Financial Statements
June 30, 2020

Independent School District No. 716

Belle Plaine, Minnesota

INTRODUCTORY SECTION

FINANCIAL SECTION

ADDITIONAL REPORTS AND SCHEDULE

School Board

Name	Position	Term Expires
Terry Kahle	Chairperson	2020
Tracy O'Brien	Vice Chairperson	2020
Amanda Gregory	Clerk	2022
Karl Keup	Treasurer	2022
Matt Lenz	Director	2022
Terry Morrison	Director	2020

Administration

Ryan Laager	Superintendent
Chuck Keller	Business Manager

CPAs & BUSINESS ADVISORS

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, schedule of changes in UFARS fund balances, combining and individual fund schedules and the Uniform Financial Accounting and Reporting Standards Compliance Table are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedule of changes in UFARS fund balances, combining and individual fund schedules, and the Uniform Financial Accounting and Reporting Standards Compliance Table are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 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 16, 2020 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 16, 2020 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.

Eide Bailly LLP

Mankato, Minnesota
November 16, 2020

INDEPENDENT SCHOOL DISTRICT #716
BELLE PLAINE SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

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, 2020. 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 $2,373,688 from the prior year.
- Overall general fund revenues were $16,804,016 while overall general fund expenditures totaled $16,236,408 for the year ended June 30, 2020.
- The General fund balance increased by $582,798, the Debt Service fund balance increased by $89,191, the Food Service fund balance decreased by $5,810, Community Service fund balance increased by $30,770 and the Building Construction fund decreased by $668,246.

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.

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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenses, and Changes in Fund Balances	• Statement of Fiduciary Net Position
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

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.

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

Net Position:

The District's combined net position was $6,482,150 on June 30, 2020, (see details in Table A-1). This represents an increase in comparison to June 30, 2019.

Table A-1

Statement of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets	$ 13,886,590	$ 13,540,575
Capital assets	36,851,220	37,823,751
Total assets	50,737,810	51,364,326
Deferred Outflows of Resources	9,171,593	12,763,856
Liabilities		
Other liabilities	2,170,821	2,047,811
Long-term liabilities	31,431,171	34,454,864
Total liabilities	33,601,992	36,502,675
Deferred Inflows of Resources	19,825,261	23,517,045
Net Position (Deficit)		
Net investment in capital assets	15,978,148	13,257,402
Restricted for specific purposes	3,106,478	3,717,841
Unrestricted	(12,602,476)	(12,866,781)
Total net position	$ 6,482,150	$ 4,108,462

Change in Net Position

Table A-2

Statement of Revenues, Expenses and Changes in Net Position (Deficit)
June 30, 2020 and 2019

	2020	2019
Revenues		
Program revenues		
Charges for service	$ 1,332,427	$ 1,620,246
Operating grants and contributions	2,859,289	2,759,265
General		
Property taxes	4,023,170	4,152,600
Fiscal disparities	702,436	688,260
Aids and payments from state and other	13,103,060	13,493,010
Interest earnings	115,687	81,885
Gain on sale of equipment	13,612	101,469
Miscellaneous revenues	183,468	261,704
Total revenues	22,333,149	23,158,439
Expenses		
Administration	898,841	834,001
District support services	559,457	714,730
Regular instruction	8,874,929	5,657,604
Vocational instruction	438,048	411,121
Special education instruction	2,862,517	2,691,961
Community education and services	789,166	814,940
Instructional support services	582,889	1,189,828
Pupil support services	2,276,000	1,531,181
Sites and buildings	2,158,949	1,636,501
Fiscal and other fixed-cost programs	71,116	57,214
Interest and fiscal charges	447,549	641,320
Total expenses	19,959,461	16,180,401
Change in Net Position	2,373,688	6,978,038
Net Position (Deficit) - Beginning	4,108,462	(2,869,576)
Net Position - Ending	$ 6,482,150	$ 4,108,462

Changes in Net Position. The District's total revenues were $22,333,149 for the year ended June 30, 2020 (See Table A-2). Unallocated state and federal aid along with local property taxes accounted for 80% of the total revenue for the year. Operating and capital grants and contributions for specific programs contributed 13% and the remainder from fees charged for services and miscellaneous sources 7%.

The total cost of all programs and services was $19,959,461 for the year ended June 30, 2020. The District's expenses are predominantly related to student education and student educational support (79%). The District's administrative activities accounted for 5% of the total costs. Total revenues surpassed total expenses, increasing net position $2,373,688 from the prior fiscal year.

<u>Governmental Activities:</u>

- The cost of all governmental activities this year was $19,959,461.
- The users of the District's programs financed $1,332,427 of the cost of services through charges for services.
- District and state taxpayers financed $17,828,666 of the District's costs. This portion of governmental activities was financed with $4,023,170 in property taxes, $702,436 in fiscal disparities, and $13,103,060 unrestricted state aid based on the statewide educational aid formula.
- The balance of $3,172,056 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 2020 fiscal year, the District's governmental funds reported combined fund balances of $6,208,034. This is compared to $6,179,331 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 $22,318,131 and $22,304,618, respectively. As a result, the District completed the year with an excess of revenues over expenditures in the amount of $13,513. Additionally, other financing sources for the District's governmental funds resulted in sources of $15,190.

<u>General Fund:</u>
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.

Revenues:

Revenues totaled $16,804,016, a decrease of $523,620 from the prior fiscal year. The following schedule presents a summary of General Fund revenues.

	Year Ended June 30, 2020	Year Ended June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Local property taxes	$ 1,199,454	$ 1,308,840	$ (109,386)	-8.4%
Other local sources	793,372	867,660	(74,288)	-8.6%
State sources	14,379,233	14,730,948	(351,715)	-2.4%
Federal sources	431,957	420,188	11,769	2.8%
Total General Fund Revenues	$ 16,804,016	$ 17,327,636	$ (523,620)	-3.0%

Expenditures:

Expenditures totaled $16,236,408, a decrease of $1,056,630 from the prior fiscal year. The following schedule presents a summary of General Fund expenditures.

	Year Ended June 30, 2020	Year Ended June 30, 2019	Amount of Increase (Decrease)	Percent Increase (Decrease)
Salaries and benefits	11,901,737	11,848,096	$ 53,641	0.5%
Purchased services	2,524,861	2,612,597	(87,736)	-3.4%
Supplies and materials	993,896	1,118,749	(124,853)	-11.2%
Capital expenditures	746,425	1,202,279	(455,854)	-37.9%
Other expenditures	69,489	511,317	(441,828)	-86.4%
Total General Fund Expenditures	$ 16,236,408	$ 17,293,038	$ (1,056,630)	-6.1%

Food Service Fund:

The Food Service Fund revenues for 2020 totaled $690,176 and expenditures were $695,986. The June 30, 2020, fund balance is $229,968, a decrease of $5,810 from the prior fiscal year.

Community Service Fund:

The Community Service Fund revenue for 2020 totaled $819,623 and expenditures were $788,853. The June 30, 2020, fund balance is $352,188, a $30,770 increase from the prior fiscal year.

Debt Service Fund:

The Debt Service fund revenue for 2020 totaled $3,995,596 and expenditures were $3,906,405. The June 30, 2020, fund balance is $802,593, an increase of $89,191 from the prior fiscal year.

Building Construction

The Building Construction fund revenue for 2020 totaled $8,720 and expenditures were $676,966. The June 30, 2020, fund balance is $181,704, a decrease from the prior year of $668,246.

Fund Balance:

The unassigned general fund balance is $2,673,379 and the various restricted and committed fund balances totaled $1,295,660 and $81,607, respectively. The fund balance increased due to a variety of factors including an increase in State Aid as well as a significant reduction in certain expenditure categories due to the closure of school buildings in March 2020 due to the COVID-19 pandemic. The District moved to a Distance Learning environment from March – May 2020 which significantly impacted certain expenditures.

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 2020) showed expenditures would exceed revenues in the General Fund by $493,083, the actual results for the year show revenues and other financing sources exceeded expenditures by $582,798, largely due to a GASB 68 adjustment for the TRA/PERA unfunded liability (net pension liability) of $57,376. 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.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets:

By the end of 2020, the District had invested $60,389,560 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 $1,413,513. 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, 2020 and 2019

	2020	2019
Land	$ 1,068,384	$ 1,068,384
Buildings	53,532,702	53,342,362
Land Improvements	361,358	343,712
Equipment	5,427,116	7,047,887
Accumulated Depreciation	(23,538,340)	(23,978,594)
Total capital assets	$ 36,851,220	$ 37,823,751

Long-Term Liabilities:

As of June 30, 2020, the District had bonds payable, bond premium, and capital lease payable of $20,873,072. Additionally, The District has a net pension liability of $9,541,079, total other post-employment benefit liability of $921,471 and other supplemental benefits payable of $95,549 at year end. More detailed information about long-term liabilities can be found in Note 3 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% or $129 per pupil unit basic formula increase for FY 2021 and increased Special Education funding for FY 2021 and beyond. The District also expects enrollment to remain steady for the next several years, however we do not know the impact that COVID-19 will have on future enrollment.

With the onset of the COVID-19 Pandemic in March 2020, the District anticipates revenue shortfalls and some reduction in expenditures due to the temporary closing of facilities and lack of public program income during the quarantine period. The District continues to provide educational opportunities to students. The District has maintained reserve balances which will help bridge financial gaps in revenue projections. During FY 2021, the District received federal grant funding related to the global COVID-19 Pandemic under the Elementary and Secondary School Emergency Relief Fund (ESSER) grant, the Governor's Emergency Education Relief Fund (GEER) grant, and the Coronavirus Relief Fund (CRF) grant. All grants will be used to cover COVID-19 expenditures of the District. This global pandemic has created unprecedented challenges for Federal, State, and Local Government operations, creating uncertainty in the outcome of the 2021 budget.

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, 2020

Assets	
Cash	$ 9,471,214
Receivables	
Current property taxes	2,549,381
Delinquent property taxes	17,443
Accounts	43,316
Due from Minnesota Department of Education	1,538,881
Due from Federal through Minnesota Department of Education	216,497
Due from other governmental units	11,363
Inventories	9,340
Prepaid items	29,155
Capital assets not being depreciated:	
Land	1,068,384
Capital assets, net of accumulated depreciation:	
Land improvements	84,030
Buildings	34,153,049
Equipment	1,545,757
Total assets	50,737,810
Deferred Outflows of Resources	
Other postemployment benefits	133,201
Other supplemental benefits	42,000
Pension plans	8,996,392
Total deferred outflows of resources	9,171,593
Liabilities	
Salaries payable	527,301
Accounts payable	276,369
Interest payable	260,534
Due to other Minnesota school districts	147,437
Due to other governmental units	1,205
Payroll deductions	725,446
Unearned revenue	33,275
Claims incurred but not reported	199,254
Noncurrent liabilities:	
Due within one year - bonds payable, related premium, and capital lease	3,290,758
Due in more than one year - bonds payable, related premium, and capital lease	17,582,314
Due in more than one year - total OPEB liability	921,471
Due in more than one year - supplemental benefits	95,549
Due in more than one year - net pension liability	9,541,079
Total liabilities	33,601,992
Deferred Inflows of Resources	
Pension plans	14,889,361
Unavailable revenue - property taxes	4,935,900
Total deferred inflows of resources	19,825,261
Net Position (Deficit)	
Net investment in capital assets	15,978,148
Restricted	3,106,478
Unrestricted	(12,602,476)
Net position	$ 6,482,150

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities				
Administration	$ 898,841	$ -	$ -	$ (898,841)
District support services	559,457	-	-	(559,457)
Regular instruction	8,874,929	408,480	386,000	(8,080,449)
Vocational instruction	438,048	-	-	(438,048)
Special education instruction	2,862,517	-	1,913,147	(949,370)
Community education and services	789,166	517,042	135,221	(136,903)
Instructional support services	582,889	-	-	(582,889)
Pupil support services	2,276,000	366,672	424,921	(1,484,407)
Sites and buildings	2,158,949	40,233	-	(2,118,716)
Fiscal and other fixed cost programs	71,116	-	-	(71,116)
Interest and fiscal charges	447,549	-	-	(447,549)
Total governmental activities	$ 19,959,461	$ 1,332,427	$ 2,859,289	(15,767,745)
General Revenues				
Property taxes and other county sources				4,023,170
Fiscal disparities				702,436
Aids and payments from the state				13,103,060
Interest earnings				115,687
Gain on sale of equipment				13,612
Miscellaneous				183,468
Total general revenues				18,141,433
Changes in Net Position				2,373,688
Net Position - Beginning				4,108,462
Net Position - Ending				$ 6,482,150

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Assets				
Cash	$ 5,151,466	$ 2,300,154	$ 1,008,951	$ 8,460,571
Receivables				
Current property taxes	847,901	1,648,441	53,039	2,549,381
Delinquent property taxes	6,136	10,915	392	17,443
Accounts	8,008	-	35,308	43,316
Due from Minnesota Department of Education	1,466,308	59,085	13,488	1,538,881
Due from Federal through Minnesota Department of Education	216,497	-	-	216,497
Due from other governmental units	-	-	11,363	11,363
Inventories	9,340	-	-	9,340
Prepaid items	29,155	-	-	29,155
Total assets	$ 7,734,811	$ 4,018,595	$ 1,122,541	$ 12,875,947
Liabilities				
Salaries payable	$ 477,869	$ -	$ 49,432	$ 527,301
Accounts payable	115,940	-	160,429	276,369
Due to other Minnesota school districts	147,437	-	-	147,437
Due to other governmental units	1,205	-	-	1,205
Payroll deductions	725,446	-	-	725,446
Unearned revenue	-	-	33,275	33,275
Total liabilities	1,467,897	-	243,136	1,711,033
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	4,811	15,694	475	20,980
Unavailable revenue - property taxes	1,620,522	3,200,308	115,070	4,935,900
Total deferred inflows of resources	1,625,333	3,216,002	115,545	4,956,880
Fund Balances				
Nonspendable	38,495	-	-	38,495
Restricted	1,295,660	802,593	763,860	2,862,113
Committed	81,607	-	-	81,607
Assigned	552,440	-	-	552,440
Unassigned	2,673,379	-	-	2,673,379
Total fund balances	4,641,581	802,593	763,860	6,208,034
Total liabilities, deferred inflows of resources, and fund balances	$ 7,734,811	$ 4,018,595	$ 1,122,541	$ 12,875,947

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2020

Total Fund Balances for Governmental Funds		$ 6,208,034
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.		36,851,220
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.		20,980
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(260,534)
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.		811,389
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		133,201
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		(5,892,969)
Deferred outflows and inflows of resources related to supplemental benefits are applicable to future periods and, therefore, are not reported in the governmental funds.		42,000
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	$ 19,871,381	
Capital Lease Payable	1,001,691	
OPEB Liability	921,471	
Single Employer Plan Net Pension Liability	95,549	
Multi-Employer Plans Net Pension Liability	9,541,079	
		(31,431,171)
Total Net Position for Governmental Activities		$ 6,482,150

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General	Debt Service	Total Nonmajor Funds	Total Governmental Funds
Revenues				
Local property tax levies	$ 1,199,454	$ 3,380,343	$ 114,762	$ 4,694,559
Other local and county sources	793,372	28,018	543,540	1,364,930
State sources	14,379,233	587,235	202,239	15,168,707
Federal sources	431,957	-	361,857	793,814
Local sales and insurance recovery	-	-	296,121	296,121
Total revenues	16,804,016	3,995,596	1,518,519	22,318,131
Expenditures				
Administration	879,308	-	-	879,308
District support services	597,621	-	-	597,621
Regular instruction	7,486,926	-	-	7,486,926
Vocational instruction	436,707	-	-	436,707
Special education instruction	2,859,044	-	-	2,859,044
Community education and services	-	-	788,853	788,853
Instructional support services	701,998	-	-	701,998
Pupil support services	1,502,139	-	695,986	2,198,125
Sites and buildings	1,704,599	-	676,966	2,381,565
Fiscal and other fixed cost programs	68,066	-	-	68,066
Debt service:				
Principal	-	3,175,000	-	3,175,000
Interest and fiscal charges	-	731,405	-	731,405
Total expenditures	16,236,408	3,906,405	2,161,805	22,304,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	567,608	89,191	(643,286)	13,513
Other Financing Sources				
Gain on sale of equipment	15,190	-	-	15,190
Net Change in Fund Balances	582,798	89,191	(643,286)	28,703
Fund Balances - Beginning	4,058,783	713,402	1,407,146	6,179,331
Fund Balances - Ending	$ 4,641,581	$ 802,593	$ 763,860	$ 6,208,034

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2020

Total Net Change in Fund Balances for Governmental Funds	$ 28,703
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	442,560
Depreciation expense	(1,413,513)
In the statement of activities, only the net gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balances by the cost of the capital assets less the accumulated depreciation.	(1,578)
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.	16,096
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.	30,338
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.	231,080
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.	(532,913)
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.	3,462,197
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.	49,726
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.	60,992
Change in Net Position of Governmental Activities	$ 2,373,688

Statement of Net Position – Proprietary Fund
June 30, 2020

	Governmental Activities - Internal Service Fund
Current Assets	
Cash	$ 1,010,643
Current Liabilities	
Claims incurred but not reported	$ 199,254
Net Position	
Unrestricted	811,389
Total liabilities and net position	$ 1,010,643

	Governmental Activities - Internal Service Fund
Operating Revenues	
Health and dental premiums	$ 2,226,079
Operating Expenses	
Health and dental claims	1,832,895
Administration fees	332,192
Total operating expenses	2,165,087
Change in Net Position	60,992
Net Position - Beginning	750,397
Net Position - Ending	$ 811,389

	Governmental Activities - Internal Service Fund
Operating Activities	
Receipts from participants	$ 2,226,079
Payments for insurance claims and administration	(2,171,989)
Net cash from operating activities	54,090
Net Change in Cash	54,090
Cash, July 1, 2019	956,553
Cash, June 30, 2020	$ 1,010,643
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	$ 60,992
Claims incurred but not reported	(6,902)
Net cash from operating activities	$ 54,090

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 $163,101 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 expended 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 2019 which are not payable until 2020 less amounts received before June 30, 2020. Delinquent taxes receivable represent levies collectible during 2019 and prior years. Delinquent taxes are recorded as unavailable revenue. Taxes levied for subsequent years represent current taxes receivable, which are levied in 2019, but not payable until 2020 and are not expendable by the District until the 2020-2021 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:

Assets	Years
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, 2020, 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, 2019.

7. Pensions

a. Single Employer Plan

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, 2019. The plan does not issue a stand-alone financial report.

b. Multi-Employer Plans

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 4.

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.

8. Deferred Inflows/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 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. They are the contributions made to pension plans and other postemployment benefit plans after the measurement date and prior to the fiscal year-end, and changes in the net pension liability and other postemployment benefit plans not included in pension expense reported in the government-wide statement of net position.

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 and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other item is changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

9. Net Position and Fund Balances

Net position represents the difference between assets, deferred outflows/inflows of resources, and liabilities in the government-wide and proprietary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statements when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned.

- 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 2020 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 2020.

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, 2020, 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, 2020, none of the District's bank balances were exposed to custodial credit risk.

B. Receivables

Receivables as of the year ended June 30, 2020 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:

	Received but Unearned
Prepaid food service meals (food service fund)	$ 33,275

C. Capital Assets

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

District support services	$ 23,220
Regular instruction	1,048,414
Vocational instruction	1,342
Special education instruction	10,429
Community education and services	313
Instructional support services	25,799
Pupil support services	139,015
Sites and buildings	164,981
Total depreciation expense	$ 1,413,513

Capital asset activity for the year ended June 30, 2020, 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	343,712	17,646	-	361,358
Buildings	53,342,362	190,340	-	53,532,702
Equipment	7,047,887	234,574	1,855,345	5,427,116
Total Capital Assets, being Depreciated	60,733,961	442,560	1,855,345	59,321,176
Less Accumulated Depreciation for:				
Land improvements	261,594	15,734	-	277,328
Buildings	18,391,728	987,925	-	19,379,653
Equipment	5,325,272	409,854	1,853,767	3,881,359
Total Accumulated Depreciation	23,978,594	1,413,513	1,853,767	23,538,340
Total Capital Assets, being Depreciated, net	36,755,367	(970,953)	1,578	35,782,836
Governmental Activities Capital Assets, net	$ 37,823,751	$ (970,953)	$ 1,578	$ 36,851,220

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.

Following is a summary of capital leases payable as of June 30, 2020:

Lease Description	Final	Interest Rate	Principal Payments	Original	Outstanding
Energy Savings Upgrades	12/24	4.70%	$40,808 - $94,776	$ 1,870,000	$ 394,882
Land Purchase	8/23	1.00% - 3.50%	$60,000 - $70,000	705,000	310,000
Technology Equipment	7/21	1.60%	$144,908 - $150,393	592,110	296,809
				$ 3,167,110	$ 1,001,691

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,	
2021	$ 337,392
2022	334,804
2023	185,241
2024	182,161
2025	41,284
Total Lease Payments	1,080,882
Less: Interest	(79,191)
Present Value of Minimum Lease Payments	$ 1,001,691

The assets acquired through the capital leases are as follows:

Asset:	Energy Savings Upgrades	Technology Equipment	Technology Equipment
Asset Cost	$ 5,917,671	$ 1,040,000	$ 592,110
Accumulated Depreciation	(1,242,711)	(1,040,000)	(177,633)
Total Assets Acquired through Capital Lease	$ 4,674,960	$ -	$ 414,477

Subsequent to year-end, the District entered into a lease agreement as lessee for the financing of Apple computers. This lease agreement will qualify as a capital lease for accounting purposes and will be recorded in fiscal year 2021. The capital lease is payable is annual installments of $56,141 through fiscal year 2024, at an interest rate of 1.9%.

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:

Bond Description	Final	Interest Rate	Principal Payments	Original	Outstanding
General Obligation Facilities Maintenance Bonds of 2017A	2/28	2.00% - 3.00%	$80,000 - $605,000	$ 1,870,000	$ 675,000
General Obligation Alternative Facilities Refunding Bonds of 2016A	2/30	2.00% - 3.00%	$200,000 - $365,000	2,970,000	2,770,000
General Obligation School Building Refunding Bonds of 2012A	2/26	3.00% - 4.00%	$2,090,000- $2,535,000	24,960,000	14,585,000
General Obligation Capital Facilities Bonds of 2009B	2/24	2.50% - 4.20%	$85,000 - $105,000	1,185,000	400,000
				$ 30,985,000	$ 18,430,000

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

Years Ending June 30,	Governmental Activities Principal	Governmental Activities Interest
2021	$ 2,755,000	$ 609,405
2022	2,705,000	502,810
2023	2,805,000	398,260
2024	2,905,000	289,710
2025	2,805,000	201,300
2026 - 2030	4,455,000	196,650
Total	$ 18,430,000	$ 2,198,135

Changes in Long-Term Liabilities. During the year ended June 30, 2020, the following changes occurred in liabilities reported in the government-wide financial statements:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Bonds Payable					
General Obligation Bonds	$ 21,605,000	$ -	$ 3,175,000	$ 18,430,000	$ 2,755,000
Bond Premium	1,672,461	-	231,080	1,441,381	231,080
Total Bonds Payable	23,277,461	-	3,406,080	19,871,381	2,986,080
Direct Borrowing, Capital Leases Payable	1,288,888	-	287,197	1,001,691	304,678
Total	$ 24,566,349	$ -	$ 3,693,277	$ 20,873,072	$ 3,290,758

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 2019 Payable 2020 was $929,607,200.

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, 2020:

	General	Debt Service	Other Government Funds	Totals
Nonspendable				
Inventories	$ 9,340	$ -	$ -	$ 9,340
Prepaid items	29,155	-	-	29,155
Total nonspendable	38,495	-	-	38,495
Restricted				
Staff development	110,350	-	-	110,350
Operating capital	593,611	-	-	593,611
Long-term facilities maintenance	203,932	-	-	203,932
Medical assistance	223,077	-	-	223,077
Student activities	164,690	-	-	164,690
Debt service	-	802,593	-	802,593
Building construction	-	-	181,704	181,704
Food service	-	-	229,968	229,968
ECFE	-	-	272,537	272,537
School readiness	-	-	54,609	54,609
Community education	-	-	25,042	25,042
Total restricted	1,295,660	802,593	763,860	2,862,113
Committed				
Severance	81,607	-	-	81,607
Assigned				
Technology	552,440	-	-	552,440
Unassigned	2,673,379	-	-	2,673,379
Total fund balance	$ 4,641,581	$ 802,593	$ 763,860	$ 6,208,034

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	$ 9,340	$ -	$ 9,340
Prepaid items	29,155	-	29,155
Total Nonspendable	38,495	-	38,495
Restricted			
Staff development	110,350	-	110,350
Operating capital	593,611	-	593,611
Long-term facilities maintenance	203,932	-	203,932
Medical assistance	223,077	-	223,077
Student activities	164,690	-	164,690
Debt service	802,593	-	802,593
Long-term facilities maintenance - building construction	181,704	-	181,704
Food service	229,968	-	229,968
Community education	272,537	-	272,537
ECFE	54,609	-	54,609
School readiness	25,042	-	25,042
Total Restricted	2,862,113	-	2,862,113
Committed			
Severance	81,607	-	81,607
Assigned			
Technology	552,440	-	552,440
Unassigned	2,673,379	-	2,673,379
Total Fund Balances	$ 6,208,034	$ -	$ 6,208,034

Note 4 - Pension Plans

1. Single Employer 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 $1,300 per year up to $50,000. The benefit is payable in 3 annual installments to the 403(b) plan.

Retired Community Service Director – For retirees meeting the PERA Retirement eligibility age with 20 years of service, the benefit is $40,000 minus accumulated District contributions to the Matching Annuity Plan. This benefit is for the retired community service directory only. The limitation on the total benefit is $40,000 and matching contributions are equal to $2,000 per year. The benefit is payable in 2 annual installments to the 403(b) plan. As of the measurement date, there was only one annual installment remaining.

B. Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	2
	6

C. Contributions

At June 30, 2020, 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	$ 42,000	$ -

For the year ended June 30, 2020, the District recognized pension expense of $6,129.

The $42,000 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, 2021.

D. Supplemental Benefits Liability

The District's supplemental benefits liability was measured as of July 1, 2019.

E. Actuarial Assumptions

The supplemental benefits liability in the July 1, 2019 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	3.00 percent
Discount Rate	3.10 percent
20-Year Municipal Bond Yield	3.10 percent

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study as of July 1, 2018.

The following changes in actuarial assumptions occurred in 2019:

- 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%.

F. Discount Rate

The discount rate used to measure the supplemental benefits liability was 3.10 percent. Since the plan is not funded by an irrevocable trust, the discount rate is equal to the 20-year municipal bond yield.

G. Changes in the Supplemental Benefits Liability

Service cost	$ 1,653
Interest cost	4,176
Assumption changes	300
Supplemental benefits cost	6,129
Benefit payments	(56,000)
Change in supplemental benefits obligation	(49,871)
Supplemental benefits liability, beginning of year	145,420
Supplemental benefits liability, end of year	$ 95,549

H. 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	2.10%	3.10%	4.10%
Supplemental Benefits Liability	$ 96,607	$ 95,549	$ 94,458

2. Defined Benefit 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 Teachers Retirement Association (TRA), all of which are administered on a statewide basis. Disclosures relating to these plans are as follows:

1. Public Employees Retirement Association (PERA)

A. Plan Description

The District participates in the following 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.

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

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

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 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 a least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule 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 2020 and the District was required to contribute 7.50 percent for Coordinated Plan members. The District's contributions to the GERF for the year ended June 30, 2020, were $155,850. The District's contributions were equal to the required contributions for each year as set by state statute.

D. Pension Costs

At June 30, 2020, the District reported a liability of $1,548,057 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 fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the District totaled $48,165. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019 the District's proportionate share was 0.0280 percent at the end of the measurement period and 0.0275 percent for the beginning of the period.

District's proportionate share of net pension liability	$ 1,548,057
State's proportionate share of the net pension liability associated with the District	48,165
Total	$ 1,596,222

For the year ended June 30, 2020, the District recognized pension expense of $143,688 for its proportionate share of the General Employees Plan's pension expense. In addition, the District recognized an additional $3,607 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At June 30, 2020, the District reported its proportionate share of 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	$ 43,792	$ -
Changes in actuarial assumptions	-	123,796
Net collective difference between projected and actual investment earnings	-	154,890
Changes in proportion	20,803	81,814
Contributions paid to PERA subsequent to the measurement date	155,850	-
Total	$ 220,445	$ 360,500

The $155,850 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2021	$ (125,892)
2022	(149,030)
2023	(23,478)
2024	2,495

E. Actuarial Assumptions

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

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

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

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

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

The 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 Equity	35.50%	5.10%
Private Markets	25.00%	5.90%
Fixed Income	20.00%	0.75%
International Equity	17.50%	5.90%
Cash Equivalents	2.00%	0.00%
Total	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 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:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF discount rate	6.50%	7.50%	8.50%
District's proportionate share of the GERF net pension liability	$ 2,544,923	$ 1,548,057	$ 724,947

H. Pension Plan Fiduciary Net Position

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

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 TRA coverage or coverage through the Define Contribution Plan (DCR) administered by the State of Minnesota.

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

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

With these provisions:

(a) Normal retirement age is 65 with less than 30 years of allowable service and age 62 with 30 or more years of allowable service.
(b) 3 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 ended June 30, 2018, June 30, 2019 and June 30, 2020 were:

	June 30, 2018		June 30, 2019		June 30, 2020	
	Employee	Employer	Employee	Employer	Employee	Employer
Basic	11.00%	11.50%	11.00%	11.71%	11.0%	11.92%
Coordinated	7.50%	7.50%	7.50%	7.71%	7.5%	7.92%

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

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

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, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Key Methods and Assumptions Used in Valuation of Total Pension Liability	
Actuarial Information	
Valuation date	July 1, 2019
Experience study	June 5, 2015 November 6, 2017 (economic assumptions)
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return	7.50%
Price inflation	2.50%
Wage growth rate	2.85% before July 1, 2028 and 3.25 % after June 30, 2028
Projected salary increase	2.85% to 8.85% before July 1, 2028 and 3.25% to 9.25% after June 30, 2028
Cost of living adjustment	1.00% for January 2019 through January 2023, then increasing by 0.1% each year up to 1.50% annually
Mortality assumptions	
Pre-retirement:	RP-2014 white collar employee table, male rates set back six years and female rates set back five years. Generational projection uses the MP-2015 scale.
Post-retirement:	RP-2014 white collar annuitant table, male rates set back three years and female rates set back three years, with further adjustments of the rates. Generational projection uses the MP-2015 scale.
Post-disability:	RP-2014 disabled retiree mortality table, without adjustment.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
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 6 years in the schedule presented. The amortization period for *Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments* is 5 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 additions, 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 2019 contribution rate, contributions from school districts will be made at contractually required rates (actuarially determined), and contributions from the state will be made at current statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was not projected to be depleted and, as a result, the Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR).

F. Net Pension Liability

At June 30, 2020, the District reported a liability of $7,993,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to TRA in relation to total system contributions including direct aid from the State of Minnesota, City of Minneapolis and Minneapolis School District. The District's proportionate share was 0.1254% at the end of the measurement period and 0.1159% 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	$ 7,993,022
State's proportionate share of the net pension liability associated with the District	$ 707,371

For the year ended June 30, 2020, the District recognized pension expense of $780,994. It also recognized $53,769 as an increase to pension expense for the support provided by direct aid.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,260	$ 204,170
Changes in actuarial assumptions	7,641,140	10,182,029
Difference between projected and actual investment earnings	-	643,807
Change in proportion and differences between contributions made and District's proportionate share of contributions	569,411	3,498,855
District's contributions to TRA subsequent to the measurement date	564,136	-
Total	$ 8,775,947	$ 14,528,861

$564,136 was reported as deferred outflows of resources related to pensions resulting from the District's contributions to TRA subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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

Years Ended June 30,	Pension Expense Amount
2021	$ 255,031
2022	(298,538)
2023	(3,731,909)
2024	(2,626,264)
2025	84,630

G. Pension Liability Sensitivity

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50% as well as the liability measured using one percent lower and one percent higher:

	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	$ 12,742,832	$ 7,993,022	$ 4,076,874

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

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

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

Note 5 - 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 $525 for single and $1,053 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	22
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	181
	203

D. Total OPEB Liability

The District's total OPEB liability of $921,471 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2018.

E. Actuarial Assumptions

The total OPEB liability in the July 1, 2018 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	3.00 percent	
Discount Rate	3.10 percent	
Healthcare cost trend rates	6.25 percent in 2019 grading to 5.00% over 5 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%

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2014.

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

Assumption changes:

- For the year ending June 30, 2019, the health care trend rates and 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%.

F. Changes in the Total OPEB Liability

Balance at June 30, 2019	$ 938,807
Changes from the Prior Year:	
Service Cost	53,592
Interest Cost	32,576
Assumption Changes	20,891
Benefit Payments	(124,395)
Net Change	(17,336)
Balance at June 30, 2020	$ 921,471

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	2.10%	3.10%	4.10%
Total OPEB Liability	$ 985,007	$ 921,471	$ 861,165

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	5.25% decreasing to 4.00% over 5 years	6.25% decreasing to 5.00% over 5 years	7.25% decreasing to 6.00% over 5 years
Total OPEB Liability	$ 824,087	$ 921,471	$ 1,039,860

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

For the year ended June 30, 2020, the District recognized OPEB expense of $90,667. At June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses	$ 11,063	$ -
Assumption changes	18,532	-
Employer contributions made after the measurement date	103,606	-
	$ 133,201	$ -

$103,606 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, 2021. 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
2021	$ 5,919
2022	5,919
2023	5,919
2024	5,919
2025	5,919

Note 6 - 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, 2020, 2019, and 2018, were $175,012, $138,842, and $127,664, respectively. The related employee contributions were $263,469, $234,485, and $205,837 for the years ended June 30, 2020, 2019, and 2018, respectively.

Note 7 - 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, 2020:

Claims incurred but not reported at beginning of year	$ 206,156
Claims incurred	1,825,993
Claims paid	(1,832,895)
Claims incurred but not reported at end of year	$ 199,254

Note 8 - 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 $387,610 for the year ended June 30, 2020, and an outstanding balance due to SWMEC of $107,614 at June 30, 2020.

C. COVID-19 Pandemic

The District received federal grant funding related to the global COVID-19 pandemic. $79,435 was received under the Elementary and Secondary School Emergency Relief Fund (ESSER) formula and grant, $16,300 was received under the Governor's Emergency Education Relief Fund (GEER) grant, and $399,985 was received as part of the Coronavirus Relief Fund (CRF). All grants will be used to cover COVID-19 expenditures of the District.

Note 9 - Issued but Non-Effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the District. The first statement issued but not yet implemented that will affect the District is Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. This Statement will be implemented at the District in the year ended June 30, 2022.

The second statement issued but not yet implemented that will affect the District is Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period. This Statement will be implemented at the District in the year ended June 30, 2022.

The third statement issued but not yet implemented that will affect the District is Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this Statement will improve financial reporting by establishing the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This Statement will be implemented at the District in the year ended June 30, 2023.

The final statement issued but not yet implemented that will affect the District is Statement No. 96, *Subscription-Based Information Technology Arrangements.* The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement will improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. This Statement will be implemented at the District in the year ended June 30, 2023.

Management has not yet determined the effect these pronouncements will have on the District's financial statements.

Required Supplementary Information
June 30, 2020

Independent School District No. 716

Belle Plaine, Minnesota

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

	2020	2019	2018
Service cost	$ 53,592	$ 48,606	$ 45,239
Interest cost	32,576	32,227	33,180
Assumption changes	20,891	339	-
Differences between expected and actual experience	-	14,751	-
Benefit payments	(124,395)	(111,776)	(107,882)
Net change in total OPEB liability	(17,336)	(15,853)	(29,463)
Total OPEB liability - beginning	938,807	954,660	984,123
Total OPEB liability - ending	$ 921,471	$ 938,807	$ 954,660
Covered-employee payroll	$ 8,758,528	$ 8,503,425	$ 8,567,462
Total OPEB liability as a percentage of covered-employee payroll	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%.

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

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

* 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 *

	2020	2019	2018	2017
Supplemental benefits liability	$ 95,549	$ 145,420	$ 191,635	$ 192,642
Covered-employee payroll	$ 126,564	$ 122,878	$ 263,089	$ 255,426
Supplemental benefits liability as a percentage of covered-employee payroll	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.

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:

- None

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%.

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 it's Covered Payroll (c/e)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERA	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	06/30/19	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	7,521,813	96.8%	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	06/30/20	$ 155,850	$ 155,850	$ -	$ 2,078,000	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	06/30/20	$ 564,136	$ 564,136	$ -	$ 7,140,962	7.9%
	06/30/19	553,614	553,614	-	7,180,467	7.7%
	06/30/18	564,136	564,136	-	7,521,813	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

2019 Changes

Changes in Actuarial Assumptions:

- The morality 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 morality 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.

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
Revenues				
Local property tax levies	$ 1,172,699	$ 1,196,668	$ 1,199,454	$ 2,786
Other local and county sources	517,482	427,453	793,372	365,919
State sources	14,296,397	14,477,390	14,379,233	(98,157)
Federal sources	378,325	385,694	431,957	46,263
Total revenues	16,364,903	16,487,205	16,804,016	316,811
Expenditures				
Administration	886,138	894,185	879,308	14,877
District support services	551,847	826,859	597,621	229,238
Regular instruction	7,549,207	7,640,767	7,486,926	153,841
Vocational instruction	393,324	396,896	436,707	(39,811)
Special education instruction	2,837,657	2,863,428	2,859,044	4,384
Instructional support services	797,807	805,053	701,998	103,055
Pupil support services	1,529,619	1,543,510	1,502,139	41,371
Sites and buildings	1,899,656	1,907,511	1,704,599	202,912
Fiscal and other fixed cost programs	101,160	102,079	68,066	34,013
Total expenditures	16,546,415	16,980,288	16,236,408	743,880
Excess (Deficiency) of Revenues Over (Under) Expenditures	(181,512)	(493,083)	567,608	1,060,691
Other Financing Sources				
Gain on sale of equipment	-	-	15,190	15,190
Net Change in Fund Balances	$ (181,512)	$ (493,083)	582,798	$ 1,075,881
Fund Balances - Beginning			4,058,783	
Fund Balances - Ending			$ 4,641,581	

Supplementary Information
June 30, 2020

Independent School District No. 716

Belle Plaine, Minnesota

	Fund Balance Beginning of Year	Net Change in Fund Balance	Fund Balance End of Year
Nonspendable	$ 6,027	$ 32,468	$ 38,495
Restricted for staff development	78,031	32,319	110,350
Restricted for operating capital	753,897	(160,286)	593,611
Restricted for safe school - crime levy	3,954	(3,954)	-
Restricted for basic skills ext time	3,691	(3,691)	-
Restricted for long-term facilities maintenance	302,483	(98,551)	203,932
Restricted for medical assistance	161,146	61,931	223,077
Restricted for student activities	-	164,690	164,690
Committed for severance	81,607	-	81,607
Committed for student activities	133,318	(133,318)	-
Assigned for technology	220,976	331,464	552,440
Unassigned	2,313,653	359,726	2,673,379
	$ 4,058,783	$ 582,798	$ 4,641,581

	Special Revenue Funds			
	Food Service	Community Service	Building Construction	Total Nonmajor Funds
Assets				
Cash	$ 228,073	$ 438,974	$ 341,904	$ 1,008,951
Receivables				
Current property taxes	-	53,039	-	53,039
Delinquent property taxes	-	392	-	392
Accounts	35,308	-	-	35,308
Due from Minnesota Department of Education	-	13,488	-	13,488
Due from other governmental units	-	11,363	-	11,363
Total assets	$ 263,381	$ 517,256	$ 341,904	$ 1,122,541
Liabilities				
Salaries payable	$ -	$ 49,432	$ -	$ 49,432
Accounts payable	138	91	160,200	160,429
Unearned revenue	33,275	-	-	33,275
			-	
Total liabilities	33,413	49,523	160,200	243,136
Deferred Inflows of Resources				
Unavailable revenue - delinquent taxes	-	475	-	475
Unavailable revenue - property taxes	-	115,070	-	115,070
Total deferred inflows of resources	-	115,545	-	115,545
Fund Balances				
Restricted	229,968	352,188	181,704	763,860
Total liabilities, deferred inflows of resources, and fund balances	$ 263,381	$ 517,256	$ 341,904	$ 1,122,541

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year Ended June 30, 2020

	Special Revenue Funds			Total
	Food Service	Community Service	Building Construction	Nonmajor Funds
Revenues				
Local property tax levies	$ -	$ 114,762	$ -	$ 114,762
Other local and county sources	4,151	530,669	8,720	543,540
State sources	28,047	174,192	-	202,239
Federal sources	361,857	-	-	361,857
Local sales and insurance recovery	296,121	-	-	296,121
Total revenues	690,176	819,623	8,720	1,518,519
Expenditures				
Community education and services	-	788,853	-	788,853
Pupil support services	695,986	-	-	695,986
Sites and buildings	-	-	676,966	676,966
Total expenditures	695,986	788,853	676,966	2,161,805
Net Change in Fund Balances	(5,810)	30,770	(668,246)	(643,286)
Fund Balances - Beginning	235,778	321,418	849,950	1,407,146
Fund Balances - Ending	$ 229,968	$ 352,188	$ 181,704	$ 763,860

01 GENERAL FUND	Audit	UFARS	Audit - UFARS
Total Revenue	$16,804,016	$16,804,016	$0
Total Expenditures	$16,236,408	$16,236,409	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$38,495	$38,495	$0
Restricted / Reserved:			
4.01 Student Activities	$164,690	$164,690	$0
4.02 Scholarships	$0	$0	$0
4.03 Staff Development	$110,350	$110,350	$0
4.07 Capital Projects Levy	$0	$0	$0
4.08 Cooperative Revenue	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.14 Operating Debt	$0	$0	$0
4.16 Levy Reduction	$0	$0	$0
4.17 Taconite Building Maint	$0	$0	$0
4.24 Operating Capital	$593,611	$593,611	$0
4.26 $25 Taconite	$0	$0	$0
4.27 Disabled Accessibility	$0	$0	$0
4.28 Learning & Development	$0	$0	$0
4.34 Area Learning Center	$0	$0	$0
4.35 Contracted Alt. Programs	$0	$0	$0
4.36 State Approved Alt. Program	$0	$0	$0
4.38 Gifted & Talented	$0	$0	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.41 Basic Skills Programs	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.49 Safe School Crime - Crime Levy	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.53 Unfunded Sev & Retiremt Levy	$0	$0	$0
4.59 Basic Skills Extended Time	$0	$0	$0
4.67 LTFM	$203,932	$203,932	$0
4.72 Medical Assistance	$223,077	$223,077	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
4.75 Title VII Impact Aid	$0	$0	$0
4.76 Payments in Lieu of Taxes	$0	$0	$0
Committed:			
4.18 Committed for Separation	$81,607	$81,607	$0
4.61 Committed Fund Balance	$0	$0	$0
Assigned:			
4.62 Assigned Fund Balance	$552,440	$552,440	$0
Unassigned:			
4.22 Unassigned Fund Balance	$2,673,379	$2,673,379	$0

02 FOOD SERVICES			
Total Revenue	$690,176	$690,176	$0
Total Expenditures	$695,986	$695,986	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$229,968	$229,968	$0
Unassigned:			
4.63 Unassigned Fund Balancee	$0	$0	$0

04 COMMUNITY SERVICE			
Total Revenue	$819,623	$819,623	$0
Total Expenditures	$788,853	$788,854	($1)
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.26 $25 Taconite	$0	$0	$0
4.31 Community Education	$272,537	$272,537	$0
4.32 E.C.F.E	$54,609	$54,609	$0
4.40 Teacher Development and Evaluation	$0	$0	$0
4.44 School Readiness	$25,042	$25,042	$0
4.47 Adult Basic Education	$0	$0	$0
4.52 OPEB Liab Not In Trust	$0	$0	$0
4.73 PPP Loan	$0	$0	$0
4.74 EIDL Loan	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

06 BUILDING CONSTRUCTION	Audit	UFARS	Audit - UFARS
Total Revenue	$8,720	$8,719	$1
Total Expenditures	$676,966	$676,966	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.07 Capital Projects Levy	$0	$0	$0
4.13 Project Funded by COP	$0	$0	$0
4.67 LTFM	$181,704	$181,704	$0
Restricted:			
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

07 DEBT SERVICE			
Total Revenue	$3,995,596	$3,995,596	$0
Total Expenditures	$3,906,405	$3,906,405	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted / Reserved:			
4.25 Bond Refundings	$0	$0	$0
4.33 Maximum Effort Loan Aid	$0	$0	$0
4.51 QZAB Payments	$0	$0	$0
4.67 LTFM	$0	$0	$0
Restricted:			
4.64 Restricted Fund Balance	$802,593	$802,594	($1)
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

08 TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

18 CUSTODIAL			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Restricted / Reserved:			
4.01 Student Activities	$0	$0	$0
4.02 Scholarships	$0	$0	$0
4.48 Achievement and Integration	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0

20 INTERNAL SERVICE			
Total Revenue	$2,226,079	$2,226,079	$0
Total Expenditures	$2,165,087	$2,165,087	$0
4.22 Unassigned Fund Balance (Net Assets)	$811,389	$811,389	$0

25 OPEB REVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

45 OPEB IRREVOCABLE TRUST			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
4.22 Unassigned Fund Balance (Net Assets)	$0	$0	$0

47 OPEB DEBT SERVICE			
Total Revenue	$0	$0	$0
Total Expenditures	$0	$0	$0
Non Spendable:			
4.60 Non Spendable Fund Balance	$0	$0	$0
Restricted:			
4.25 Bond Refundings	$0	$0	$0
4.64 Restricted Fund Balance	$0	$0	$0
Unassigned:			
4.63 Unassigned Fund Balance	$0	$0	$0

CPAs & BUSINESS ADVISORS

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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2020.

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 summary of audit findings as items 2020-001 and 2020-002 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 their Corrective Action Plan and the accompanying summary of audit findings. 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.

Eide Bailly LLP

Mankato, Minnesota
November 16, 2020

EideBailly
CPAs & BUSINESS ADVISORS

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, the major fund, and the aggregate remaining fund information of the Independent School District No. 716 as of and for the year ended June 30, 2020, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and uniform financial accounting and reporting standards sections of the *Minnesota Legal Compliance Audit Guide for School Districts*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, except as described in the accompanying summary of audit findings as item 2020-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's response to the finding identified in our audit is described in the accompanying summary of audit findings and the District's Corrective Action Plan, which is contained in a separate document. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Eide Bailly LLP

Mankato, Minnesota
November 16, 2020

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Section I – Financial Statement Findings

2020-001 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.

2020-002 Preparation of Financial Statements
Material Weakness

Criteria: A good system of internal control contemplates an adequate system for drafting of the financial statements.
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, 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: Management agrees with this finding.

Section II – Minnesota Legal Compliance Findings

2020-003 Lack of Student Signatures for Disbursements
Student Activity Finding - Disbursements

Criteria: A good system of internal control contemplates an adequate system for compliance with the Manual for Activity Fund Accounting (MAFA) guidelines. The MAFA requires approval by a student representative for all disbursements, with the exception of elementary students.
Condition: During the course of our engagement, we discovered two transactions for which student signatures were not obtained to document approval.
Cause: The District did not follow procedures to obtain student signatures on all disbursements.
Effect: The finding could result in student activity funding being misused.
Recommendation: A thorough policy requiring the review of individual student activity disbursements ensuring that all signatures have been obtained to document proper approval.
Views of Responsible Officials: Management agrees with this finding.