,267</u>
Total assets	<u>\$ 406,638</u>	<u>\$ 621,793</u>	<u>\$ -</u>	<u>\$ 1,028,431</u>
<b>Liabilities</b>				
Salaries payable	\$ -	\$ 68,117	\$ -	\$ 68,117
Accounts payable	40,186	2,108	-	42,294
Due to other Minnesota School Districts	-	55	-	55
Unearned revenue	<u>33,590</u>	<u>-</u>	<u>-</u>	<u>33,590</u>
Total liabilities	<u>73,776</u>	<u>70,280</u>	<u>-</u>	<u>144,056</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - delinquent taxes	-	587	-	587
Property taxes levied for subsequent year	<u>-</u>	<u>116,767</u>	<u>-</u>	<u>116,767</u>
Total deferred inflows of resources	<u>-</u>	<u>117,354</u>	<u>-</u>	<u>117,354</u>
<b>Fund Balances</b>				
Restricted	<u>332,862</u>	<u>434,159</u>	<u>-</u>	<u>767,021</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 406,638</u>	<u>\$ 621,793</u>	<u>\$ -</u>	<u>\$ 1,028,431</u>

Independent School District No. 716

Belle Plaine, Minnesota

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds

Year Ended June 30, 2021

	Special Revenue Funds		Building Construction	Total Nonmajor Funds
	Food Service	Community Service		
Revenues				
Local property tax levies	\$ -	\$ 114,674	\$ -	\$ 114,674
Other local and county sources	551	563,919	-	564,470
State sources	3,645	169,803	-	173,448
Federal sources	568,644	-	-	568,644
Local sales and insurance recovery	36,672	-	-	36,672
<b>Total revenues</b>	<b>609,512</b>	<b>848,396</b>	<b>-</b>	<b>1,457,908</b>
Expenditures				
Community education and services	-	766,425	-	766,425
Pupil support services	506,618	-	-	506,618
Sites and buildings	-	-	181,704	181,704
<b>Total expenditures</b>	<b>506,618</b>	<b>766,425</b>	<b>181,704</b>	<b>1,454,747</b>
Net Change in Fund Balances	102,894	81,971	(181,704)	3,161
Fund Balances - Beginning	229,968	352,188	181,704	763,860
Fund Balances - Ending	\$ 332,862	\$ 434,159	\$ -	\$ 767,021

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Uniform Financial Accounting and Reporting Standards Compliance Table  
 Year Ended June 30, 2021

	Audit	UFARS	Audit - UFARS		Audit	UFARS	Audit - UFARS
<b>01 GENERAL FUND</b>				<b>06 BUILDING CONSTRUCTION</b>			
Total Revenue	\$17,911,941	<u>\$17,911,941</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Total Expenditures	\$17,033,022	<u>\$17,033,021</u>	\$1	Total Expenditures	\$181,704	<u>\$181,704</u>	\$0
Non Spendable:				Non Spendable:			
4.60 Non Spendable Fund Balance	\$4,576	<u>\$4,576</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
Restricted / Reserved:				Restricted / Reserved:			
4.01 Student Activities	\$180,671	<u>\$180,671</u>	\$0	4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0
4.02 Scholarships	\$0	<u>\$0</u>	\$0	4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0
4.03 Staff Development	\$132,591	<u>\$132,591</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.07 Capital Projects Levy	\$0	<u>\$0</u>	\$0	Restricted:			
4.08 Cooperative Revenue	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.13 Project Funded by COP	\$0	<u>\$0</u>	\$0	Unassigned:			
4.14 Operating Debt	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.16 Levy Reduction	\$0	<u>\$0</u>	\$0				
4.17 Taconite Building Maint	\$0	<u>\$0</u>	\$0	<b>07 DEBT SERVICE</b>			
4.24 Operating Capital	\$519,784	<u>\$519,784</u>	\$0	Total Revenue	\$3,344,034	<u>\$3,344,033</u>	\$1
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Total Expenditures	\$3,421,290	<u>\$3,421,290</u>	\$0
4.27 Disabled Accessibility	\$0	<u>\$0</u>	\$0	Non Spendable:			
4.28 Learning & Development	\$0	<u>\$0</u>	\$0	4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.34 Area Learning Center	\$0	<u>\$0</u>	\$0	Restricted / Reserved:			
4.35 Contracted At. Programs	\$0	<u>\$0</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.36 State Approved At. Program	\$0	<u>\$0</u>	\$0	4.33 Maximum Effort Loan Aid	\$0	<u>\$0</u>	\$0
4.38 Gifted & Talented	\$0	<u>\$0</u>	\$0	4.51 QZAB Payments	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	4.67 LTFM	\$0	<u>\$0</u>	\$0
4.41 Basic SMIs Programs	\$0	<u>\$0</u>	\$0	Restricted:			
4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0	4.64 Restricted Fund Balance	\$772,630	<u>\$772,630</u>	\$0
4.49 Safe School Crime - Crime Levy	\$0	<u>\$0</u>	\$0	Unassigned:			
4.51 QZAB Payments	\$0	<u>\$0</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.53 Unfunded Sev & Retirement Levy	\$0	<u>\$0</u>	\$0	<b>08 TRUST</b>			
4.59 Basic SMIs Extended Time	\$6,514	<u>\$6,514</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
4.67 LTFM	\$539,378	<u>\$539,378</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.72 Medical Assistance	\$211,413	<u>\$211,413</u>	\$0	Restricted / Reserved:			
4.73 PPP Loan	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.02 Scholarships	\$0	<u>\$0</u>	\$0
Restricted:				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0				
4.75 Title VII Impact Aid	\$0	<u>\$0</u>	\$0	<b>18 CUSTODIAL</b>			
4.76 Payments in Lieu of Taxes	\$0	<u>\$0</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Committed:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.18 Committed for Separation	\$81,607	<u>\$81,607</u>	\$0	Restricted / Reserved:			
4.61 Committed Fund Balance	\$0	<u>\$0</u>	\$0	4.01 Student Activities	\$0	<u>\$0</u>	\$0
Assigned:				4.02 Scholarships	\$0	<u>\$0</u>	\$0
4.62 Assigned Fund Balance	\$1,263,949	<u>\$1,263,949</u>	\$0	4.48 Achievement and Integration	\$0	<u>\$0</u>	\$0
Unassigned:				4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.22 Unassigned Fund Balance	\$2,839,953	<u>\$2,839,955</u>	(\$2)				
				<b>20 INTERNAL SERVICE</b>			
<b>02 FOOD SERVICES</b>				Total Revenue	\$2,299,450	<u>\$2,299,450</u>	\$0
Total Revenue	\$609,512	<u>\$609,512</u>	\$0	Total Expenditures	\$2,420,407	<u>\$2,420,406</u>	\$1
Total Expenditures	\$506,618	<u>\$506,618</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$690,432	<u>\$690,433</u>	(\$1)
Non Spendable:							
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	<b>25 OPEB REVOCABLE TRUST</b>			
Restricted / Reserved:				Total Revenue	\$0	<u>\$0</u>	\$0
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0	4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
Restricted:							
4.64 Restricted Fund Balance	\$332,862	<u>\$332,862</u>	\$0	<b>45 OPEB IRREVOCABLE TRUST</b>			
Unassigned:				Total Revenue	\$0	<u>\$0</u>	\$0
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0	Total Expenditures	\$0	<u>\$0</u>	\$0
				4.22 Unassigned Fund Balance (Net Assets)	\$0	<u>\$0</u>	\$0
<b>04 COMMUNITY SERVICE</b>							
Total Revenue	\$848,396	<u>\$848,396</u>	\$0	<b>47 OPEB DEBT SERVICE</b>			
Total Expenditures	\$766,425	<u>\$766,425</u>	\$0	Total Revenue	\$0	<u>\$0</u>	\$0
Non Spendable:				Total Expenditures	\$0	<u>\$0</u>	\$0
4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0	Non Spendable:			
Restricted / Reserved:				4.60 Non Spendable Fund Balance	\$0	<u>\$0</u>	\$0
4.26 \$25 Taconite	\$0	<u>\$0</u>	\$0	Restricted:			
4.31 Community Education	\$320,299	<u>\$320,299</u>	\$0	4.25 Bond Refundings	\$0	<u>\$0</u>	\$0
4.32 E.C.F.E	\$84,751	<u>\$84,751</u>	\$0	4.64 Restricted Fund Balance	\$0	<u>\$0</u>	\$0
4.40 Teacher Development and Evaluation	\$0	<u>\$0</u>	\$0	Unassigned:			
4.44 School Readiness	\$25,800	<u>\$25,800</u>	\$0	4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0
4.47 Adult Basic Education	\$0	<u>\$0</u>	\$0				
4.52 OPEB Liab Not In Trust	\$0	<u>\$0</u>	\$0				
4.73 PPP Loan	\$0	<u>\$0</u>	\$0				
4.74 EIDL Loan	\$0	<u>\$0</u>	\$0				
Restricted:							
4.64 Restricted Fund Balance	\$3,309	<u>\$3,309</u>	\$0				
Unassigned:							
4.63 Unassigned Fund Balance	\$0	<u>\$0</u>	\$0				

Independent School District No. 716  
 Belle Plaine, Minnesota  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Agency or Pass-Through Number	Expenditures
<u>Department of Agriculture</u>			
<i>Passed through the Minnesota Department of Education</i>			
Child Nutrition Cluster			
Noncash Assistance (Commodities:			
National School Lunch Program	10.555	01-0716-000 FIN 701	\$ 57,407
Cash Assistance:			
School Breakfast Program	10.553	01-0716-000 FIN 705	1,069
National School Lunch Program	10.555	01-0716-000 FIN 701	10,465
Summer Food Service Program for Children	10.559	01-0716-000 FIN 709	<u>486,978</u>
Total Child Nutrition Cluster			<u>\$ 555,919</u>
Total Department of Agriculture			\$ 555,919
<u>Department of Treasury</u>			
<i>Passed through the Minnesota Department of Education</i>			
COVID-19 Coronavirus Relief Fund	21.019C	01-0716-000 FIN 154	400,106
<u>Department of Education</u>			
<i>Passed through the Minnesota Department of Education</i>			
Title I Grants to Local Educational Agencies	84.010	01-0716-000 FIN 401	112,320
Special Education Grants for Infants and Families	84.181	01-0716-000 FIN 422	6,162
Supporting Effective Instruction State Grants	84.367	01-0716-000 FIN 414	27,327
Student Support and Academic Enrichment Grants	84.424	01-0716-000 FIN 433	11,416
COVID-19 Education Stabilization Fund	84.425C	01-0716-000 FIN 153	16,300
COVID-19 Education Stabilization Fund	84.425D	01-0716-000 FIN 151	47,397
COVID-19 Education Stabilization Fund	84.425D	01-0716-000 FIN 152	<u>256,607</u>
Total 84.425			320,304
Special Education Cluster			
Special Education Grants to States	84.027	01-0716-000 FIN 419	333,513
Special Education Preschool Grants	84.173	01-0716-000 FIN 420	<u>6,218</u>
Total for Special Education Cluster			339,731
<i>Passed Through Southwest Metro Intermediate District 288</i>			
Career and Technical Education Basic Grants to States	84.048	41-1295656 FIN 628	<u>13,326</u>
Total Department of Education			<u>830,586</u>
Total Federal Financial Assistance			<u>\$ 1,786,611</u>

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2021. The information is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in fund balance or net position of the District.

**Note 2 - Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The District has not elected to use the 10% de minimis cost rate.

**Note 4 - Food Distribution**

Nonmonetary assistance is reported in the schedule of the fair market value of the commodities received and disbursed. As of the year ended June 30, 2021, the District had no food commodities in inventory.



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Members of the School Board  
Independent School District No. 716  
Belle Plaine, 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 the Independent School District No. 716 (the District), Belle Plaine, Minnesota, 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 November 18, 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 over financial reporting 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 financial reporting 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*.

**District's Response to Findings**

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



Mankato, Minnesota  
November 18, 2021



## **Independent Auditor's Report on Compliance for the Major Federal Programs; Report on Internal Control over Compliance Required by the Uniform Guidance**

To the Members of the School Board  
Independent School District No. 716  
Belle Plaine, Minnesota

### **Report on Compliance for the Major Federal Programs**

We have audited the District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the compliance for the District'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 compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on the Major Federal Programs**

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the 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 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 the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs 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 compliance requirement 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 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 or significant deficiencies.

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.

*Eide Bailly LLP*

Mankato, Minnesota  
November 18, 2021



## Report on Minnesota Legal Compliance

Members of the School Board  
Independent School District No. 716  
Belle Plaine, 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 for governmental activities, each major fund, and the aggregate remaining fund information of the Independent School District No. 716 as of and for the year ended June 30, 2021, and the related notes to the financial statements, and have issued our report thereon dated November 18, 2021.

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP".

Mankato, Minnesota  
November 18, 2021

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

**Identification of major programs:**

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster	10.553, 10.555, 10.559
COVID-19 Coronavirus Relief Fund	21.019C
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2021-001      Segregation of Duties  
Material Weakness**

*Criteria:* A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

*Condition:* The District has a lack of segregation of duties in certain areas due to limited staff. The District has limited segregation of duties in many accounting and financial reporting internal control areas. The areas involved are receipts and receivables, disbursements and payables, payroll, deposits, and reconciliations of these areas.

*Cause:* The District does not have the economic resources to hire additional qualified accounting staff in order to segregate duties.

*Effect:* Inadequate segregation of duties could adversely affect the District's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions. School Board oversight will mitigate some of the effect.

*Recommendation:* While we recognize that your staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the District.

*Views of Responsible Officials:* Management agrees with this finding.

**2021-002      Preparation of Financial Statements, including Schedule of Expenditures of Federal Awards  
Material Weakness**

*Criteria:* A good system of internal control contemplates an adequate system for internally preparing the District's financial statements including the schedule of expenditures for federal awards (SEFA).

*Condition:* The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we are requested to draft the financial statements including the SEFA, accompanying notes to the financial statements, and required supplementary budgetary comparison information.

*Cause:* The District does not have the economic resources to hire additional qualified accounting staff or hire professional accounting services in order to draft financial statements.

*Effect:* This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

*Recommendation:* This control deficiency is not unusual in a District of your size. It is the responsibility of the management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Views of Responsible Officials:* There are no disagreements with this finding.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported

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**Section IV – Minnesota Legal Compliance Findings**

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None reported